May 14th, 2019

SHAWCOR LTD.
(TSX: SCL)

PRESS RELEASE

SHAWCOR LTD. ANNOUNCES FIRST QUARTER 2019 RESULTS

- First quarter 2019 revenue was $350 million, a decrease of 1% from the $354 million reported in the fourth quarter of 2018 and in line with the $351 million reported in the first quarter of 2018.
- Adjusted EBITDA[1] in the first quarter of 2019 was $28 million, which reflects a positive impact from the adoption of the new IFRS 16 – Leases ("IFRS 16") in the quarter. This is an increase of 17% from the $24 million reported in the fourth quarter of 2018 and is 19% lower than the $35 million reported in the first quarter of 2018.
- Net loss (attributable to shareholders of the Company) in the first quarter of 2019 was $9.1 million (or loss per share of $0.13 diluted) compared with net income of $4.4 million (or $0.06 earnings per share diluted) in the fourth quarter of 2018 and a net income of $3.8 million (or $0.05 earnings per share diluted) in the first quarter of 2018. Excluding the impact of the costs from the acquisition of ZCL Composites Inc. ("ZCL"), new financing arrangements and the adjustment for Argentina Hyperinflationary accounting, Adjusted net income[1] in the first quarter of 2019 was $3.2 million (or $0.05 adjusted earnings per share[1]).
- The Company's order backlog was $454 million at March 31, 2019, in line with the backlog of $459 million at December 31, 2018.

Mr. Steve Orr, Chief Executive Officer of Shawcor Ltd. remarked "First quarter revenue and Adjusted EBITDA reflected continued low activity, ongoing investments being made in pipe coating and weakness in Western Canada. These results were softer than expected but are aligned with our earlier communications that 2019 will be a year of two halves, with the second half being stronger than the first as pipe coating starts to contribute."

Mr. Orr added "With portfolio diversification now in place and the continued strengthening in offshore and international markets, the future growth of the Company will be dependent on our ability to execute; execution in the continued optimization and derisking of our base business, including the integration of ZCL, in the securing and production of work that is now in our backlog and under bid, and in reducing debt leverage.

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

Selected Financial Highlights

(in thousands of Canadian dollars, except per share amounts and percentages)	Three Months Ended March 31,	
	2019	2018[(c)]
Revenue	**$ 349,578**	$ 350,767
Gross profit	**98,204**	116,852
Gross profit %	**28.1%**	33.3%
Adjusted EBITDA[(a)]	**28,244**	35,068
Income from operations	**7,634**	10,765
Net (Loss) Income for the period[(b)]	**$ (9,074)**	$ 3,829
Earnings per share:		
Basic	**$ (0.13)**	$ 0.05
Fully diluted	**$ (0.13)**	$ 0.05

(a) Adjusted EBITDA is a non-GAAP measure calculated by adding back to net income the sum of net finance costs, income taxes, amortization of property, plant, equipment, right-of-use ("ROU") assets and intangible assets, cost associated with repayment of long-term debt and credit facilities, gains from sale of land, acquisition costs and hyperinflationary adjustments. Adjusted EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. See *Section 6.0 – Reconciliation of Non GAAP Measures*.

(b) Attributable to shareholders of the Company.

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

1.0 KEY DEVELOPMENTS

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.

1.1 OUTLOOK

Shawcor's financial performance is correlated with oil and gas infrastructure spending and the resultant demand for the Company's products and services. Adjusted EBITDA[1] for the 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 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.

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

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 – Europe, Middle East, Africa and Russia ("EMAR")

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

Pipeline and Pipe Services Segment - Asia Pacific

The region's project activity will continue to be depressed due to the lack of offshore project investments. 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.

2.0 CONSOLIDATED INFORMATION AND RESULTS FROM OPERATIONS

2.1 Revenue

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

(in thousands of Canadian dollars)	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018[b]	Three Months Ended 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 7.0 - 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 7.0*. This was partially offset by higher volumes in the EMAR region. See *Section 3.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue was higher by $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 3.2 – 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 3.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

2.2 Income from Operations ("Operating Income")

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

	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 6.0 – 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 7.0 - 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 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 7.0*.

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.

2.3 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
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 7.0 - 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.

2.4 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 7.0 - 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.

2.5 Foreign Exchange Impact

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

	Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
U.S. 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.

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

First Quarter 2019 versus Fourth Quarter 2018

Net income decreased by $13.4 million, from $4.4 million during the fourth quarter of 2018 to a net loss of $9.1 million during the first quarter of 2019. This was mainly due to the $1.7 million decrease in operating income, as explained in *Section 2.2* above, the $0.4 million increase in loss from investment in associates, the $12.3 million in costs associated with the repayment of long-term debt and credit facility and a $0.8 million decrease in income tax recovery. This was partially offset by a $2.1 million decrease in net monetary loss from hyperinflationary accounting in Argentina.

First Quarter 2019 versus First Quarter 2018

Net income decreased by $12.9 million, from $3.8 million during the first quarter of 2018 to a net loss of $9.1 million during the first quarter of 2019. This was mainly due to the $3.1 million decrease in operating income, as explained in *Section 2.2* above, the $0.6 million increase in loss from investment in associates, the $12.3 million in costs associated with repayment of long term debt and credit facility and a $0.8 million increase in net finance costs. This was partially offset by a $4.2 million increase in income tax recovery.

3.0 SEGMENT INFORMATION

3.1 Pipeline and Pipe Services Segment

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

	Three Months Ended		
(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 6.0 - 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 7.0 - 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 7.0 - 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 2.2* 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 2.5* 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 2.2* above.

3.2 Petrochemical and Industrial Segment

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

	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 6.0 - 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 above.

3.3 Financial and Corporate

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

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

	Three Months Ended		
(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.

4.0 FORWARD-LOOKING INFORMATION

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, 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

5.0 Additional Information

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

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

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Shawcor Ltd.

Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)		**March 31, 2019**		December 31, 2018[(a)]
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**97,898**	$	217,264
Short-term investments		**5,148**		2,046
Loans receivable		**2,339**		2,492
Accounts receivable		**247,268**		241,497
Contract assets		**46,722**		31,404
Income taxes receivable		**27,703**		27,476
Inventories		**144,222**		136,997
Prepaid expenses		**12,562**		22,116
Derivative financial instruments		**222**		1,102
Total current assets		**584,084**		682,394
Non-current Assets				
Loans receivable		**–**		545
Property, plant and equipment		**430,393**		442,941
Right-of-use assets		**62,181**		–
Intangible assets		**147,767**		155,454
Investments in associates		**29,547**		30,219
Deferred income tax assets		**36,591**		31,290
Other assets		**7,011**		8,880
Goodwill		**343,589**		350,402
Total non-current assets		**1,057,079**		1,019,731
TOTAL ASSETS	**$**	**1,641,163**	$	1,702,125
LIABILITIES AND EQUITY				
Current Liabilities				
Bank indebtedness	**$**	**1,155**	$	–
Accounts payable and accrued liabilities		**226,907**		206,860
Provisions		**20,944**		23,924
Income taxes payable		**24,548**		26,139
Derivative financial instruments		**446**		226
Contract liabilities		**25,092**		23,603
Lease Liabilities		**17,286**		1,155
Other liabilities		**12,176**		7,339
Total current liabilities		**328,554**		289,246
Non-current Liabilities				
Long-term debt		**168,915**		267,781
Lease liabilities		**47,856**		10,388
Provisions		**31,300**		34,979
Employee future benefits		**15,261**		15,190
Deferred income tax liabilities		**5,456**		4,632
Other liabilities		**7,835**		10,259
Total non-current liabilities		**276,623**		343,229
Total liabilities		**605,177**		632,475
Equity				
Share capital		**709,674**		708,833
Contributed surplus		**30,698**		30,187
Retained earnings		**248,812**		271,429
Non-controlling interests		**5,206**		5,418
Accumulated other comprehensive income		**41,596**		53,783
Total equity		**1,035,986**		1,069,650
TOTAL LIABILITIES AND EQUITY	**$**	**1,641,163**	$	1,702,125

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

Shawcor Ltd.

Interim Consolidated Statements of (Loss) Income (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended March 31, 2019	2018[(a)]
Revenue		
Sale of products	**$ 138,245**	$ 154,917
Rendering of services	**211,333**	195,850
	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
Earnings per Share		
Basic	**$ (0.13)**	$ 0.05
Diluted	**$ (0.13)**	$ 0.05
Weighted Average Number of Shares Outstanding (000s)		
Basic	**70,120**	70,016
Diluted	**70,359**	70,223

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

Shawcor Ltd.

Interim Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

(in thousands of Canadian dollars)		Three Months Ended March 31, 2019		2018[(a)]
Net (Loss) Income	**$**	**(8,921)**	$	3,961
Other Comprehensive (Loss) Income to be Reclassified to Net (Loss) Income in Subsequent Periods				
Exchange differences on translation of foreign operations		**(16,484)**		22,431
Other comprehensive income attributable to investments in associates		**71**		41
Cash flow hedge gains		**3,869**		–
Net Other Comprehensive (Loss) Income to be Reclassified to Net (Loss) Income in Subsequent Periods		**(12,544)**		22,472
Other Comprehensive (Loss) Income not to be Reclassified to Net (Loss) Income in Subsequent Periods				
Actuarial loss on defined benefit plan		**(8)**		(10)
Income tax recovery		**–**		4
Net Other Comprehensive Loss not to be Reclassified to Net (Loss) Income in Subsequent Periods		**(8)**		(6)
Other Comprehensive (Loss) Income, Net of Income Tax		**(12,552)**		22,466
Total Comprehensive (Loss) Income	**$**	**(21,473)**	$	26,427
Comprehensive (Loss) Income Attributable to:				
Shareholders of the Company	**$**	**(21,261)**	$	25,853
Non-controlling interests		**(212)**		574
Total Comprehensive (Loss) Income	**$**	**(21,473)**	$	26,427

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

Shawcor Ltd.

Interim Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings[(a)]	Non-controlling Interests	Accumulated Other Comprehensive Income (Loss)	Total Equity[(a)]
	$	$	$	$	$	$
Balance – December 31, 2018	**708,833**	**30,187**	**271,429**	**5,418**	**53,783**	**1,069,650**
Adjustment for IFRS 16 – Leases	**–**	**–**	**(3,023)**	**–**	**–**	**(3,023)**
Adjusted balance – January 2019	**708,833**	**30,187**	**268,406**	**5,418**	**53,783**	**1,066,627**
Net (loss) income	**–**	**–**	**(9,074)**	**153**	**–**	**(8,921)**
Other comprehensive loss	**–**	**–**	**–**	**(365)**	**(12,187)**	**(12,552)**
Comprehensive loss	**–**	**–**	**(9,074)**	**(212)**	**(12,187)**	**(21,473)**
Issued on exercise of stock options	**356**	**–**	**–**	**–**	**–**	**356**
Compensation cost on exercised options	**140**	**(140)**	**–**	**–**	**–**	**–**
Compensation cost on exercised Restricted Share Units	**345**	**(345)**	**–**	**–**	**–**	**–**
Share-based compensation expense	**–**	**996**	**–**	**–**	**–**	**996**
Dividends declared and paid to shareholders	**–**	**–**	**(10,520)**	**–**	**–**	**(10,520)**
Balance – March 31, 2019	**709,674**	**30,698**	**248,812**	**5,206**	**41,596**	**1,035,986**
Balance – December 31, 2017	704,956	27,651	302,206	5,848	4,123	1,044,784
Hyperinflation adjustments for Argentina[(a)]	–	–	(14,624)	(369)	19,307	4,314
Adjusted Balance – January 1, 2018	704,956	27,651	287,582	5,479	23,430	1,049,098
Net income	–	–	3,829	132	–	3,961
Other comprehensive income	–	–	–	442	22,024	22,466
Comprehensive income	–	–	3,829	574	22,024	26,427
Issued on exercise of stock options	1,331	–	–	–	–	1,331
Compensation cost on exercised options	516	(516)	–	–	–	–
Compensation cost on exercised Restricted Share Units	561	(561)	–	–	–	–
Share-based compensation expense	–	1,240	–	–	–	1,240
Dividends declared and paid to shareholders	–	–	(10,506)	–	–	(10,506)
Balance – March 31, 2018	707,364	27,814	280,905	6,053	45,454	1,067,590

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

Shawcor Ltd.

Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended March 31, 2019	2018[(a)]
Operating Activities		
Net (loss) income	**$ (8,921)**	$ 3,961
Add (deduct) items not affecting cash		
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**	–
Amortization of long-term prepaid expenses	**105**	–
Interest expense on right-of-use assets leases	**730**	–
Decommissioning obligations expense	**(1,581)**	173
Other provision expenses	**(680)**	3,147
Share-based compensation and other incentive-based compensation	**5,501**	2,523
Deferred income taxes	**(2,762)**	(1,984)
Gain on disposal of property, plant and equipment	**(280)**	(63)
Unrealized loss (gain) on derivative financial instruments	**1,100**	(1,531)
Loss from investments in associates	**743**	116
Cost associated with repayment of long-term debt and credit facilities	**5,353**	–
Other	**–**	(4,117)
Settlement of decommissioning liabilities	**(148)**	–
Settlement of other provisions	**(1,356)**	(3,882)
Net change in employee future benefits	**189**	(51)
Change in non-cash working capital and foreign exchange	**(656)**	(52,240)
Cash Provided by (Used in) Operating Activities	**$ 17,945**	$ (29,472)
Investing Activities		
Decrease in loans receivable	**637**	155
Increase in short-term investment	**(3,102)**	–
Purchase of property, plant and equipment	**(15,436)**	(9,477)
Proceeds on disposal of property, plant and equipment	**393**	507
Decrease in other assets	**103**	244
Cash Used in Investing Activities	**$ (17,405)**	$ (8,571)
Financing Activities		
Increase in bank indebtedness	**170,070**	–
Repayment of long-term debts	**(269,377)**	–
Payment of lease liabilities	**(8,246)**	(299)
Issuance of shares	**356**	1,331
Dividends paid to shareholders	**(10,520)**	(10,506)
Cash Used in Financing Activities	**$ (117,717)**	$ (9,474)
Effect of Foreign Exchange on Cash and Cash Equivalents	**(2,189)**	6,831
Net decrease in Cash and Cash Equivalents	**(119,366)**	(40,686)
Cash and Cash Equivalents - Beginning of Period	**217,264**	289,065
Cash and Cash Equivalents – 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 7.0 - Financial Reporting in Hyperinflationary Economies.*

6.0 Reconciliation of Non-GAAP Measures

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage its capital structure. These non-GAAP measures do not have standardized meanings under IFRS and are not necessarily comparable to similar measures provided by other companies. The Company discloses these measures because it believes that they provide further information and assist readers in understanding the results of the Company's operations and financial position. These measures should not be considered in isolation or used in substitution for other measures of performance prepared in accordance with GAAP. The following is a reconciliation of the non-GAAP measures reported by the Company.

EBITDA and Adjusted EBITDA

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA is also a non-GAAP measure defined as EBITDA adjusted for items which do not impact day to day operations. The Company believes that EBITDA and Adjusted EBITDA are useful supplemental measures that provide a meaningful indication of the Company's results from principal business activities prior to the consideration of how these activities are financed or the tax impacts in various jurisdictions and for comparing its operating performance with the performance of other companies that have different financing, capital or tax structures. The Company presents Adjusted EBITDA as a measure of EBITDA that excludes the impact of transactions that are outside the Company's normal course of business or day to day operations. Adjusted EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools to evaluate financial performance and is a key metric in business valuations. It is also considered important by lenders to the Company and is included in the financial covenants of the Company's debt agreements.

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2019**	December 31, 2018[b]	March 31, 2018[b]
Net (Loss) Income	**$ (8,921)**	$ 4,096	$ 3,961
Add:			
Income taxes	**(604)**	(1,434)	3,547
Finance costs, net	**3,457**	3,596	2,666
Amortization of property, plant, equipment, intangible and ROU assets	**20,608**	19,806	24,476
Cost associated with repayment of long-term debt and credit facilities	**12,308**	–	–
EBITDA	**$ 26,848**	$ 26,064	$ 34,650
Acquisition cost	**551**	–	–
Hyperinflation adjustment for Argentina[b]	**845**	(1,841)	418
ADJUSTED EBITDA[a]	**$ 28,244**	$ 24,223	$ 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 7.0 - 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**	December 31, 2018	March 31, 2018
Net (Loss) Income	**$ (8,921)**	$ 4,096	$ 3,961
Add:			
Acquisition cost	**551**	–	–
Hyperinflation adjustment for Argentina	**1,599**	227	1,147
Cost associated with repayment of long-term debt and credit facilities	**12,308**	–	–
Tax effect of the above adjustments	**(2,207)**	1,062	234
Adjusted Net Income	**$ 3,330**	$ 5,385	$ 5,342
Adjusted Net Income Attributable to Shareholders	**3,177**	5,655	5,210
Adjusted EPS			
Basic	**$ 0.05**	$ 0.08	$ 0.07
Diluted	**$ 0.05**	$ 0.08	$ 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.

7.0 Financial Reporting in Hyperinflationary Economies

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

On the application of IAS 29, the Company used the conversion coefficient derived from the consumer price index ("CPI") in the Greater Buenos Aires area published by the National Statistics and Census Institution in Argentina. The CPIs for the current 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)