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

The following Management's Discussion and Analysis ("MD&A"), is a discussion of the consolidated financial position and results of operations of Shawcor Ltd. ("Shawcor" or "the Company") for the years ended December 31, 2015 and 2014 and should be read together with Shawcor's audited consolidated financial statements and accompanying notes for the same periods. All dollar amounts in this MD&A are in thousands of Canadian dollars except per share amounts or unless otherwise stated.

This MD&A and the audited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, 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 seven divisions with over eighty manufacturing, sales and service facilities located around the world. The Company is publicly-traded on the Toronto Stock Exchange

1.1 Core Businesses

Shawcor provides a broad range of products and services, which include high quality pipe coating services, flexible composite pipe, onshore and offshore pipeline corrosion and thermal protection, state-of-the-art ultrasonic and radiographic inspection services, tubular management services, heat-shrinkable polymer tubing, and control, and instrumentation wire and cable.

The Company and its predecessors have designed, engineered, marketed and sold these products and services worldwide for over 50 years. Shawcor has made substantial investments in research and development initiatives and earned strong customer loyalty based on a history of project execution success.

The Company operates in a highly competitive international business environment with its success attributed to its strategic global locations, its extensive portfolio of proprietary technologies and its commitment to the use of industry-leading business processes and programs. Shawcor is the world's largest applicator of pipeline coatings for the oil and gas industry for both onshore and offshore pipelines.

The primary driver of demand for the Company's products and services is the level of energy industry investment in pipeline infrastructure for hydrocarbon development and transportation around the globe. This investment, in turn, is driven by global levels of economic activity and the resulting growth in hydrocarbon demand, the impact of resource depletion on the supply of hydrocarbons and the financial position of the major energy companies. The relationship between global hydrocarbon demand and supply and the level of energy industry investment in infrastructure tends to be cyclical.

As at December 31, 2015, the Company operated its seven 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 90% of consolidated revenue for the year ended December 31, 2015. This segment includes the Bredero Shaw, Canusa-CPS, Shaw Pipeline Services, Flexpipe Systems, Guardian and Desert NDT divisions. During 2015, the Socotherm division was integrated with the Bredero Shaw division.

- Bredero Shaw’s product offerings include specialized internal anticorrosion 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.
- Canusa-CPS manufactures heat-shrinkable sleeves, adhesives, sealants and liquid coatings for corrosion protection on onshore and offshore pipelines.
- 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.
- Flexpipe Systems manufactures spoolable composite pipe systems 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.
- Desert NDT provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services.

Petrochemical and Industrial

The Petrochemical and Industrial segment, which consists of the Connection Systems division, accounted for 10% of consolidated revenue for the year ended December 31, 2015. Operations within this segment utilize polymer and adhesive technologies that were developed for the Pipeline and Pipe Services segment and are now being applied to applications in Petrochemical and Industrial markets. The Connection Systems division was formed from the 2015 integration of the DSG-Canusa and Shawflex divisions.

- DSG-Canusa 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.
- ShawFlex is a manufacturer of wire and cable for control, instrumentation, thermocouple, power, marine and robotics applications.

1.2 Vision and Objectives

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

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

1.3 Key Performance Drivers

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

- demand for the Company's products and services that is primarily determined by investment in new energy infrastructure necessary to supply global energy needs;
- current and forecasted oil and gas commodity prices and availability of capital to enable customers to finance energy infrastructure investment;

- the Company's competitive position globally and its ability to maintain operations in each of the major oil and gas producing regions;
- the Company's technology and its ability to research and commercialize innovative products that provide added value to customers and provide competitive differentiation;
- the Company's operational effectiveness and its ability to maintain efficient utilization of productive capacity at each geographic location;
- access to capital and maintenance of sufficient available liquidity to support continuing operations and finance growth activities;
- the ability to identify and execute successful business acquisitions that result in strategic global growth; and
- the ability to attract and retain key personnel.

1.4 Key Performance Indicators

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

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

Net Income Growth

As part of its performance objectives, the Company has set a goal for average annual net income growth of 15% over the full business cycle, as described in *Section 1.2 – Vision and Objectives*. Net income (attributable to shareholders of the Company) increased by $3.4 million, or 4%, from $94.9 million for the year ended December 31, 2014 to $98.2 million for the year ended December 31, 2015. The increase was due to the reduction in losses from investment in joint ventures of $22.4 million and the $0.8 million increase in Operating Income as explained in section 4.0 below, partially offset by a decrease in gain on assets held for sale of $6.4 million and an increase in income tax expense of $10.5 million.

Return on Invested Capital ("ROIC")

ROIC, a non-GAAP measure, is defined as net income for the year adjusted for after tax interest expense divided by average invested capital for the most recently completed year. ROIC does not have a standardized meaning under GAAP and may not necessarily be comparable to similar titled measures used by other entities. ROIC is used by the Company to assess the efficiency of generating profits from each unit of invested capital. As part of its performance objectives, the Company has set an ROIC target of 15%, as described in *Section 1.2 – Vision and Objectives*. The Company's ROIC for the years ended December 31, 2015 and 2014 was 7.5% and 8.5%, respectively. The decrease of 1 percentage point was primarily due to an increase of $3.1 million in net income for the year, adjusted for after-tax interest expense, offset by an increase in average invested capital of $224.8 million.

Safety and Environmental Stewardship

The Company maintains a comprehensive HSE management system in place within each of its seven operating divisions and is committed to being an IIF workplace with no damage to the environment. For the years ended December 31, 2015 and December 31, 2014, the Company had recordable injuries per million person hours worked of 6.7 and 7.0, respectively. During 2015, the Company completed 11 HSE audits at manufacturing and service locations across all seven divisions and developed action plans to correct any deficiencies identified in the audits.

1.5 Capability to Deliver Results

Capital Resources

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

Capital expenditures decreased by $16.4 million from $77.6 million for the year ended December 31, 2014 to $61.2 million for the year ended December 31, 2015. The Company believes it has sufficient available resources and capacity to meet the market demand for its products and services in the markets where the Company operates. The Company may, however, incur new capital expenditures to facilitate growth in new markets.

The current level of working capital investment is expected to be sufficient to support the level of business activity projected in 2016; however, unexpected increases in business activity or specific pipe coating project requirements may result in higher working capital requirements. Any such increase in requirements will be financed from the Company's cash balances and available committed credit facilities. The Company had cash and cash equivalents and short term investments of $263.6 million and $117.1 million as at December 31, 2015 and 2014, respectively, and had unutilized lines of credit available of $491.9 million and $381.0 million, as at December 31, 2015 and 2014, respectively.

As described in *Section 9 – Outlook*, the Company expects to generate materially lower earnings in 2016 compared with 2015. As a result, continued compliance with debt covenants may require the Company to utilize a portion of existing cash balances to reduce outstanding debt. Additionally, the Company has initiated discussions to renegotiate the terms of its debt covenants with respect to its Credit Facility and Senior Notes to improve its flexibility and ability to handle the risks and opportunities posed by the current market environment and to ensure that it remains in compliance with the terms of these agreements.

Please refer to *Section 5 – Liquidity and Capitalization*, for additional information with respect to the Company's liquidity and financial position.

Non-Capital Resources

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

On an ongoing basis, the Company monitors its succession planning program in order to mitigate the impact of planned or unplanned departures of key personnel. As at December 31, 2015, the Company believes it has sufficient human resources to operate its businesses at an optimal level and execute its strategic plan.

Systems and Processes

Management regularly reviews the Company's operational systems and processes and develops new ones as required. Key operational programs utilized by the Company during the year ended December 31, 2015 included systems and controls over project bidding, capital expenditures, internal controls over financial reporting, product development, HSE management and human resource development. In addition, the Shawcor Manufacturing System ("SMS") program has been implemented to increase operating efficiency and achieve significant cost savings in each of the Company's seven divisions.

As at December 31, 2015, the Company believes it has sufficient systems and processes in place to operate its businesses at an optimal level and execute its strategic plan.

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars)		Year Ended December 31, 2015		2014		2013
Revenue	**$**	**1,810,648**	$	1,890,029	$	1,847,549
Cost of Goods Sold and Services Rendered		**1,204,306**		1,166,319		1,058,946
Gross Profit		**606,342**		723,710		788,603
Selling, general and administrative expenses		**371,954**		375,153		382,755
Research and development expenses		**13,664**		13,053		15,687
Foreign exchange gains		**(7,868)**		(3,747)		(4,936)
Amortization of property, plant and equipment		**58,019**		55,219		66,484
Amortization of intangible assets		**21,368**		15,587		10,312
Gain on sale of land		**(814)**		(609)		(5,156)
Impairment		**590**		120,378		–
Income from Operations		**149,429**		148,676		323,457
Gain (loss) on assets held for sale		**–**		6,427		(3,683)
(Loss) income from investments in associates		**(114)**		877		–
Loss on investments in joint ventures		**–**		(22,375)		(3,874)
Finance costs, net		**(18,244)**		(18,401)		(14,912)
Income before Income Taxes		**131,071**		115,204		300,988
Income taxes		**31,551**		21,010		78,402
Net Income	**$**	**99,520**	$	94,194	$	222,586
Net Income (Loss) Attributable to:						
Shareholders of the Company		**98,244**		94,861		219,862
Non-controlling interests		**1,276**		(667)		2,724
Net Income[(a)]		**99,520**		94,194		222,586
Per Share Information:						
Earnings per Share						
Basic	**$**	**1.52**	$	1.55	$	3.55
Diluted	**$**	**1.52**	$	1.53	$	3.51
Cash Dividend per Share:						
Common Shares	**$**	**0.600**	$	0.575	$	1.375
Class A		**–**		–		0.100
Class B	**$**	**–**	$	–	$	0.091

(a) Please refer to *Section 4.1 – Consolidated Information* for further details on the variance to net income for 2015 compared to 2014. Please refer to the Company's 2014 MD&A for further details on the variance in net income for 2014 compared to 2013.

(in thousands of Canadian dollars)		December 31 2015		December 31 2014		December 31 2013
Total Assets	**$**	**2,145,705**	**$**	1,939,970	$	1,651,928
Total Non-current Liabilities	**$**	**579,839**	**$**	524,462	$	542,278

2.2 EBITDA and ADJUSTED EBITDA

(in thousands of Canadian dollars)	Year Ended December 31, 2015	2014	2013
Net Income	**$ 99,520**	$ 94,194	$ 222,586
Add:			
Income taxes	**31,551**	21,010	78,402
Finance costs, net	**18,244**	18,401	14,912
Amortization of property, plant, equipment and intangible assets	**79,387**	70,806	76,796
EBITDA[(a)]	**$ 228,702**	$ 204,411	$ 392,696
Gain on sale of land	**(814)**	(609)	(5,156)
Impairment	**590**	120,378	–
Impairment of investments in joint venture	**–**	18,948	–
(Gain) loss on assets held for sale	**–**	(6,427)	3,683
ADJUSTED EBITDA[(a)]	**$ 228,478**	$ 336,701	$ 391,223

(a) Earnings before interest, income taxes, depreciation and amortization ("EBITDA") is a non-GAAP measure, calculated by adding back to net income the sum of income taxes, net finance costs, depreciation and amortization of property, plant, equipment and intangible assets. The Company uses EBITDA as an indicator of its principal business activities prior to consideration of how its activities are financed and the impact of taxation and non-cash depreciation and amortization. Adjusted EBITDA is a non-GAAP measure calculated by adding back to net income the sum of income taxes, net finance costs, depreciation/amortization of property, plant, equipment and intangible assets, impairment, gains/losses on assets held for sale, gain on sale of land and non-controlling interests. EBITDA and Adjusted EBITDA do not have standardized meanings prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. EBITDA and Adjusted EBITDA are used by many analysts in the oil and gas industry as one of several important analytical tools. These measures are also considered important by lenders to the Company. They should not be considered in isolation or used as an alternative to net income or any of the other measurers of performance prepared in accordance with GAAP. Refer to *Section 12.0 – Reconciliation of non-GAAP Measures*, for additional information.

2.3 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:

	Year Ended December 31 2015	2014
US Dollar	**1.2794**	1.1064
Euro	**1.4231**	1.4638
British Pound	**1.9544**	1.8178

The following table sets forth the impact on revenue, Operating Income and net income, compared with the prior year period, as a result of foreign exchange fluctuations on the translation of foreign currency operations.

(in thousands of Canadian dollars)	Year Ended December 31, 2015
Revenue	**$ 106,475**
Income from operations	**6,650**
Net income (attributable to shareholders of the Company)	**8,002**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $7.9 million in 2015, compared to a gain of $3.7 million for the prior year, as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities.

3.0 Business Developments

Acquisition of Dhatec B.V.

On January 5, 2015, the Company announced that it had completed the acquisition of Dhatec B.V. ("Dhatec"). Dhatec is a Netherlands based company which designs, assembles and markets engineered pipe logistics products and services which mitigate damage and enhance safety and efficiency in the manufacturing, coating, handling, transportation, preservation and storage of pipe. Dhatec's revenue in 2014 was approximately U.S.$25 million.

Contract to Provide Pipe Coating Services for the GNEA Project in Argentina

On April 22, 2015, the Company announced that its pipe coating division had received two contracts for approximately U.S.$55 million from Tenaris to provide three layer polyethylene anti-corrosion pipeline coatings for the first and second phase of the Argentina Northeast Gas Pipeline (GNEA) project.

This project is owned by ENARSA, an Argentine state-run energy company, and it includes the construction of a gas pipeline that will transport up to 11,200,000 m^3/day of natural gas to locations in northeast Argentina. The execution of these contracts has commenced in Shawcor's coating facilities in Argentina and is expected to be completed during the first quarter of 2016.

Update on the South Stream Offshore Pipeline Project

During the second quarter of 2015, the Company received notification that the suspension of the work on its contracts with Saipem SpA and Europipe GmbH in connection with the South Stream Line 1 project had been lifted with immediate effect and that work on these contracts was to be resumed. However, the Company was subsequently advised that work on its Saipem contract for the South Stream Line 1 project has been cancelled. The Company's contract with Saipem has been assumed by South Stream Transport BV, but the work will not proceed and thus the Company has removed this contract, and the portions of its other South Stream contracts which remain suspended, from the Company's backlog.

During the third quarter of 2015, the Company was instructed to recommence coating of pipe in its possession in connection with its contract with Marubeni Sumitomo Consortium for the South Stream Line 2 project. The work on this project in connection with pipe not yet in the Company's possession, representing approximately 20% of the total value of the contract, remains suspended.

As of December 31, 2015, approximately $57.4 million of the work on the Company's South Stream contracts has been completed, and approximately $47.4 million remains in the Company's backlog.

Acquires Flint Field Services' Tubular Inspection & Management and Global Poly Businesses

On November 26, 2015, the Company announced that it had completed the acquisition of the assets of the Tubular Inspection and Management ("TIM") and Global Poly businesses operated by Flint Field Services Ltd. for C$35.5 million, subject to working capital adjustments. The TIM and Global Poly businesses operate from five owned and five leased facilities in Alberta, British Columbia and Saskatchewan and the TIM business is very similar to the tubular inspection and management business operated by Shawcor's Guardian division. The estimated revenue in 2015 of these acquired businesses was approximately C$46 million.

Shawcor Announces Appointment of New Chair

On December 21, 2015, the Company announced that Mr. John F. (Jack) Petch, the Chair of the Company's Board of Directors, would retire from the Board effective as of the close of business on December 31, 2015. Mr. Petch had been a director of the Company since 2005 and its Chair since 2013. Previously, Mr. Petch served as Lead Director, Chair of the Nominating and Governance Committee and Chair of the Special Committee which was constituted in the fall of 2012 in connection with Shawcor's strategic review process.

The Company also announced that its Board of Directors had appointed independent director Paul G. Robinson as its new Chair of the Board, effective January 1, 2016. Mr. Robinson joined the Shawcor Board in 2001 and currently serves as its Audit Committee Chair. Mr. Robinson was also a member of the Special Committee of the Board constituted in the fall of 2012 in connection with Shawcor's strategic review process.

Shawcor Ltd. Acquires Lake Superior Consulting

On January 5, 2016, the Company announced that it had acquired the units of Lake Superior Consulting, LLC ("Lake Superior") for an undisclosed sum plus a potential earn out payment payable in 2016. Lake Superior is a Duluth, Minnesota based professional services firm, specializing in pipeline engineering and integrity management services to major pipeline operators. The business operates from facilities in Minnesota, Texas, Nebraska, Kansas and North Dakota, provides pipeline design, engineering, inspection and commissioning as well as integrity management services, and has estimated 2015 revenue of approximately US$45 million.

The acquisition of Lake Superior adds two new capabilities to the Company – pipeline engineering and integrity engineering. These capabilities, critical to our customers' success, provide Shawcor the access to the domain knowledge we need to continually improve our current portfolio of services and to develop value-added solutions.

4.0 Results from Operations

4.1 Consolidated Information

Revenue

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

(in thousands of Canadian dollars)	**2015**	2014	Change
Pipeline and Pipe Services	**$ 1,631,147**	$ 1,716,789	$ (85,642)
Petrochemical and Industrial	**181,867**	177,033	4,834
Elimination	**(2,366)**	(3,793)	1,427
Consolidated	**1,810,648**	1,890,029	(79,381)

Consolidated revenue decreased by $79.4 million, or 4%, from $1,890.0 million for the year ended December 31, 2014 to $1,810.6 million for the year ended December 31, 2015, due to a decrease of $85.6 million, or 5%, in the Pipeline and Pipe Services segment, partially offset by an increase of $4.8 million, or 3%, in the Petrochemical and Industrial segment. Consolidated revenue in 2015 benefitted from the impact on translation of foreign operations from the weakening Canadian dollar, as noted in section 2.3 above.

Revenue for the Pipeline and Pipe Services segment during 2015 was $1,631.1 million, or $85.6 million lower than in 2014, primarily due to lower activity levels in Asia Pacific, North America and Latin America, partially offset by increased revenue in Europe, Middle East, Africa and Russia ("EMAR"). See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment increased by $4.8 million during 2015 compared to the same period in 2014, primarily due to higher activity levels in EMAR and Asia Pacific, partially offset by lower revenue in North America. See *Section 4.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Income from Operations

The following table sets forth Operating Income and Operating Margin for the following periods:

(in thousands of Canadian dollars)		**2015**		2014		Change
Income from Operations	**$**	**149,429**	$	148,676	$	753
Adjusted Operating Income[(a)]		**150,019**		269,054		(119,035)
Adjusted Operating Margin[(b]		**8.3%**		14.2%		(5.9%)

(a) Adjusted Operating Income is Operating Income excluding impairment charges 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. Please refer to *Section 12.0 - Reconciliation of non-GAAP Measures* for additional information with respect to non-GAAP measures used by the Company, including a reconciliation of non-GAAP measures to GAAP measures.

(b) Adjusted Operating Margin is defined as Adjusted Operating Income divided by revenue and is a non-GAAP measure. Non-GAAP measures do not have standardized meanings under IFRS. Non-GAAP measures should not be considered in isolation or used as an alternative to other measures of performance prepared in accordance with GAAP. Refer to section 12.0 – Reconciliation of non-GAAP measures for additional information with respect to non-GAAP measures used by Company, including a reconciliation of non-GAAP measures to GAAP measures.

Operating Income increased by $0.8 million from the year ended December 31, 2014, to $149.4 million in the comparable period in 2015. Operating Income was impacted by a year over year decrease in gross profit of $117.4 million, increases in research and development expenses of $0.6 million and amortization of property, plant, equipment and intangible assets of $8.6 million. These items were more than offset by a decrease in SG&A expenses of $3.2 million, an increase in gain on sale of land of $0.2 million and an increase in net foreign exchange gain of $4.1 million, combined with a decrease in impairment charges of $119.8 million.

The decrease in gross profit resulted from a 4.8 percentage point decrease in gross margin and the lower revenue, as explained above. The decrease in the gross profit was attributable to changes in product and project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption compared to the prior year, particularly in the Pipeline and Pipe Services segment's Asia Pacific region, which had previously benefitted from high gross margins on several large concrete weight coating projects, and in North American businesses exposed to the decline in oilfield activity.

SG&A expenses decreased by $3.2 million in the year ended December 31, 2015 compared to 2014, primarily due to a decrease in personnel related and management incentive compensation expenses of $24.5 million. This was partially offset by an increase in restructuring charges in 2015 of $11.7 million, an increase in the provision for doubtful accounts of $3.0 million and an increase in litigation related provisions of $5.1 million. In addition, in the third quarter of 2014, $1.5 million was reversed from provisions due to favourable court decisions on certain litigation matters.

Finance Costs, Net

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

(in thousands of Canadian dollars)		**2015**		2014		Change
Interest income on short-term deposits	**$**	**(1,009)**	$	(1,229)	$	220
Interest expense, other		**3,359**		6,210		(2,851)
Interest expense on long-term debt		**15,894**		13,420		2,474
Finance costs – net	**$**	**18,244**	$	18,401	$	(157)

For the year ended December 31, 2015, net finance cost was $18.2 million, compared to a net finance cost of $18.4 million for the comparable period in the prior year. The decrease in net finance cost was primarily a result of lower interest expense on bank loans and overdrafts, partially offset by higher interest expense on long-term debt due to the foreign exchange rate used to translate U.S.$ interest expense on the long-term debt.

Income Taxes

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

(in thousands of Canadian dollars)		**2015**		2014		Change
Income tax expense	$	**31,551**	$	21,010	$	10,541

The Company recorded an income tax expense of $31.6 million (24% of income before income taxes) during the year ended December 31, 2015, compared to an income tax expense of $21.0 million (18% of income before income taxes) during the year ended December 31, 2014. The Company's tax rate for the year ended December 31, 2015 was lower than the expected income tax rate of 27% primarily due to a portion of the Company's taxable income being earned in jurisdictions where the tax rate is 25% or less, combined with tax losses in certain jurisdictions where the tax rate is 35% or higher.

Net Income (attributable to shareholders of the Company)

Net income increased by $3.4 million, from $94.9 million during the year ended December 31, 2014 to $98.2 million during the year ended December 31, 2015. This was due to the reduction in losses from investment in joint ventures of $22.4 million and the $0.8 million increase in Operating Income as explained above, partially offset by a decrease in gain on assets held for sale of $6.4 million and an increase in income tax expense of $10.5 million.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

The following table sets forth the revenue by geographic location, Adjusted Operating Income and Adjusted Operating Margin for the Pipeline and Pipe Services segment for the following periods:

(in thousands of Canadian dollars, except Adjusted Operating Margin)		**2015**		2014		Change
North America	**$**	**730,316**	$	787,809	$	(57,493)
Latin America		**150,783**		185,057		(34,274)
EMAR		**579,640**		400,480		179,160
Asia Pacific		**170,408**		343,443		(173,035)
Total Revenue	**$**	**1,631,147**	$	1,716,789	$	(85,642)
Adjusted Operating Income[(a)]	**$**	**149,443**	$	279,859	$	(130,416)
Adjusted Operating Margin[(b)]		**9.2%**		16.3%		(7.1%)

(a) Adjusted Operating Income is Operating Income excluding impairment charges 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. Non-GAAP measures should not be considered in isolation or used as an alternative to other measures of performance prepared in accordance with GAAP. Refer to *section 12.0 – Reconciliation of non-GAAP measures* for additional information with respect to non-GAAP measures used by the Company.

(b) Adjusted Operating Margin is defined as Adjusted Operating Income divided by revenue and is a non-GAAP measure. Refer to *section 12.0 – Reconciliation of non-GAAP measures* for additional information with respect to non-GAAP measures used by Company.

Revenue in the Pipeline and Pipe Services segment for the year ended December 31, 2015 was $1,631.1 million, a decrease of $85.6 million from $1,716.8 million in the prior year. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above, combined with higher revenue in EMAR, but was more than offset by lower activity levels in Asia Pacific, North America and Latin America:

- Revenue in North America decreased by $57.5 million, or 7%, primarily due to lower volumes of flexible composite pipe and lower activity levels for small and large diameter pipe coatings in Canada and the

USA. This was partially offset by the impact of the Desert NDT acquisition completed in the third quarter of 2014 and an increase in storage tank coating services in Canada.

- In Latin America, revenue was lower by $34.3 million, or 19%, mainly due to lower activity levels in Brazil on the Sapinhoa project and at the Argentina facilities, combined with lower volumes at the Veracruz and Coatzacoalcos, Mexico facilities.
- Revenue in EMAR increased by $179.2 million, or 45%, primarily due to increased pipe coating activity levels for the Shah Deniz project in the Caspian, increased pipe weld services and other field joint projects in the region. This was partially offset by lower activity levels at the Company's Leith, Scotland, RAK and Italian facilities.
- In Asia Pacific, revenue decreased by $173.0 million, or 50%, mainly due to lower volumes associated with the Inpex Ichthys gas export pipeline and other large projects at Kuantan, Malaysia and Kabil, Indonesia.

Adjusted Operating Income for the year ended December 31, 2015 was $149.4 million compared to $279.9 million for the prior year, a decrease of $130.4 million, or 47%. The decrease in Adjusted Operating Income is primarily due to a decline in gross profit of $119.3 million, driven by a 5.3 percentage point decrease in gross margin, combined with a decrease in revenue of $85.6 million, as explained above. The decrease in gross margin was due to unfavourable project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption, particularly in the Asia Pacific region and in North American businesses exposed to the decline in oilfield activity. In addition, amortization of property, plant, equipment and intangible assets was higher in 2015 as compared to 2014.

4.2.2 Petrochemical and Industrial Segment

The following table sets forth the revenue by geographic location, Operating Income and Operating Margin for the Petrochemical and Industrial segment for the following periods:

(in thousands of Canadian dollars, except Operating Margin)		**2015**		2014		Change
North America	**$**	**106,984**	$	107,338	$	(354)
EMAR		**64,189**		62,629		1,560
Asia Pacific		**10,694**		7,066		3,628
Total Revenue	**$**	**181,867**	$	177,033	$	4,834
Operating Income	**$**	**28,686**	$	26,750	$	1,936
Operating Margin		**15.8%**		15.1%		0.7%

Revenue increased in the year ended December 31, 2015 by $4.8 million, or 3%, to $181.9 million compared to 2014, due to increased heat shrinkable product shipments in North America and Asia Pacific and the impact of foreign exchange on revenue, as noted in section 2.2 above, partially offset by reduced shipments of wire and cable products to the North American utilities.

Operating Income for the year ended December 31, 2015 was $28.7 million compared to $26.8 million in 2014, an increase of $1.9 million, or 7%. The increase was primarily due to an increase in gross profit of $1.9 million as a result of an increase in revenue of $4.8 million, as explained 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 period:

(in thousands of Canadian dollars)		**2015**		2014		Change
Financial and corporate expenses	**$**	**(36,792)**	$	(41,302)	$	4,510

Financial and corporate costs decreased by $4.5 million from the year ended December 31, 2014 to $36.8 million in 2015, primarily due to a decrease in stock based and long term management compensation incentive expenses of $7.9 million. This was partially offset by an increase in restructuring costs of $3.0 million, including $2.0 million in severance and $1.0 million in co-location costs, and an increase in professional consulting fees of $1.0 million.

5.0 Liquidity and Capitalization

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

(in thousands of Canadian dollars)		**2015**		2014
Net Income	**$**	**99,520**	$	94,194
Non-cash items		**116,788**		194,540
Settlement of decommissioning obligations		**(2,658)**		(215)
Settlement of other provisions		**(24,143)**		(16,824)
Net change in employee future benefits		**63**		33
Net change in non-cash working capital and foreign exchange		**91,471**		(83,743)
Cash provided by operating activities		**281,041**		187,985
Cash used in investing activities		**(120,900)**		(347,806)
Cash (used in) provided by financing activities		**(46,402)**		190,463
Foreign exchange impact on cash and cash equivalents		**30,350**		6,519
Net Change in Cash and Cash Equivalents		**144,089**		37,161
Cash and cash equivalents at beginning of Year		**116,556**		79,395
Cash and Cash Equivalents at End of Year	**$**	**260,645**	$	116,556

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. The Company expects that working capital investment will be required to support revenue growth consistent with historical working capital measures as noted in Section 5.4. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

5.1 Cash Provided by Operating Activities

Cash provided by operating activities was $281.0 million in 2015, an improvement of $93.1 million compared to 2014. The improvement was due to an increase in cash provided by non-cash working capital and foreign exchange of $175.2 million, an increase in net income of $5.3 million, partially offset by a decrease in non-cash items of $77.8 million. The increase in cash provided by non-cash working capital and foreign exchange reflected net decreases in accounts receivable of $137.8 million, in inventories of $54.3 million and in prepaid expenses of

$16.5 million and increases in accounts payable and accrued liabilities of $12.9 million and in income taxes payable of $28.6 million in 2015 compared to 2014. This was partially offset by the reduction in cash due to net decreases in the current portion of deferred revenue of $61.5 million and in income taxes receivable of $22.9 million. Net income increased due to the reasons discussed in Section 4.1 and the reduction in non-cash items reflected the impairment charges reported in 2014.

5.2 Cash Used in Investing Activities

Cash used in investing activities decreased by $226.9 million from $347.8 million during 2014 to $120.9 million during 2015. The decrease was primarily due to the third quarter 2014 acquisition of Desert NDT, LLC (Desert) for $281.0 million (cash costs net of cash acquired), which was partially offset by proceeds from the sale of assets held for sale of $46.4 million in 2014, and business acquisitions expenditures of $51.5 million in 2015. In addition, during 2015, the Company reduced spending on the purchase of property, plant and equipment by $16.5 million, on investments in associates by $7.6 million, in other assets by $10.6 million and on the payment of deferred purchase consideration by $18.8 million.

5.3 Cash Provided by (Used in) Financing Activities

Cash used in financing activities during 2015 was $46.4 million, compared to cash provided by financing activities of $190.5 million in 2014, a difference of $236.9 million. The change was primarily due to the issuance of common shares for net proceeds of $227.7 million in 2014. In addition, during 2015, the Company paid higher dividends of $3.5 million and paid bank indebtedness and loans payable in the amount of $6.6 million.

5.4 Liquidity and Capital Resource Measures

Accounts Receivables

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

(in thousands of Canadian dollars, except DSO)		**2015**		2014		Change
Average trade accounts receivable	**$**	**301,966**	$	341,218	$	(39,252)
DSO[a]		**60**		61		(1)

(a) DSO, a non-GAAP measure, is the average number of days that trade accounts receivables-net (which excludes unbilled and other receivables) are outstanding based on a 90 day cycle. Non-GAAP measures do not have standardized meanings under IFRS. The Company’s method of calculating this measure may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. . Non-GAAP measures should not be considered in isolation or used as an alternative to other measures of performance prepared in accordance with GAAP. Refer to *Section 12.0 – Reconciliation of non-GAAP Measures* for additional information with respect to non-GAAP measures used by Company.

Average trade accounts receivables decreased by $39.3 million from $341.2 million as at December 31, 2014 to $301.9 million as at December 31, 2015 as a result of decreased revenue in the fourth quarter of 2015 compared with the fourth quarter a year ago. DSO decreased by 1 day from 61 days during the fourth quarter of 2014 to 60 days during the fourth quarter of 2015, primarily due to the timing of sales and collection of receivables in the fourth quarter of 2015 compared to the fourth quarter of 2014.

Inventory

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

(in thousands of Canadian dollars)		**2015**		2014		Change
Inventory	**$**	**167,557**	$	194,732	$	(27,175)

Inventories decreased by $27.2 million from $194.7 million as at December 31, 2014 to $167.5 million as at December 31, 2015, due to reduction in raw materials and finished goods of $22.1 million and $2.3 million, respectively, and an increase in the inventory obsolescence provisions of $2.8 million.

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)		**2015**		2014		Change
Average accounts payable and accrued liabilities	**$**	**288,383**	$	261,088	$	27,294
DPO[(a)]		**86**		73		13

(a) DPO, a non-GAAP measure, is 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. Non-GAAP measures do not have standardized meanings under IFRS. The Company’s method of calculating this measure may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. Non-GAAP measures should not be considered in isolation or used as an alternative to other measures of performance prepared in accordance with GAAP. Refer to section *12.0 – Reconciliation of non-GAAP measures* for additional information with respect to non-GAAP measures used by Company.

Average accounts payable and accrued liabilities increased by $27.6 million from $261.1 million as at December 31, 2014, to $288.7 million as at December 31, 2015. DPO increased by 13 days from 2014 levels, due to changes in the timing of purchases in 2015 compared with the prior year.

5.5 Unsecured Credit Facilities

(in thousands of Canadian dollars)		**2015**		2014
Bank indebtedness	**$**	**–**	$	4,685
Standard letters of credit for performance, bid and surety bonds		**132,052**		137,667
Total utilized credit facilities		**132,052**		142,352
Total available credit facilities[(a)]		**623,970**		523,305
Unutilized credit facilities	**$**	**491,918**	$	380,953

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

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by U.S.$100 million from U.S.$150 million to U.S.$250 million, with an option to increase the credit limit to U.S.$400 million with the consent of lenders. On June 16, 2014, the option to increase the credit limit to U.S.$400 million was exercised with the consent of the lenders and a new option to increase the credit limit to U.S. $550 million with the consent of the lenders was added. The Company pays a floating interest rate on this credit facility that is a function of the Company's total debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility is U.S. $50 million.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of its Credit Facility. Specifically, the Company is required to maintain an Interest Coverage Ratio (EBITDA plus rental payments divided by interest expense plus rental payments) of more than 2.5 to 1 and a debt to total EBITDA ratio of less than 3.00 to 1. The Company was in compliance with these covenants as at December 31, 2015 and December 31, 2014.

As described in *Section 9 – Outlook*, the Company expects to generate materially lower earnings in 2016 compared with 2015. As a result, continued compliance with debt covenants may require the Company to utilize existing cash balances to reduce outstanding debt. Additionally, the Company has initiated discussions to renegotiate the terms of its debt covenants with respect to its Credit Facility and Senior Notes to improve its flexibility and ability to handle the risks and opportunities posed by the current market environment and to ensure that it remains in compliance with the terms of these agreements.

These debt covenants are non-GAAP measures and should not be considered in isolation or used as an alternative to net income or any other measure of performance prepared in accordance with IFRS. Non-GAAP measures do not have standardized meanings prescribed by IFRS and are not necessarily comparable to similarly titled measures of other entities.

5.6 Long-Term Debt

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

(i) U.S.$100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 2.98% Senior Notes, Series A, due March 31, 2020 (the “Series A Notes”);
(ii) U.S.$100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 3.67% Senior Notes, Series B, due March 31, 2023 (the “Series B Notes”);
(iii) U.S.$100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 3.82% Senior Notes, Series C, due March 31, 2025 (the “Series C Notes”);
(iv) U.S.$50 million (CDN$51.2 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 4.07% Senior Notes, Series D, due March 31, 2028 (the “Series D Notes”; and together with the Series A Notes, the Series B Notes, the Series C Notes, collectively, the “Senior Notes”).

The total long-term debt balance as at December 31, 2015 is $485.1 million (U.S.$350.0 million) (2014 - $406.9 million (U.S. $350.0 million)). The long-term debt has been designated as a hedge of the Company's net investment in a U.S. dollar functional currency subsidiary as described in section 5.8 below.

Financial Ratios

The Company has undertaken to maintain certain covenants in respect of the long-term debt that are consistent with the debt covenants described for the Company’s Credit Facility above. The Company was in compliance with these covenants as at December 31, 2015 and December 31, 2014. As noted previously under “Unsecured Credit Facilities – Debt Covenants”, the Company has initiated discussions with its lenders to renegotiate the terms of its debt covenants under the Senior Notes and the Credit Facility.

5.7 Commitments, Leases, Contingencies and Off Balance Sheet Arrangements

(in thousands of Canadian dollars)	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
	$	$	$	$	$	$	$
Purchase commitments	45,492	–	–	–	–	–	45,492
Accounts payable	110,648	–	–	–	–	–	110,648
Deferred purchase	3,939	–	–	–	–	–	3,939
Long-term debt	–	–	–	–	138,660	346,487	485,147
Finance costs on long-term debt	17,339	17,339	17,339	17,339	15,273	57,720	142,349
Obligations under finance	1,469	1,467	1,432	1,432	1,432	11,279	18,511
Operating leases	24,148	15,982	11,805	8,098	5,222	10,841	76,096
	203,035	**34,788**	**30,576**	**26,869**	**160,587**	**426,327**	**882,182**

Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future.

The following table sets forth the Company's future minimum finance lease payments:

(in thousands of Canadian dollars)		**2015**
Total future minimum lease payments	**$**	**18,511**
Less: imputed interest		**(4,735)**
Balance of obligations under finance leases		**13,776**
Less: current portion		**1,176**
Non – current obligations under finance leases	**$**	**12,600**

As at December 31, 2015, the Company has not entered into any material commitments for capital expenditures.

Legal Claims

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

Performance, Bid and Surety Bonds

The Company provides standby letters of credit for performance, bid and surety bonds through financial intermediaries to various customers in support of project contracts for the successful execution of these contracts. If the Company fails to perform under the terms of the contract, the customer has the ability to draw upon all or a portion of the bond as compensation for the Company's failure to perform. The contracts which these performance bonds support generally have a term of one to three years, but could extend up to four years. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. Historically, the Company has not made and does not anticipate that it will be required to make material payments under these types of bonds.

The Company's utilizes its credit facilities to support the Company's bonds. The Company had utilized credit facilities of $132.1 million as at December 31, 2015 (December 31, 2014 – $142.4 million) for support of its bonds.

5.8 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 which reflect market data obtained from independent sources, while unobservable inputs reflects the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

Level 1 - Quoted prices in active markets for identical instruments that are observable.

Level 2 - Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

The following table presents the fair value hierarchy levels for the financial assets and liabilities as at December 31, 2015:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ **260,645**	$ **260,645**	$ **–**	$ **–**
Short-term investments	**2,954**	**2,954**	**–**	**–**
Derivative financial instruments	**3,024**	**–**	**3,024**	**–**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
Deposit guarantee	**960**	**–**	**960**	**–**
	$ **277,583**	$ **263,599**	$ **3,984**	$ **10,000**
Liabilities				
Deferred purchase consideration	$ **3,939**	$ **–**	$ **3,939**	$ –
Long-term debt	**427,302**	**–**	**427,302**	–
Derivative financial instruments	**1,984**	**–**	**1,984**	–
	$ **433,225**	$ **–**	$ **433,225**	$ **–**

The current 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 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 Company management. Material risks are monitored and are regularly reported to the Board of Directors.

<u>Foreign Exchange Risk</u>

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 based 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 items are translated into Canadian dollars. As at December 31, 2015, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the year then ended by approximately $71.0 million, $6.5 million and $4.8 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by $82.5 million, $19.0 million and $63.5 million, respectively.

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

Foreign Exchange Forward Contracts

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

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at December 31, 2015:

(in thousands, except weighted average rate amounts)	
Canadian dollars sold for U.S. dollars	
Less than one year	CAD$ 16,336
Weighted average rate	0.77
U.S. dollars sold for Canadian dollars	
Less than one year	U.S.$ 14,400
Weighted average rate	1.28
U.S. dollars sold for Malaysian ringgits	
Less than one year	U.S.$ 4,500
Weighted average rate	4.31
U.S. dollars sold for Euros	
Less than one year	U.S.$ 16,747
Weighted average rate	0.90
British pounds sold for U.S. dollars	
Less than one year	£3,332
Weighted average rate	1.50
Norwegian Kroners sold for U.S. dollars	
Less than one year	NOK 182,134
Weighted average rate	0.12
Euros sold for U.S. dollars	
Less than one year	€ 29,214
Weighted average rate	1.12

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

As at December 31, 2015, the Company had notional amounts of $145.7 million of forward contracts outstanding (2014 – $130.9 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totaling $1.0 million (2014 – $4.7 million net benefit).

Net Investment Hedge

The Company’s long-term debt (Senior Notes) has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the U.S. dollar as its functional currency. During the year ended December 31, 2015, a loss of $78.3 million on the translation of the Senior Notes was transferred to other comprehensive income to offset the gains on translation of the net investment in the subsidiary. There was no ineffectiveness of this hedge for the year ended December 31, 2015.

Interest Rate Risk

The following table summarizes the Company’s exposure to interest rate risk as at December 31, 2015:

(in thousands of Canadian dollars)	**Non-Interest Bearing**	**Floating Rate**	**Fixed Interest Rate**	**Total**
Financial assets				
Cash equivalents	**$ –**	**$ –**	**$ 10,615**	**$ 10,615**
Short-term investments	**–**	**–**	**2,954**	**2,954**
Loans receivable	**215**	**5,166**	**2,527**	**7,908**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
	$ 10,215	**$ 5,166**	**$ 16,096**	**$ 31,477**
Financial liabilities				
Standard letters of credit for performance and bid bonds	**$ 132,052**	**$** –	**$** –	**$ 132,052**
Long-term debt	–	–	**485,147**	**485,147**
	$ 132,052	**$** –	**$ 485,147**	**$ 617,199**

The Company’s interest rate risk arises primarily from its floating rate bank indebtedness and long-term notes receivable and is not currently considered to be material.

Credit Risk

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

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

For the years ended December 31, 2015, there was one customer who generated approximately 18% of total consolidated revenue (December 31, 2014, no customer generated revenue greater than 10% of total consolidated revenue).

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

As at December 31, 2015, $36.5 million, or 13%, of trade accounts receivable was more than 90 days overdue, as compared to $28.1 million or 9%, as at December 31, 2014. The Company expects to receive full payment on accounts receivable that are neither past due nor impaired.

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

(in thousands of Canadian dollars)		**2015**		2014
Balance - Beginning of year	**$**	**12,516**	$	11,732
Bad debt expense		**3,512**		748
Acquisition		**–**		693
Recovery of previously written-off bad debts		**(731)**		(156)
Write-off of bad debts		**(9,575)**		–
Impact of change in foreign exchange rates		**(718)**		(501)
Balance - End of year	**$**	**5,004**	$	12,516

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at December 31, 2015, the Company had cash and cash equivalents totalling $260.6 million (2014 – $116.6 million) and had unutilized lines of credit available to use of $491.9 million (2014 - $381.0 million).

5.9 Outstanding Share Capital

As at February 29, 2016, the Company had 64,497,369 common shares outstanding. In addition, as at February 29, 2016, the Company had stock options and share units outstanding to purchase up to 1,430,558 common shares.

5.10 Transactions with Related Parties

The Company had no material transactions with related parties in the year ended December 31, 2015. All related party transactions were in the normal course of business.

6.0 Quarterly Selected Financial Information

The following tables set forth the Company's summary of selected financial information for the four quarters of 2015 and 2014:

(in thousands of Canadian dollars except per share amounts)	Q1-2015	Q2-2015	Q3-2015	**Q4-2015**
Operating Results				
Revenue	$ 471,940	$ 398,020	$ 485,428	**$ 455,260**
Income (loss) from operations	55,616	(7,078)	55,195	**45,696**
Net income (loss) (attributable to shareholders of the Company)	37,774	(8,538)	38,107	**30,901**
Net income(loss) per share				
Basic	$ 0.59	$ (0.13)	$ 0.59	**$ 0.48**
Diluted	0.58	(0.13)	0.59	**0.48**

(in thousands of Canadian dollars except per share amounts)	Q1-2014	Q2-2014	Q3-2014	Q4-2014
Operating Results				
Revenue	$ 479,082	$ 441,386	$ 469,597	$ 499,964
Income (loss) from operations	89,419	69,193	10,932	(20,868)
Net income (attributable to shareholders of the Company)	61,947	47,949	5,617	(20,652)
Net income per share				
Basic	$ 1.03	$ 0.80	$ 0.09	$ (0.32)
Diluted	1.03	0.79	0.09	(0.32)

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

- The Company's operations in the Pipeline and Pipe Services segment, representing 90% of the Company's consolidated revenue in 2015, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services segment.
- Over 88% of the Company's revenue in 2015 was transacted in currencies other than Canadian dollars, with a majority transacted in US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars. See *Section 2.3 - Foreign Exchange Impact*, for additional information with respect to the effects of foreign exchange fluctuations on the results of the Company.

6.1 Fourth Quarter Highlights

Highlights of the Company's 2015 fourth quarter include:

FOURTH QUARTER 2015 VERSUS THIRD QUARTER 2015

- **Revenue:** Consolidated revenue decreased 6%, or $30.1 million, from $485.4 million during the third quarter of 2015 to $455.3 million during the fourth quarter of 2015, due to decreases of $28.4 million in the Pipeline and Pipe Services segment and of $0.6 million in the Petrochemical and Industrial segment.

  In the Pipeline and Pipe Services segment, revenue decreased 6%, or $28.4 million, from $439.2 million in the third quarter of 2015 to $410.8 million in the fourth quarter of 2015, due to lower activity levels in all regions. 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 lower by $0.6 million, or 1%, in the fourth quarter of 2015, compared to the third quarter of 2015, mainly due to a decrease in revenue of $1.2 million, or 7%, in EMAR, partially offset by higher activity in the North America and Asia Pacific 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.

- **Operating Income:** Operating Income decreased by $9.5 million, from $55.2 million in the third quarter of 2015 to $45.7 million during the fourth quarter of 2015. Operating Income was impacted by a decrease in gross profit of $10.2 million, an increase in selling, general and administration ("SG&A") expenses of $2.9 million, impairment charges of $0.6 million recorded in the fourth quarter of 2015 and a gain on sale of land of $0.8 million recorded in the third quarter of 2015. This was partially offset by an increase in net foreign exchange gain of $4.9 million.

  The decrease in gross profit resulted from the lower revenue, as explained above.

  SG&A expenses increased by $2.9 million, from $86.1 million in the third quarter of 2015 to $89.0 million in the fourth quarter of 2015, primarily due to a $3.5 million charge for the restructuring costs of closing Guardian facilities in the USA, a $5.1 million increase in litigation related provisions, a $1.4 million increase in loss on sale of fixed assets and a $4.7 million increase in inventory obsolescence and provision for doubtful accounts. This was partially offset by an $11.6 million decrease in management incentive compensation expenses.

- **Finance costs:** In the fourth quarter of 2015, net finance cost was $4.7 million, compared to a net finance cost of $4.9 million during the third quarter of 2015. The decrease in net finance costs was primarily a result of lower interest expenses on bank loans and overdrafts, partially offset by the foreign exchange rate used to translate the US$ interest on long-term debt.

- **Income taxes**: The Company recorded an income tax expense of $9.7 million (24% of income before income taxes) in the fourth quarter of 2015, compared to an income tax expense of $12.2 million (24% of income before income taxes) in the third quarter of 2015. The effective tax rate in the fourth quarter of 2015 was lower than the expected income tax rate of 27% primarily due to a portion of the Company's taxable income being earned in jurisdictions where the tax rate is 25% or less.

- **Net Income:** Net income decreased by $7.2 million, from a net income of $38.1 million during the third quarter of 2015 to a net income of $30.9 million during the fourth quarter of 2015. This was mainly due to the $9.5 million decrease in Operating Income, as explained in section 2.2 above. This was partially offset by a decrease in income tax expense of $2.6 million.

FOURTH QUARTER 2015 VERSUS FOURTH QUARTER 2014

- **Revenue:** Consolidated revenue decreased by $44.7 million, or 9%, from $500.0 million during the fourth quarter of 2014, to $455.3 million during the fourth quarter of 2015, mainly due to a decrease of

$47.8 million in the Pipeline and Pipe Services segment, partially offset by an increase of $2.9 million in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the fourth quarter of 2015 was $410.8 million, or 10% lower than in the fourth quarter of 2014, due to decreased activity in North America, Latin America and Asia Pacific, partially offset by higher revenue in EMAR. See Section 4.2.1 – Pipeline and Pipe Services Segment for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue was higher by $2.9 million, or 7%, in the fourth quarter of 2015, compared to the fourth quarter of 2014, due to increased activity levels in all 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.

- **Operating Income:** Operating Income increased by $66.6 million, from an Operating Loss of $20.9 million in the fourth quarter of 2014 to an Operating Income of $45.7 million during the fourth quarter of 2015. Operating Income was impacted by a decrease in gross profit of $25.5 million, an increase in amortization of property, plant, equipment and intangible assets of $1.7 million, an increase in research and development expenses of $1.2 million and a gain on sale of land of $0.6 million recorded in the fourth quarter of 2014. These items were more than offset by a decrease in SG&A expenses of $11.3 million, a decrease in impairment charges of $78.4 million and an increase in net foreign exchange gain of $5.8 million.

  The decrease in gross profit resulted from a 2.1 percentage point decrease in gross margin and the lower revenue, as explained above. The decrease in the gross margin percentage was primarily attributable to changes in product and project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption, particularly in the Pipeline and Pipe Services segment.

  SG&A expenses in the fourth quarter of 2015 decreased by $11.3 million, primarily due to a decrease in personnel related and management incentive compensation expenses of $14.2 million, a reduction in professional consulting fees of $1.5 million and a decrease in rental costs of $2.5 million. This was partially offset by an increase in litigation related provisions of $5.1 million and an increase in restructuring costs relating to the closure of facilities of $3.5 million.

- **Finance costs:** In the fourth quarter of 2015, net finance cost was $4.7 million, compared to a net finance cost of $3.8 million during the fourth quarter of 2014. The increase in net finance cost was primarily a result of higher interest expense on the Senior Notes due to the foreign exchange rate used to translate US$ interest on long-term debt and lower interest income on short term deposits, partially offset by lower interest expenses on bank loans and overdrafts.

- **Income taxes**: The Company recorded an income tax expense of $9.7 million (24% of income before income taxes) in the fourth quarter of 2015, compared to an income tax recovery of $22.3 million in the fourth quarter of 2014. Excluding the impact of impairment charges ($97.9 million, deferred tax of $27.9 million), the Company recorded an income tax expense of $5.7 million (11% of income before income taxes) in the fourth quarter of 2014. The effective tax rate in the fourth quarter of 2015 was lower than the expected income tax rate of 27% primarily due to a portion of the Company's taxable income being earned in jurisdictions where the tax rate is 25% or less.

- **Net Income:** Net income increased by $51.6 million, from a net loss of $20.7 million during the fourth quarter of 2014 to a net income of $30.9 million during the fourth quarter of 2015. This was mainly due to the $66.6 million increase in Operating Income, as explained in section 2.2 above and a decrease in losses from investment in joint ventures of $18.9 million. This was partially offset by an increase in income tax expense of $31.9 million and an increase in finance costs of $0.9 million.

7.0 Disclosure Controls and Internal Controls over Financial Reporting

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with the management of the Company, have evaluated the effectiveness of the Company's Disclosure Controls and Procedures ("DC&Ps") (as defined in the rules of the Canadian Securities Administrators) and the effectiveness of Internal Controls over Financial Reporting ("ICFRs"). Based on that evaluation, they have concluded that the Company's DC&Ps were effective as at December 31, 2015. Furthermore, they have concluded that the Company's ICFRs were effective as at December 31, 2015. There were no material changes in either the Company's DC&Ps or its ICFRs during 2015.

8.0 Critical Accounting Judgements, Estimates and Accounting Policy Developments

8.1 Critical judgements

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

Materiality

Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements 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 Units ("CGUs")

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

Business Acquisitions

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

Provisions and Contingent Liabilities

As at December 31, 2015, the Company had $69.6 million of provisions; of this amount $25.6 million was included in current liabilities and $44.0 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 obligation 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 currently is available.

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

8.2 Critical Accounting Estimates

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

Long-lived Assets and Goodwill

As at December 31, 2015, the Company had $1,164.8 million of long-lived assets and goodwill. The Company evaluates the carrying values of the Cash Generating Units' ("CGU") 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 December 31, 2015, the Company had $21.9 million of employee future benefit obligations. The Company provides future benefits to its employees under a number of defined benefit arrangements. The calculation of the defined benefit obligation recognized in the consolidated financial statements includes a number of assumptions regarding discount rates, rates of employee compensation increases, rates of inflation, and life expectancies. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Decommissioning Liabilities

As at December 31, 2015, the Company had decommissioning liabilities in the amount of $34.4 million; of this amount $8.4 million was included in the current provisions account and $26.0 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 entity.

8.3 Accounting Standards Issued but Not Yet Applied

IFRS 9, Financial Instruments

IFRS 9, as issued, by the International Accounting Standards Board ("IASB") replaces *IAS 39* regarding the recognition and measurement of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15 - Revenue from Contracts with Customers*, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangibles

In May 2014, the IASB issued amendments to *IAS 16* and *IAS 38*, prohibiting the use of revenue based depreciation for property, plant and equipment and significantly limiting the use of revenue based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company is in the process of reviewing the amendments to determine the impact on the consolidated financial statements.

IFRS 16 – Leases

IFRS 16, issued by the IASB in January 2016, supersedes *IAS 17* Leases (and related Interpretations). The standard is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for entities that have also adopted *IFRS 15*, *Revenue from Contracts with Customers*. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The most significant effect of the new requirements will be an increase in leased assets and financial liabilities. The Company has not yet determined the impact of this standard on the consolidated financial statements

8.4 New Accounting Standards Adopted

IFRS 8 - Operating Segments

During 2015, Company adopted an amendment that clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in *IFRS 8*, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and the reconciliation of segment assets to total assets is only required to be disclosed if a measure of segment assets is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. This amendment required retrospective application and did not result in a material impact to the consolidated financial statements.

IAS 19 – Employee Benefits

The amendments to *IAS 19 – Employee Benefits* require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to the period of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the period of service. The amendments had no impact on the Company’s financial position or results of operations.

9.0 Outlook

The decline in global oil and gas prices that started in the fourth quarter of 2014 has impacted the Company’s businesses in two distinct ways. First, Shawcor has a number of businesses that generate revenue from our customers’ expenditures on the drilling and completion of wells. For Shawcor, the number of wells drilled and completed in North America is particularly critical as approximately 50% of revenue generated in the Company's Pipeline and Pipe Services Segment - North America region is directly attributable to customer capital spending for well completions. Since peaking in 2014, the number of drilling rigs operating in North America has declined by over 60% and until there is a sustained increase in global oil prices, it is unlikely that the number of wells drilled and completed in North America will increase. The second impact of lower oil prices has been a curtailment in large oil and gas greenfield development projects. This impact has been most evident for Shawcor in our international regions where we have seen a decline in customer commitments for new projects as they seek to reduce capital spending in line with reduced operating cash flow. The result has been a decrease in Shawcor’s order backlog, as described more fully below.

With global oil and gas prices remaining at a depressed level, the Company lacks visibility on the timing for any improvement in market demand. The Company is encouraged by the strong level of current bidding activity; however, until North American oilfield activity stabilizes and large pipe coating projects that are under bid are awarded, a firm outlook on longer term performance is not possible. Given the $314 million decrease in order backlog from the level that prevailed a year ago, one should expect that 2016 revenue and earnings will decline materially from 2015. 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

Shawcor's North American Pipeline segment businesses continue to be impacted by the reduction in well completion activity in North America which has reduced expenditures on small diameter gathering lines. The businesses affected include small diameter pipe coating and joint protection, Flexpipe composite pipe, Guardian OCTG pipe inspection and refurbishment and Desert NDT gathering line girth weld inspection. Demand for these products and services has declined significantly since 2014 and was down again in the fourth quarter. Until global oil prices exhibit sustained increases, there can be no certainty when the level of well drilling and completion will stabilize and begin to improve. As a result, the Company expects these businesses to weaken further in 2016 with any improvement in revenue and operating income likely postponed to 2017 at the earliest.

The continued build out and refurbishment of North American large diameter transmission pipeline infrastructure has been an area of strength within the Company's global operations over the past two years. In 2016 however, the Company does expect some weakening in large diameter transmission pipeline projects versus 2015. This weakness, coupled with the reduction in small diameter gathering line activity and much lower insulation pipe coating volumes for Gulf of Mexico projects, will translate into lower overall North American Pipeline segment revenue in 2016 despite the addition of approximately U.S.$45 million in revenue from the January 2016 acquisition of Lake Superior Consulting.

Pipeline and Pipe Services Segment - Latin America

Consistent with all of the Company's Pipeline segment regions, lower spending on oil and gas infrastructure by our customers has translated into a reduction in new project activity. The resulting decline in backlog will be evident in 2016 with revenue declining versus 2015. In 2017, the possibility exists that revenue will recover strongly based on a very large project in Mexico that the Company is currently bidding. Visibility on the likelihood of this project proceeding and the Company's success in obtaining the contract for the work should be known by the beginning of the third quarter. If our bid is successful, the project has the potential to be one of the largest pipe coating projects in the Company's history and a significant contributor to revenue and earnings growth in 2017.

Pipeline and Pipe Services Segment - EMAR

The Company's EMAR region provided over 36% of the Pipeline segment's revenue in 2015 and a disproportionate share of operating income as a result of excellent operational performance on Shah Deniz and South Stream project work. In 2015, these projects contributed over $350 million in revenue, and with the Shah Deniz export pipeline and South Stream Lines 1 and 2 projects scheduled for completion in the first quarter of 2016, a substantial decline in activity in the EMAR region is expected for 2016. Beyond 2016, the potential exists for an improvement in revenue should the Company be successful in securing work that is currently being tendered, with the Nordstream 2 natural gas pipeline project in Northern Europe offering the most compelling opportunity for enhanced activity in 2017 and 2018.

Pipeline and Pipe Services Segment - Asia Pacific

Following completion of the large Inpex Ichthys and Chevron Wheatstone Australian LNG projects in 2014, revenue levels in the Asia Pacific region have reverted to historical levels in the annual range of $150 to $200 million. In 2016, the global trend of curtailment in large oil and gas greenfield development projects will impact the region with many of the local markets in Southeast Asia expected to provide lower activity levels then were seen in 2015. Somewhat mitigating this weakness will be the Company's plan to execute a portion of the contracted flow assurance gathering line coating for the Shah Deniz project at one of its Asia Pacific facilities. Beyond this project, revenue in the region will remain weak until a sustained improvement in oil and gas production development spending begins.

Petrochemical and Industrial Segment

Shawcor’s Petrochemical and Industrial segment businesses have again delivered record financial performance in 2015 as exposure to North American and European automotive, industrial and nuclear refurbishment markets provided strong demand and the Company continued to gain market share. In 2016, an environment of modest global economic growth is expected to continue to provide healthy demand for the products supplied by the Company's Petrochemical and Industrial segment businesses, which in turn should enable continued modest growth in revenue and earnings.

Order Backlog

The Company’s order backlog consists of firm customer orders only and represents the revenue the Company expects to realize on booked orders over the succeeding twelve months. The Company reports the twelve month billable backlog because it provides a leading indicator of significant changes in consolidated revenue. The order backlog at December 31, 2015 decreased to $452 million from $556 million at September 30, 2015 and from $766 million a year ago. The decline in backlog from the start of the fourth quarter is attributable to backlog revenue realized in the quarter in excess of new bookings and in particular from the continued execution of the Shah Deniz and South Stream project work.

In addition to the backlog, the Company closely monitors its bidding activity. The value of outstanding firm bids as of December 31, 2015 is now in excess of $900 million, an increase from approximately $600 million at the start of the fourth quarter. In addition, the Company has provided budgetary estimates and is currently working with customers on projects with aggregate values in excess of $1.6 billion, of which the Company expects to issue firm bids for in excess of $500 million in the first quarter of 2016. At approximately $2.5 billion, the current level of project activity that the Company is pursuing is unprecedented in our history. It must be noted that infrastructure projects globally face a range of challenges, from regulatory approvals to increasing scrutiny by global energy companies who are seeking to reduce capital costs and project execution risks. These challenges are impacting the timing of project commencement. However, the Company remains optimistic that the projects that are under bid and development will ultimately proceed. When they do, the Company intends to grow its global market share, deliver backlog growth and then successfully execute on the projects it is awarded to achieve a substantial improvement in financial performance.

10.0 Risks and Uncertainties

Operating in an international environment, servicing predominantly the oil and gas industry, Shawcor faces a number of business risks and uncertainties that could materially and adversely affect the Company’s projections, business, results of operations and financial condition.

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

10.1 Economic Risks

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

The Company’s business is materially dependent on the level of global drilling activity, which, in turn depends on global oil and gas demand, prices and production depletion rates. Lower drilling activity decreases demand for the

Company’s products and services, including small diameter pipe coating, composite pipe, gathering line weld inspection and tubular inspection and inventory management services. These business activities represented approximately 21% of 2015 revenues.

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

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

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

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

Revenue generated by the Company’s Pipeline and Pipe Services segment accounted for 90% of consolidated sales in 2015. With this proportion expected to continue, the Company’s revenue is materially dependent on the global Pipeline and Pipe Services industry. Any further significant declines in pipeline market activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

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

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

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

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

Economic Risk Mitigation

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

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

10.2 Litigation and Legal Risks

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

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

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

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

Litigation and Legal Risk Mitigation

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

10.3 HSE Risks

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

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

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

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

HSE Risk Mitigation

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

10.4 Political and Regulatory Risks

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

During 2015, the Company derived over 24% of its total revenue from its facilities outside Canada, the US and Western Europe. In addition, part of the Company's sales from its locations in Canada and the US were for use in other countries. The Company's operations in certain international locations are subject to various political and economic conditions existing in those countries that could disrupt operations. These risks include:

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

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

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

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

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

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

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

Political and Regulatory Risk Mitigation

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

11.0 Environmental Matters

As at December 31, 2015, the provisions on the annual consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $34.4 million. The Company believes these provisions to be sufficient to fully satisfy all liabilities related to known environmental matters.

The total undiscounted cash flows estimated to settle all decommissioning liabilities is $37.2 million as at December 31, 2015. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.24% and 7.39%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company’s operations. The Company expects the following cash outflows over the next five years and thereafter for decommissioning liabilities.

(in thousands of Canadian dollars)		**December 31, 2015**
2016	$	**8,437**
2017		**343**
2018		**2,722**
2019		**3,153**
2020		**3,584**
More than five years		**18,967**
	$	**37,206**

12.0 Reconciliation of Non-GAAP Measures

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage the capital structure. 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 assist readers in understanding the results of the Company's operations and financial position and are meant to provide further information about its financial results to readers. 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, Adjusted EBITDA and Adjusted Net Income, Adjusted EPS and Adjusted Operating Income

(in thousands of Canadian dollars)	**Three Months Ended December 31,**				**Year Ended December 31,**			
		2015		2014		**2015**		2014
Net (loss) income for the period	**$**	**31,467**	$	(21,501)	**$**	**99,520**	$	94,194
Add:								
Income taxes expense (recovery)		**9,653**		(22,253)		**31,551**		21,010
Finance costs, net		**4,728**		3,813		**18,244**		18,401
Amortization of property, plant, equipment and intangible assets		**20,061**		18,389		**79,387**		70,806
EBITDA[(a)]	**$**	**65,909**	$	(21,552)	**$**	**228,702**	$	204,411
Gain on sale of land		**-**		(609)		**(814)**		(609)
Impairment		**590**		78,999		**590**		120,378
Impairment of investments in joint ventures		**-**		18,948		**-**		18,948
Loss (gain) on assets held for sale		**-**		593		**-**		(6,427)
ADJUSTED EBITDA[(a)]	**$**	**66,499**	$	76,379	**$**	**228,478**	$	336,701
Net (loss) income for the period[(b)]	**$**	**30,901**	$	(20,652)	**$**	**98,244**	$	94,861
Add:								
Impairment		**590**		78,999		**590**		120,378
Impairment of investments in joint ventures		**-**		18,948				18,948
Deduct:								
Deferred Tax Recovery		**112**		(27,931)		**112**		(39,925)
Adjusted Net Income	**$**	**31,603**	$	49,364	**$**	**98,946**	$	194,262
Adjusted EPS (Diluted)[(c)]	**$**	**0.49**	$	0.76	**$**	**1.53**	$	3.14

(a) Adjusted EBITDA and EBITDA are used by many analysts in the oil and gas industry as one of several important analytical tools.
(b) Attributable to shareholders of the Company
(c) Adjusted EPS is Adjusted Net Income divided by the weighted average number of shares outstanding (diluted)

EBITDA and ADJUSTED EBITDA

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

Adjusted Operating Income

(in thousands of Canadian dollars)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	**2015**	2014
Income (Loss) from Operations	**$ 45,696**	$ (20,868)	**$ 149,429**	$ 148,676
Add:				
Impairment	**590**	78,999	**590**	120,378
Adjusted Operating Income	**$ 46,286**	$ 58,131	**$ 150,019**	$ 269,054

Return on Invested Capital ("ROIC")

ROIC, a non-GAAP measure, defined as net income adjusted for after tax interest expense divided by average invested capital over the year and is used by the Company to assess the efficiency of generating profits from each unit of invested capital.

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

(in thousands of Canadian dollars)	**2015**	2014
Net income for the year adjusted for after-tax interest expense	**$ 112,202**	$ 109,093
Average invested capital	**$ 1,502,588**	$ 1,277,684
ROIC	**7.5%**	8.5%

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. The following table sets forth the calculation for the Company's DSO as at:

(in thousands of Canadian dollars, except DSO)	**2015**	2014
Revenue for the fourth quarter	**$ 455,260**	$ 499,964
Average trade accounts receivable	**$ 301,966**	$ 341,218
DSO	**60**	61

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 suppliers, an increase in DPO is considered an improvement in the management of accounts payable and accrued liabilities. The following table sets forth the calculation for the Company's DPO as at:

(in thousands of Canadian dollars, except DPO)	2015	2014
Cost of goods sold for the fourth quarter	**$ 303,510**	$ 322,725
Average accounts payable and accrued liabilities	**$ 288,383**	$ 261,088
DPO	**86**	73

Adjusted Operating Margin

Adjusted Operating Margin is defined as a measurement of operating income excluding unique or one-time transactions divided by the net sales. It is calculated by dividing adjusted operating income by net sales. The Company believes adjusted operating margin is a useful measure of business performance, which assists in assessing the ability to generate cash to pay interest on debt and to pay dividends. The following table sets forth the calculation for the Company's Operating Margin as at:

(in thousands of Canadian dollars, except OM)	2015	2014
Operating Income	**$ 149,429**	$ 148,676
Add: Impairment	**590**	120,378
Adjusted Operating Income	**150,019**	269,054
Net Sales	**$ 1,810,648**	$ 1,890,029
Adjusted Operating Margin	**8.3%**	14.2%

Working Capital Ratio

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

(in thousands of Canadian dollars)	2015	2014
Current assets	**$ 887,070**	$ 813,628
Current liabilities	**$ 440,665**	$ 434,895
Working capital ratio	**2.01**	1.87

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 incurrence of additional capital expenditures as necessary to facilitate growth in new markets, the timing of major project activity, the decline in consolidated revenues and earnings in 2016 from 2015 levels, the growth in revenue and earnings in the Petrochemical and Industrial segment of the Company's business, the use of existing cash balances to reduce indebtedness, 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 human resources, systems and processes to operate its business and execute its strategic plan, the impact of the existing order backlog and other factors on the Company's revenue and Operating Income into 2016, the impact of any potential cancellation of contracts included in the order backlog, and in the longer term, the impact of global economic activity on the demand for the Company's products, the impact of the decline in global oil and gas commodity prices on the level of industry investment in oil and gas infrastructure, the impact of changing energy demand, supply and prices, the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation matters (including the litigation with CNRL) and other claims generally, the level of payments under the Company's performance bonds and the expected development in the Company's order backlog.

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

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, declines in expenditures on oil and gas infrastructures, modest global economic growth, the Company's ability to execute projects under contract, the continued supply of and stable pricing for commodities used by the Company, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of operations in major oil and gas producing regions and the ability of the Company to satisfy all covenants under its Credit Facilities and the Senior Notes. The Company believes that the expectations reflected in the forward looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward looking information included in this document and the Company can give no assurance that such expectations will be achieved.

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

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

14.0 Additional Information

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

March 2nd, 2016