



Shawcor Ltd.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2016

Shawcor Ltd.

Interim Consolidated Statements of Income (Unaudited)

| (in thousands of Canadian dollars, except per share amounts) | Three Months Ended | |
|--|--------------------|------------|
| | March 31, | |
| | 2016 | 2015 |
| Revenue | | |
| Sale of products | \$ 124,915 | \$ 135,166 |
| Rendering of services | 240,664 | 336,774 |
| | 365,579 | 471,940 |
| Cost of Goods Sold and Services Rendered | 238,644 | 302,915 |
| Gross Profit | 126,935 | 169,025 |
| Selling, general and administrative expenses | 83,831 | 93,713 |
| Research and development expenses | 4,308 | 4,073 |
| Foreign exchange losses (gains) | 1,713 | (3,097) |
| Amortization of property, plant and equipment | 14,829 | 13,743 |
| Amortization of intangible assets | 6,304 | 4,977 |
| Income from Operations | 15,950 | 55,616 |
| Loss from investments in associates | (453) | (111) |
| Finance costs, net (note 8) | (4,744) | (4,448) |
| Income Before Income Taxes | 10,753 | 51,057 |
| Income taxes | 2,598 | 12,790 |
| Net Income | \$ 8,155 | \$ 38,267 |
| Net Income Attributable to: | | |
| Shareholders of the Company | \$ 7,461 | \$ 37,774 |
| Non-controlling interests | 694 | 493 |
| Net Income | \$ 8,155 | \$ 38,267 |
| Earnings per Share (note 9) | | |
| Basic | \$ 0.12 | \$ 0.59 |
| Diluted | \$ 0.12 | \$ 0.58 |
| Weighted Average Number of Shares Outstanding (000s) (note 9) | | |
| Basic | 64,531 | 64,497 |
| Diluted | 64,617 | 64,770 |

The accompanying notes are an integral part of these interim consolidated financial statements.

Shawcor Ltd.

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

| (in thousands of Canadian dollars) | Three Months Ended | |
|--|--------------------|------------------|
| | March 31, | |
| | 2016 | 2015 |
| Net Income | \$ 8,155 | \$ 38,267 |
| Other Comprehensive (Loss) Income | | |
| <u>Other Comprehensive (Loss) Income to be Reclassified to Net Income in Subsequent Periods</u> | | |
| Exchange differences on translation of foreign operations | (39,388) | 37,553 |
| Other comprehensive (loss) income attributable to investments in associates | (912) | 279 |
| Net Other Comprehensive (Loss) Income to be Reclassified to Net Income in Subsequent Periods | (40,300) | 37,832 |
| Other Comprehensive (Loss) Income | (40,300) | 37,832 |
| Total Comprehensive (Loss) Income | \$ (32,145) | \$ 76,099 |
| Comprehensive (Loss) Income Attributable to: | | |
| Shareholders of the Company | \$ (32,296) | \$ 75,237 |
| Non-controlling interests | 151 | 862 |
| Total Comprehensive (Loss) Income | \$ (32,145) | \$ 76,099 |

The accompanying notes are an integral part of these interim consolidated financial statements.

Shawcor Ltd.

Interim Consolidated Balance Sheets (Unaudited)

| (in thousands of Canadian dollars) | March 31, 2016 | December 31, 2015 |
|---|---------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (note 11) | \$ 278,177 | \$ 260,645 |
| Short-term investments | 2,778 | 2,954 |
| Accounts receivable | 281,302 | 396,974 |
| Income taxes receivable | 31,234 | 35,804 |
| Inventory | 131,668 | 167,557 |
| Prepaid expenses | 16,506 | 20,112 |
| Derivative financial instruments (note 5) | 643 | 3,024 |
| | 742,308 | 887,070 |
| Non-current Assets | | |
| Loans receivable (note 12) | 7,566 | 7,908 |
| Property, plant and equipment | 480,792 | 485,555 |
| Intangible assets | 222,918 | 223,298 |
| Investments in associates | 29,503 | 30,868 |
| Deferred income tax assets | 20,289 | 27,668 |
| Other assets | 27,027 | 26,268 |
| Goodwill | 451,459 | 457,070 |
| | 1,239,554 | 1,258,635 |
| | \$ 1,981,862 | \$ 2,145,705 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 248,382 | \$ 295,911 |
| Provisions | 19,232 | 25,562 |
| Income taxes payable | 36,273 | 34,624 |
| Derivative financial instruments (note 5) | 2,247 | 1,984 |
| Deferred revenue | 30,897 | 58,129 |
| Obligations under finance lease | 1,087 | 1,176 |
| Other liabilities | 15,184 | 23,279 |
| | 353,302 | 440,665 |
| Non-current Liabilities | | |
| Long-term debt (note 14) | 455,728 | 485,147 |
| Obligations under finance lease | 12,096 | 12,600 |
| Provisions | 40,312 | 44,075 |
| Employee future benefits | 23,410 | 21,942 |
| Deferred income tax liabilities | 10,028 | 14,898 |
| Other liabilities | 1,602 | 1,177 |
| | 543,176 | 579,839 |
| | 896,478 | 1,020,504 |
| Equity | | |
| Share capital (note 16) | 535,367 | 534,484 |
| Contributed surplus | 19,716 | 18,638 |
| Retained earnings | 490,541 | 492,713 |
| Non-controlling interests | 7,606 | 7,455 |
| Accumulated other comprehensive income | 32,154 | 71,911 |
| | 1,085,384 | 1,125,201 |
| | \$ 1,981,862 | \$ 2,145,705 |

The accompanying notes are an integral part of these interim consolidated financial statements.

Shawcor Ltd.

Interim Consolidated Statements of Changes in Equity (Unaudited)

| (in thousands of Canadian dollars) | Share Capital | Contributed Surplus | Retained Earnings | Non- controlling Interests | Accumulated Other Comprehensive Income (Loss) | Total Equity |
|--|------------------|------------------------|----------------------|----------------------------------|--|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance – December 31, 2015 | 534,484 | 18,638 | 492,713 | 7,455 | 71,911 | 1,125,201 |
| Net income | – | – | 7,461 | 694 | – | 8,155 |
| Other comprehensive loss | – | – | – | (543) | (39,757) | (40,300) |
| Comprehensive income (loss) | – | – | 7,461 | 151 | (39,757) | (32,145) |
| Issued on exercise of stock options | 532 | – | – | – | – | 532 |
| Compensation cost on exercised options | 177 | (177) | – | – | – | – |
| Compensation cost on exercised RSUs | 174 | (174) | – | – | – | – |
| Share-based compensation expense | – | 1,429 | – | – | – | 1,429 |
| Dividends declared and paid to shareholders (note 16) | – | – | (9,633) | – | – | (9,633) |
| Balance – March 31, 2016 | 535,367 | 19,716 | 490,541 | 7,606 | 32,154 | 1,085,384 |
| Balance – December 31, 2014 | 533,660 | 14,625 | 433,177 | 7,254 | (8,103) | 980,613 |
| Net income | – | – | 37,774 | 493 | – | 38,267 |
| Other comprehensive income | – | – | – | 369 | 37,463 | 37,832 |
| Comprehensive income | – | – | 37,774 | 862 | 37,463 | 76,099 |
| Issued on exercise of stock options | 44 | – | – | – | – | 44 |
| Compensation cost on exercised options | 16 | (16) | – | – | – | – |
| Compensation cost on exercised RSUs | 52 | (52) | – | – | – | – |
| Share-based compensation expense | – | 1,085 | – | – | – | 1,085 |
| Dividends declared and paid to shareholders (note 16) | – | – | (9,675) | – | – | (9,675) |
| Balance – March 31, 2015 | 533,772 | 15,642 | 461,276 | 8,116 | 29,360 | 1,048,166 |

The accompanying notes are an integral part of these interim consolidated financial statements.

Shawcor Ltd.

Interim Consolidated Statements of Cash Flows (Unaudited)

| (in thousands of Canadian dollars) | Three Months Ended | |
|---|--------------------|--------------------|
| | 2016 | 2015 |
| Operating Activities | | |
| Net income | \$ 8,155 | \$ 38,267 |
| Add (deduct) items not affecting cash | | |
| Amortization of property, plant and equipment | 14,829 | 13,743 |
| Amortization of intangible assets | 6,304 | 4,977 |
| Amortization of long-term prepaid expenses | 115 | 494 |
| Decommissioning obligations expense | 41 | 111 |
| Other provision expenses | 1,739 | 2,212 |
| Share-based compensation and incentive-based compensation (note 10) | 1,240 | 1,587 |
| Deferred income taxes | (4,973) | 2,075 |
| Loss on disposal of property, plant and equipment | 165 | 48 |
| Unrealized loss on derivative financial instruments | 2,644 | 2,696 |
| Loss from investments in associates | 453 | 111 |
| Settlement of decommissioning liabilities | (3) | (6) |
| Settlement of other provisions | (7,739) | (1,207) |
| Net change in future employee benefits | 603 | 324 |
| Change in non-cash working capital and foreign exchange | 61,896 | (49,137) |
| Cash Provided by Operating Activities | \$ 85,469 | \$ 16,295 |
| Investing Activities | | |
| Decrease in loans receivable | – | 39 |
| Decrease (increase) in short-term investments | 176 | (1,144) |
| Purchases of property, plant and equipment | (17,961) | (15,224) |
| Proceeds on disposal of property, plant and equipment | 1,046 | 574 |
| Purchases of intangible assets | – | (37) |
| Deferred purchase consideration payment | – | (1,064) |
| Increase in other assets | (1,120) | (57) |
| Business acquisitions, net of cash acquired (note 4) | (25,539) | (17,036) |
| Cash Used in Investing Activities | \$ (43,398) | \$ (33,949) |
| Financing Activities | | |
| Increase in bank indebtedness | – | 1,418 |
| Decrease in loans payable | (237) | (2,513) |
| Repayment of finance lease obligation | (173) | (524) |
| Issuance of shares (note 16) | 532 | 44 |
| Dividends paid to shareholders (note 16) | (9,633) | (9,675) |
| Cash Used in Financing Activities | \$ (9,511) | \$ (11,250) |
| Effect of Foreign Exchange on Cash and Cash Equivalents | (15,028) | 9,967 |
| Net increase (decrease) in Cash and Cash Equivalents | 17,532 | (18,937) |
| Cash and Cash Equivalents – Beginning of Period | 260,645 | 116,556 |
| Cash and Cash Equivalents – End of Period | \$ 278,177 | \$ 97,619 |

The accompanying notes are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shawcor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange. Shawcor Ltd., together with its wholly owned subsidiaries (collectively referred to as the "Company" or "Shawcor"), is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates eight divisions with over 80 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 6.

The head office, principal address and registered office of the Company is 25 Bethridge Road, Toronto, Ontario, M9W 1M7, Canada.

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1 Basis of Financial Statement Preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and thus should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2015 ("Annual Consolidated Financial Statements"). The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Annual Consolidated Financial Statements, except as set out in note 3.

Basis of Presentation and Consolidation

The interim consolidated financial statements have been prepared on the historical cost basis, except for certain current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in the Company's Annual Consolidated Financial Statements.

The interim consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise stated.

The interim consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company's equity accounted interests in joint ventures and associates.

The preparation of interim consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these interim consolidated financial statements, are described in note 2 of the Company's Annual Consolidated Financial Statements.

The results of the subsidiaries acquired during the period are included in the interim consolidated financial statements from the date of the acquisition. Adjustments are made, where necessary, to the financial statements of the subsidiaries, joint arrangements and associates to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The interim consolidated financial statements and accompanying notes as at and for the three-month period ended March 31, 2016 were authorized for issue by the Company's Board of Directors ("Board") on May 11, 2016.

2 Accounting Standards Issued but Not Yet Applied

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of *IFRS 9 – Financial Instruments*, which replaces all phases of the financial instruments project, *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of *IFRS 9*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet determined the impact of this standard on the interim 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 interim 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 interim consolidated financial statements.

3 New Accounting Standards Adopted***Amendments to IAS 1 Disclosure Initiative***

The amendments to *IAS 1* clarify, rather than significantly change, existing *IAS 1* requirements. The amendments clarify:

- The materiality requirements in *IAS 1*;
- That specific line items in the statements of income, comprehensive income and financial position that may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company's adoption of these amendments did not have a material impact on the interim consolidated financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

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

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to *IFRS 11* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant *IFRS 3 Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to *IFRS 11* to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

4 Acquisition of Lake Superior Consulting, LLC

On January 5, 2016, the Company completed the acquisition of Lake Superior Consulting, LLC ("Lake Superior") for approximately \$37.9 million, inclusive of an 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 had 2015 revenue of approximately US\$45 million.

The preliminary approximate value of tangible assets acquired and tangible liabilities assumed was \$11.3 million and \$4.7 million, respectively and the approximate value of intangible assets acquired and intangible liabilities assumed was \$33.0 million and \$6.9 million, respectively.

5 Financial Instruments

The Company has classified its financial instruments as follows:

| (in thousands of Canadian dollars) | March 31 2016 | December 31 2015 |
|--|--------------------------|---------------------|
| Loans and Receivables, Measured at Amortized Cost | | |
| Loans receivable | \$ 7,566 | \$ 7,908 |
| Trade accounts receivable, net | 212,320 | 284,538 |
| Held-to-maturity | | |
| Short-term investments | 2,778 | 2,954 |
| Deposit guarantee | 903 | 960 |
| Fair Value through Profit or Loss | | |
| Cash and cash equivalents | 278,177 | 260,645 |
| Derivative financial instruments – assets | 643 | 3,024 |
| Derivative financial instruments – liabilities | 2,247 | 1,984 |
| Available-for-sale | | |
| Convertible preferred shares | 10,000 | 10,000 |
| Other Financial Liabilities, Measured at Amortized Cost | | |
| Accounts payable | 90,713 | 110,648 |
| Deferred purchase consideration | 10,584 | 3,939 |
| Long-term debt | 455,728 | 485,147 |

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 which are 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table presents the fair value of financial assets and liabilities in the fair value hierarchy as at March 31, 2016:

| (in thousands of Canadian dollars) | Fair Value | | Level 1 | | Level 2 | | Level 3 | |
|------------------------------------|------------|---------|---------|---------|---------|---------|---------|--------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ | 278,177 | \$ | 278,177 | \$ | – | \$ | – |
| Short-term investments | | 2,778 | | 2,778 | | – | | – |
| Derivative financial instruments | | 643 | | – | | 643 | | – |
| Convertible preferred shares | | 10,000 | | – | | – | | 10,000 |
| Deposit guarantee | | 903 | | – | | 903 | | – |
| | \$ | 292,501 | \$ | 280,955 | \$ | 1,546 | \$ | 10,000 |
| Liabilities | | | | | | | | |
| Deferred purchase consideration | \$ | 10,584 | \$ | – | \$ | 10,584 | \$ | – |
| Long-term debt | | 416,863 | | – | | 416,863 | | – |
| Derivative financial instruments | | 2,247 | | – | | 2,247 | | – |
| | \$ | 429,694 | \$ | – | \$ | 429,694 | \$ | – |

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

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange 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.

Market Risk

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are 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 March 31, 2016, 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 quarter then ended by approximately \$15.2 million, \$1.4 million and \$1.3 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 \$81.1 million, \$21.1 million and \$60.0 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 forward contracts for speculative purposes. With the exception of the Company's US dollar based operations, the Company does not hedge translation exposures.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 March 31, 2016:

(in thousands, except weighted average rate amounts)

| | |
|---------------------------------------|--------------------|
| Canadian dollars sold for US dollars | |
| Less than one year | C\$ 8,386 |
| Weighted average rate | 0.75 |
| US dollars sold for Canadian dollars | |
| Less than one year | US\$ 13,800 |
| Weighted average rate | 1.30 |
| US dollars sold for Euros | |
| Less than one year | US\$ 16,479 |
| Weighted average rate | 0.89 |
| Euros sold for US dollars | |
| Less than one year | € 28,560 |
| Weighted average rate | 1.12 |
| Norwegian Kroners sold for US dollars | |
| Less than one year | NOK 161,359 |
| Weighted average rate | 0.12 |

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

As at March 31, 2016, the Company had notional amounts of \$115.1 million of foreign exchange forward contracts outstanding (December 31, 2015 – \$145.7 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling \$1.6 million (December 31, 2015 – \$1.0 million net gain).

Net Investment Hedge

The long-term debt has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the US dollar as its functional currency. During the quarter ended March 31, 2016, a gain of \$29.4 million on the translation of the long-term debt was transferred to other comprehensive income to offset the losses on translation of the net investment in the US dollar functional currency subsidiary. There was no ineffectiveness of this hedge for the quarter ended March 31, 2016.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at March 31, 2016:

| (in thousands of Canadian dollars) | Non-interest Bearing | Floating Rate | Fixed Interest Rate | Total |
|------------------------------------|-------------------------|------------------|---------------------------|-----------|
| Financial Assets | | | | |
| Cash equivalents | \$ – | \$ – | \$ 41,054 | \$ 41,054 |
| Short-term investments | 2,778 | – | – | 2,778 |
| Loans receivable | 180 | 4,893 | 2,493 | 7,566 |
| Convertible preferred shares | 10,000 | – | – | 10,000 |
| | \$ 12,958 | \$ 4,893 | \$ 43,547 | \$ 61,398 |

| (in thousands of Canadian dollars) | Non-interest Bearing | Floating Rate | Fixed Interest Rate | Total |
|--|-------------------------|------------------|---------------------------|------------|
| Financial Liabilities | | | | |
| Standard letters of credit for performance, bid and surety bonds | \$ 81,363 | \$ – | \$ – | \$ 81,363 |
| Long-term debt | – | – | 455,728 | 455,728 |
| | \$ 81,363 | \$ – | \$ 455,728 | \$ 537,091 |

The Company's interest rate risk arises primarily from the floating rate on its loans 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.

For the quarter ended March 31, 2016, there was no customer who generated revenue greater than 10% of total consolidated revenue.

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 March 31, 2016, the Company had cash and cash equivalents totalling \$278.2 million (December 31, 2015 – \$260.6 million) and had unutilized lines of credit available to use of \$504.8 million (December 31, 2015 – \$491.9 million).

6 Segment Information

Shawcor's operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ("CODM") in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on segment operating income or loss, which is measured differently than income from operations in the consolidated financial statements. Income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at March 31, 2016, the Company had two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial. Inter-segment transactions between Pipeline and Pipe Services and Petrochemical and Industrial are accounted for at negotiated transfer prices. The aggregation of the reportable segments is based on the customer and markets that the Company serves.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment comprises the following divisions:

- Bredero Shaw, which provides pipe coating, lining and insulation products. During 2015, the Socotherm division was integrated with the Bredero Shaw division;
- Canusa - CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubular products;
- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction;
- Desert NDT, which provides non-destructive testing services for new oil and gas gathering pipelines and infrastructure integrity management services;
- Lake Superior Consulting, which provides pipeline engineering and integrity management services to major North American pipeline operators.

Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the Connection Systems division. The Connection Systems division was formed from the 2015 integration of the DSG-Canusa and Shawflex divisions:

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

Financial and Corporate

The financial and corporate division for Shawcor does not meet the definition of a reportable operating segment as defined in IFRS, as it does not earn revenue.

Segment

The following table sets forth information by segment for the quarter ended March 31:

| (in thousands of Canadian dollars) | Pipeline and Pipe Services | | Petrochemical and Industrial | | Financial and Corporate | | Eliminations and Adjustments | | Total | |
|------------------------------------|----------------------------|---------|------------------------------|--------|-------------------------|---------|------------------------------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | | | | |
| External | 316,951 | 428,074 | 48,628 | 43,866 | – | – | – | – | 365,579 | 471,940 |
| Inter-segment | 29 | 740 | 245 | 374 | – | – | (274) | (1,114) | – | – |
| Total Revenue | 316,980 | 428,814 | 48,873 | 44,240 | – | – | (274) | (1,114) | 365,579 | 471,940 |
| Income (loss) from operations | 16,193 | 55,117 | 7,595 | 6,261 | (7,838) | (5,762) | – | – | 15,950 | 55,616 |
| Income (loss) before income taxes | 11,592 | 51,566 | 7,234 | 5,662 | (8,073) | (6,171) | – | – | 10,753 | 51,057 |

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table sets forth information for total assets by segment as at:

| (in thousands of Canadian dollars) | March 31, 2016 | December 31, 2015 |
|------------------------------------|---------------------|----------------------|
| Pipeline and Pipe Services | \$ 2,508,841 | \$ 2,373,313 |
| Petrochemical and Industrial | 114,931 | 118,464 |
| Financial and Corporate | 912,372 | 1,048,489 |
| Elimination and adjustments | (1,554,282) | (1,394,561) |
| | \$ 1,981,862 | \$ 2,145,705 |

7 Employee Benefits Expense

The Company's costs for the defined benefit pension plans, the post-retirement life insurance plans and the post-employment benefit plan for the three month period ended March 31, 2016 were \$1.2 million (three month period ended March 31, 2015 – \$1.4 million). The Company's costs for the defined contribution pension arrangements for the three month period ended March 31, 2016 were \$2.4 million (three month period ended March 31, 2015 – \$1.3 million).

8 Finance Costs

The following table sets forth the Company's finance costs for the periods ended:

| (in thousands of Canadian dollars) | Three Months Ended March 31, | |
|------------------------------------|---------------------------------|-----------------|
| | 2016 | 2015 |
| Interest income | \$ (316) | \$ (200) |
| Interest expense, other | 914 | 812 |
| Interest expense on long term debt | 4,146 | 3,836 |
| Finance Costs – net | \$ 4,744 | \$ 4,448 |

9 Earnings Per Share

The following table details the weighted-average number of shares outstanding for the purposes of calculating basic and diluted EPS:

| (in thousands of Canadian dollars except share and per share amounts) | Three Months Ended March 31, | |
|---|---------------------------------|-----------|
| | 2016 | 2015 |
| Net income used to calculate EPS | | |
| Net income (attributable to the shareholders of the Company) | \$ 7,461 | \$ 37,774 |
| Weighted average number of shares outstanding – basic (000's) | 64,531 | 64,497 |
| Dilutive effect of share-based compensation | 86 | 273 |
| Weighted average number of shares outstanding – diluted (000's) | 64,617 | 64,770 |
| Basic EPS | \$ 0.12 | \$ 0.59 |
| Diluted EPS | \$ 0.12 | \$ 0.58 |

10 Share-based and Other Incentive-based Compensation

A summary of the status of the Company's stock option and other incentive-based compensation plans and changes during the period is presented below:

Stock Options without Tandem Share Appreciation Rights ("SARs")

| | Three Months Ended March 31, 2016 | | Year Ended December 31, 2015 | |
|--|--------------------------------------|--|---------------------------------|--|
| | Total Shares | Weighted Average Exercise Price | Total Shares | Weighted Average Exercise Price |
| Balance Outstanding - Beginning of Period | 1,043,440 | \$ 32.27 | 989,870 | \$ 31.71 |
| Granted | 178,600 | 26.60 | 77,700 | 35.79 |
| Exercised | (22,000) | 24.16 | (24,130) | 21.05 |
| Balance Outstanding - End of Period | 1,200,040 | \$ 31.57 | 1,043,440 | \$ 32.27 |
| Options exercisable | 776,320 | \$ 30.25 | 686,508 | \$ 28.90 |

| Range of Exercise Price | Options Outstanding | | | Options Exercisable | |
|----------------------------|---|--|--|---|--|
| | Outstanding as at March 31, 2016 | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price | Exercisable as at March 31, 2016 | Weighted Average Exercise Price |
| \$15.01 to \$20.00 | 167,520 | 2.74 | \$ 15.51 | 167,520 | \$ 15.51 |
| \$25.01 to \$30.00 | 376,060 | 5.30 | 27.30 | 199,160 | 28.00 |
| \$30.01 to \$35.00 | 182,100 | 5.74 | 32.81 | 145,160 | 32.81 |
| \$35.01 to \$40.00 | 181,660 | 6.49 | 36.65 | 118,140 | 37.11 |
| \$40.01 to \$45.00 | 246,300 | 6.74 | 41.69 | 127,780 | 41.59 |
| \$45.01 to \$50.00 | 46,400 | 7.74 | 45.73 | 18,560 | 45.73 |
| | 1,200,040 | 5.58 | \$ 31.57 | 776,320 | \$ 30.25 |

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

| December 31, 2015 | Options Outstanding | | | Options Exercisable | | |
|-------------------------|-------------------------------------|---|---------------------------------|-------------------------------------|---------------------------------|--|
| Range of Exercise Price | Outstanding as at December 31, 2015 | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price | Exercisable as at December 31, 2015 | Weighted Average Exercise Price | |
| \$15.01 to \$20.00 | 169,520 | 2.98 | \$ 15.51 | 169,520 | \$ 15.51 | |
| \$25.01 to \$30.00 | 219,160 | 1.54 | 27.73 | 219,160 | 27.73 | |
| \$30.01 to \$35.00 | 182,100 | 5.98 | 32.81 | 108,220 | 32.81 | |
| \$35.01 to \$40.00 | 179,960 | 6.71 | 36.66 | 81,808 | 37.32 | |
| \$40.01 to \$45.00 | 246,300 | 6.98 | 41.69 | 98,520 | 41.69 | |
| \$45.01 to \$50.00 | 46,400 | 7.98 | 45.73 | 9,280 | 45.73 | |
| | 1,043,440 | 5.01 | \$ 32.27 | 686,508 | \$ 28.90 | |

The Board approved the granting of 178,600 stock options during the three month period ended March 31, 2016 under the 2001 Employee Plan. The total fair value of the stock options granted during the three month period ended March 31, 2016 was \$1.15 million (three month period ended March 31, 2015 – \$0.64 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

| | Three Months Ended March 31, | |
|--|---------------------------------|----------|
| | 2016 | 2015 |
| Weighted average share price | \$ 26.60 | \$ 35.79 |
| Exercise price | \$ 26.60 | \$ 35.79 |
| Weighted average expected life of options | 6.25 | 6.25 |
| Weighted average expected stock price volatility | 30.4% | 29.0% |
| Weighted average expected dividend yield | 2.14% | 1.63% |
| Weighted average risk-free interest rate | 1.08% | 1.34% |

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the expected life of the options.

The fair value of options granted will be amortized to compensation expense over the five-year vesting period of the options. The compensation cost from the amortization of stock options for the three month period ended March 31, 2016, included in selling, general and administrative expenses, was \$0.3 million (three month period ended March 31, 2015 – \$0.4 million).

Stock Options with Tandem Share Appreciation Rights

| | Three Months Ended March 31, 2016 | | Year Ended December 31, 2015 | |
|--|--------------------------------------|--|---------------------------------|-----------------------------|
| | Total Shares | Weighted Average Fair Value ^(a) | Total Shares | Weighted Average Fair Value |
| Balance Outstanding - Beginning of Period | 277,300 | \$ 11.69 | 182,100 | \$ 13.29 |
| Granted | 110,800 | 6.77 | 94,800 | 8.62 |
| Cancelled | (17,440) | 10.88 | – | – |
| Expired / Other | – | – | 400 | 12.94 |
| Balance Outstanding - End of Period | 370,660 | \$ 10.26 | 277,300 | \$ 11.69 |
| Options exercisable | 147,360 | \$ 11.03 | 113,760 | \$ 13.07 |

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The mark-to-market liability for the stock options with SARs as at March 31, 2016 is \$0.7 million (December 31, 2015 – \$0.8 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

On March 3, 2010, the Board approved a new long-term incentive program (“LTIP”) for executives and key employees and a deferred share unit (“DSU”) plan for directors of the Company. Additional details with respect to the LTIP and DSU plan are as follows:

LTIP

The LTIP includes the existing stock option plan discussed above, the Value Growth Plan (“VGP”) and the Employee Share Unit Plan (“ESUP”).

VGP

The VGP is a cash-based awards plan, which rewards executives and key employees for improving revenue and operating income over a three-year performance period. Units granted to participants vest at the end of the third year of the performance period for which they were granted. The value of units is determined based on the growth rate in operating revenue and income on a cumulative basis for the three consecutive years that comprise the performance period and is measured against the prior three-year baseline period. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the VGP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The VGP liability as at March 31, 2016 is \$2.1 million (December 31, 2015 – \$16.6 million).

ESUP

The ESUP authorizes the Board to grant awards of RSUs and performance share units (“PSUs”) to employees of the Company as a form of incentive compensation. All RSUs and PSUs are to be settled with common shares and are valued on the basis of the underlying weighted average trading price of the common shares over the five trading days preceding the grant date. The valuation is not subsequently adjusted for changes in the market price of the common shares prior to the settlement of the award. Each RSU and PSU granted under the ESUP represents one common share. The ESUP provides that the maximum number of common shares that are reserved for issuance from time to time shall be fixed at 1,000,000 common shares. The RSUs vest in two tranches over a period of one to five years and four to seven years, respectively and become payable once vesting is completed. Compensation cost is recognized over the vesting period in accordance with IFRS. All RSUs and PSUs granted are classified as equity instruments in accordance with IFRS as their terms require that they be settled in shares.

The following table sets forth the Company’s RSU/PSUs reconciliation as at the periods indicated:

| | Three Months Ended March 31, 2016 | | Year Ended December 31, 2015 | |
|--|--------------------------------------|--|---------------------------------|--|
| | Total Shares | Weighted Average Grant Date Fair Value ^{(a)(b)} | Total Shares | Weighted Average Grant Date Fair Value ^{(a)(b)} |
| Balance Outstanding - Beginning of Period | 472,849 | \$ 32.84 | 261,708 | \$ 36.69 |
| Granted | 86,293 | 25.54 | 231,979 | 28.77 |
| Exercised | (6,634) | 28.46 | (3,322) | 34.21 |
| Cancelled | (6,787) | 34.24 | (17,516) | 36.27 |
| Balance Outstanding - End of Period | 545,721 | \$ 31.72 | 472,849 | \$ 32.84 |
| RSUs/PSUs exercisable | 134,450 | \$ 33.99 | 95,838 | \$ 33.63 |

(a) RSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

(b) PSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DSU

Under the Company's DSU plan, all directors (other than the President and Chief Executive Officer) of the Company can elect to receive all or a portion of their compensation for services rendered as a director of the Company in share units or a combination of share units and cash. The number of DSUs received is equal to the dollar amount to be paid in DSUs divided by the weighted average trading price of the common shares over the five days immediately preceding the date of the grant. DSUs are to be settled at the time that the director ceases to be a member of the Board and each DSU entitles the holder to receive one common share or the cash equivalent. DSUs vest immediately on the date of the grant. The value of a DSU and the related compensation expense is determined and recorded based on the current market price of the underlying common shares on the date of the grant. Common shares are purchased on the open market to settle outstanding share units.

All DSUs granted will be classified as liability instruments on the date of the grant in accordance with IFRS as the unitholder has the option to settle in cash or in shares.

The following table sets forth the Company's DSU reconciliation as at the period indicated:

| | Three Months Ended March 31, 2016 | | Year Ended December 31, 2015 | |
|--|--------------------------------------|--|---------------------------------|--|
| | Total Shares | Weighted Average Grant Date Fair Value ^(a) | Total Shares | Weighted Average Grant Date Fair Value ^(a) |
| Balance Outstanding - Beginning of Period | 110,597 | \$ 36.37 | 99,675 | \$ 38.04 |
| Granted | 10,952 | 28.07 | 41,032 | 31.98 |
| Exercised ^(b) | – | – | (30,110) | 35.92 |
| Balance Outstanding - End of Period | 121,549 | \$ 35.62 | 110,597 | \$ 36.37 |

(a) DSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

(b) DSU awards cannot be exercised while the director is still a member of the Board.

The mark-to-market liability for the DSUs as at March 31, 2016 is \$3.4 million (December 31, 2015 – \$3.1 million), all of which is included in current other liabilities on the consolidated balance sheets.

Incentive-based Compensation

The following table sets forth the incentive-based compensation expense for the period indicated:

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------------|
| (in thousands of Canadian dollars) | 2016 | 2015 |
| Stock option expense | \$ 309 | \$ 440 |
| VGP expense | (419) | 821 |
| DSU expense | 327 | (378) |
| RSU expense | 1,120 | 645 |
| SAR expense | (97) | 59 |
| Total Share-based and Other Incentive-based Compensation Expense | \$ 1,240 | \$ 1,587 |

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

11 Cash and Cash Equivalents

The following table sets forth the Company's cash and cash equivalents as at:

| (in thousands of Canadian dollars) | March 31 2016 | December 31 2015 |
|------------------------------------|-------------------|---------------------|
| Cash | \$ 237,123 | \$ 250,030 |
| Cash equivalents | 41,054 | 10,615 |
| Total | \$ 278,177 | \$ 260,645 |

12 Loans Receivable

The following table details the long-term loans receivable as at:

| (in thousands of Canadian dollars) | March 31 2016 | December 31 2015 |
|------------------------------------|------------------|---------------------|
| Non-current | | |
| Notes receivable ^(a) | \$ 4,893 | \$ 5,166 |
| Loan receivable | 2,673 | 2,742 |
| Total | \$ 7,566 | \$ 7,908 |

(a) Long-term notes receivable relate to an amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia. Interest is payable semi-annually at U.S. prime plus 0.25%, with principal repayments to be made in four semi-annual instalments beginning no later than March 31, 2018, as set out in the loan agreement terms. As at March 31, 2016, the amount of the note receivable was U.S.\$3,756 (December 31, 2015 – U.S.\$3,726).

13 Credit Facilities

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

| (in thousands of Canadian dollars) | March 31 2016 | December 31 2015 |
|--|-------------------|---------------------|
| Standard letters of credit for performance, bid and surety bonds | \$ 81,363 | \$ 132,052 |
| Total utilized credit facilities | 81,363 | 132,052 |
| Total available credit facilities ^(a) | 586,170 | 623,970 |
| Unutilized Credit Facilities | \$ 504,807 | \$ 491,918 |

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

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by US\$100 million from US\$150 million to US\$250 million, with an option to increase the credit limit to US\$400 million with the consent of lenders. On June 16, 2015, the option to increase the credit limit to US\$400 million was exercised with the consent of the lenders and a new option to increase the credit limit to US\$550 million with the consent of the lenders was added. The Company pays a floating interest rate on this Credit Facility that is a function of the Company's Total Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility is US\$50 million. Please refer to note 17 for a description of the changes made to the Company's Credit Facility during April 2016.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the Unsecured Committed Bank 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 2.50 to 1 and a Total Debt to EBITDA ratio of less than 3.00 to 1. The Company was in compliance with these covenants as at March 31, 2016 and December 31, 2015. Please refer to note 17 for a description of the changes made to the debt covenants under the Credit Facility during May 2016.

14 Long-term Debt

The total long-term debt ("Senior Notes") balance as at March 31, 2016 is \$455.7 million (US\$350.0 million) (December 31, 2015 – \$485.1 million (US\$350.0 million)). The Senior Notes have been designated as a hedge of the Company's net investment in its US dollar functional currency subsidiary as described in note 5.

The Company has undertaken to maintain certain covenants in respect of the Senior Notes that are consistent with the debt covenants described for the Company's Credit Facility. The Company was in compliance with these covenants as at March 31, 2016 and December 31, 2015. Please refer to note 17 for a description of the changes made to the debt in respect of the Senior Notes during May 2016.

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

The Company utilizes the Credit Facility to support its bonds. The Company has utilized total credit facilities of \$81.4 million as at March 31, 2016 (December 31, 2015 – \$132.1 million) for support of its bonds. In addition, as at March 31, 2016, the Company had \$125.3 million of outstanding surety bonds through insurance companies (December 31, 2015 – \$130.8 million).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

16 Share Capital

The following table sets forth the changes in the Company's shares for the periods indicated:

(all dollar amounts in thousands of Canadian dollars)

Number of Shares

| | |
|-------------------------------------|------------|
| Balance, December 31, 2015 | 64,521,301 |
| Issued on exercise of stock options | 22,000 |
| Issued on exercise of RSUs | 6,634 |

| | |
|--------------------------------|-------------------|
| Balance, March 31, 2016 | 64,549,935 |
|--------------------------------|-------------------|

Stated Value

| | |
|---|------------|
| Balance, December 31, 2015 | \$ 534,484 |
| Proceeds from exercise of stock options | 532 |
| Compensation cost on exercised options | 177 |
| Compensation cost on exercised RSUs | 174 |

| | |
|--------------------------------|-------------------|
| Balance, March 31, 2016 | \$ 535,367 |
|--------------------------------|-------------------|

(all dollar amounts in thousands of Canadian dollars)

Number of Shares

| | |
|-------------------------------------|------------|
| Balance, December 31, 2014 | 64,493,849 |
| Issued on exercise of stock options | 24,130 |
| Issued on exercise of RSUs | 3,322 |

| | |
|----------------------------|------------|
| Balance, December 31, 2015 | 64,521,301 |
|----------------------------|------------|

Stated Value

| | |
|--|------------|
| Balance, December 31, 2014 | \$ 533,660 |
| Issued on exercise of stock options | 508 |
| Compensation cost on exercised options | 197 |
| Compensation cost on exercised RSUs | 119 |

| | |
|----------------------------|------------|
| Balance, December 31, 2015 | \$ 534,484 |
|----------------------------|------------|

All shares have been issued and fully paid and have no par value. There are an unlimited number of common shares authorized. Holders of common shares are entitled to one vote per share.

Dividends declared and paid were as follows:

| | March 31, 2016 | March 31, 2015 |
|---|-------------------|-------------------|
| (Dollar amounts per share) | | |
| Dividends declared and paid to shareholders | \$ 9,633 | \$ 9,675 |
| Dividends declared and paid per share | \$ 0.15 | \$ 0.15 |

17 Subsequent Events

Repurchase of US\$78 Million Senior Notes

In April 2016, the Company utilized a portion of its existing cash balances to repurchase approximately US\$78 million of its Senior Notes at a purchase price of approximately US\$79 million plus accrued interest. The Company had previously announced the repurchase of US\$75 million of its Senior Notes and subsequently acquired an additional US\$3 million of its Senior Notes.

Amendments to Senior Notes Agreement and Credit Facility

On May 10, 2016, the Company entered into amending agreements with holders of its Senior Notes and the syndicate of lenders under the Credit Facility. The principal amendments to the agreements with the holders of the Senior Notes and to the Credit Facility were as follows:

- a) an increase in the Company's permitted Total Debt to EBITDA covenant (the "Leverage Ratio") (currently a maximum of 3.00 to 1.00) to 4.25 to 1.00 for the fiscal quarters ending September 30, 2016 and December 31, 2016;
- b) at the Company's option, an increase in the Leverage Ratio to 3.75 to 1.00 and 3.5 to 1.00 for the quarters ending March 31, 2017 and June 30, 2017, respectively;
- c) increased interest rates and standby and other fees payable to Senior Notes holders, and under the Credit Facility during any period when the Company is permitted an increased Leverage Ratio (an "Increased Leverage Period");
- d) a reduction in the size of the Credit Facility from US\$400 million to US\$325 million; and
- e) a change to the definition of Total Debt, which currently excludes up to US\$75 million in letters of credit which are performance guarantees ("Performance Guarantees"), to exclude up to US\$100 million in Performance Guarantees on a permanent basis and up to US\$150 million in Performance Guarantees on a temporary basis during any Increased Leverage Period.

The Company will incur fees and expenses to implement these amendments of approximately US\$1.5 million in the second quarter of 2016.

18 Consolidated Financial Statements

The comparative interim consolidated financial statements have been reclassified from consolidated financial statements previously presented to conform to the presentation of the current year interim consolidated financial statements in accordance with IAS 34.