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

The following Management's Discussion and Analysis ("MD&A"), is a discussion of the consolidated financial position and results of operations of Shawcor Ltd. ("Shawcor" or the "Company") for the three months ended March 31, 2017 and 2016 and should be read together with Shawcor's interim unaudited consolidated financial statements and accompanying notes for the same periods and the MD&A included in the Company's 2016 Annual Report. All dollar amounts in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

This MD&A and the interim unaudited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to section 12 hereof.

1.0 Executive Overview

Shawcor is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates eight divisions with over eighty manufacturing and service facilities located around the world. The Company is publicly-traded on the Toronto Stock Exchange.

1.1 Core Businesses

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

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

The Company operates in a highly competitive international business environment with its success attributed to its strategic global locations, its extensive portfolio of proprietary technologies and its commitment to the use of industry-leading business processes and programs. Shawcor is 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 March 31, 2017, the Company operated its eight divisions through two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company and accounted for 86% of consolidated revenue for the three months ended March 31, 2017. This segment includes the Bredero Shaw, Canusa-CPS, Shaw Pipeline Services, Flexpipe Systems, Guardian, Shawcor Inspection Services (formerly "Desert NDT") and Lake Superior Consulting divisions.

- Bredero Shaw’s product offerings include specialized internal anti-corrosion and flow efficiency pipe coating systems, insulation coating systems, weight coating systems and custom coating and field joint application services for onshore and offshore pipelines.
- 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.
- Shawcor Inspection Services (formerly "Desert NDT") provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services.
- Lake Superior Consulting provides pipeline engineering and integrity management services to major North American pipeline operators.

Petrochemical and Industrial

The Petrochemical and Industrial segment, which consists of the Connection Systems division, accounted for 14% of consolidated revenue for the three months ended March 31, 2017. Operations within this segment utilize polymer and adhesive technologies that were developed for the Pipeline and Pipe Services segment and are now being applied to applications in Petrochemical and Industrial markets.

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

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars)	Three Months Ended March 31, 2017	2016
Revenue	**$ 359,732**	$ 365,579
Cost of Goods Sold and Services Rendered	**230,071**	238,644
Gross Profit	**129,661**	126,935
Selling, general and administrative expenses	**79,027**	83,831
Research and development expenses	**3,618**	4,308
Foreign exchange losses	**1,424**	1,713
Amortization of property, plant and equipment	**14,744**	14,829
Amortization of intangible assets	**5,038**	6,304
Income from Operations	**25,810**	15,950
Loss from investments in associates	**(2,696)**	(453)
Finance costs, net	**(5,628)**	(4,744)
Income before Income Taxes	**17,486**	10,753
Income taxes	**2,510**	2,598
Net Income	**$ 14,976**	$ 8,155
Net Income attributable to:		
Shareholders of the Company	**15,132**	7,461
Non-controlling interests	**(156)**	694
Net Income	**14,976**	8,155
Per Share Information:		
Earnings (Loss) per Share		
Basic	**$ 0.22**	$ 0.12
Diluted	**$ 0.22**	$ 0.12
Cash Dividend per Share:		
Common Shares	**$ 0.15**	$ 0.15

(in thousands of Canadian dollars)	March 31, 2017	December 31, 2016
Total Assets	**$ 1,787,789**	$ 1,777,791
Total Non-current Liabilities	**$ 336,584**	$ 339,298

2.2 EBITDA

(in thousands of Canadian dollars)	Three Months Ended March 31, **2017**	2016
Net Income	**14,976**	8,155
Add:		
Income taxes	**2,510**	2,598
Finance costs, net	**5,628**	4,744
Amortization of property, plant, equipment and intangible assets	**19,782**	21,133
EBITDA[a]	**42,896**	36,630

(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. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. This measure is also considered important by lenders to the Company. EBITDA should not be considered in isolation or used as an alternative to net income or any of the other measures of performance prepared in accordance with GAAP.

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:

	Three Months Ended **March 31, 2017**	December 31, 2016	March 31, 2016
US Dollar	**1.3255**	1.3339	1.3623
Euro	**1.4119**	1.4462	1.5009
British Pounds	**1.6520**	1.6665	1.9549

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

(in thousands of Canadian dollars)		**Q1-2017 Versus Q4-2016**	**Q1-2017 versus Q1-2016**
Revenue	**$**	**(3,358)**	**(15,424)**
Income from operations		**(229)**	**(1,204)**
Net income		**(141)**	**(810)**

In addition to the translation impact noted above, the Company recorded a foreign exchange loss of $1.4 million in the first quarter of 2017, compared to a foreign exchange loss of $1.7 million for the comparable period in the prior year, as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities.

3.0 Business Developments

Contract to Provide Pipe Coating Services for Thailand's Fifth Transmission Pipeline Project

On April 7, 2017, the Company announced that its pipe coating division had received a contract in excess of $40 million from Marubeni-Itochu Tubulars Asia Pte Ltd, a 100% subsidiary of Marubeni-Itochu Steel Inc., to provide internal lining and three layer polyethylene anti-corrosion pipeline coatings for Thailand's Fifth Transmission Pipeline project.

This project is owned by PTT Public Company Limited, a Thai state enterprise company. The pipeline will run through 8 provinces in Thailand and is aimed at reducing risks to electrical power security and easing the delivery of gas from the LNG Terminal in Rayong, Thailand to the Western region.

This contract will be executed in Shawcor's coating facilities in Malaysia, and is expected to commence in Q4 2017 and to be completed by Q4 2018.

4.0 Results from Operations

4.1 Consolidated Information

Revenue

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2017**	December 31, 2016	March 31, 2016
Pipeline and Pipe Services	**$ 309,034**	$ 286,207	$ 316,980
Petrochemical and Industrial	**51,367**	43,321	48,873
Elimination[a]	**(669)**	(346)	(274)
Consolidated revenue	**$ 359,732**	$ 329,182	$ 365,579

(a) Represents the elimination of the inter-segment sales between the Pipeline and Pipe Services segment and the Petrochemical and Industrial segment.

First Quarter 2017 versus Fourth Quarter 2016

Consolidated revenue increased 9%, or $30.6 million, from $329.2 million during the fourth quarter of 2016 to $359.7 million during the first quarter of 2017, due to increases of $22.8 million in the Pipeline and Pipe Services segment and $8.0 million in the Petrochemical and Industrial segment.

Revenue increased by 8% in the Pipeline and Pipe Services segment, or $22.8 million, from $286.2 million in the fourth quarter of 2016 to $309.0 million in the first quarter of 2017, due to higher activity levels in Asia Pacific, Latin America and North America, partially offset by lower volumes in the Europe, Middle East, Africa and Russia ("EMAR") region. See Section 4.2.1 – Pipeline and Pipe Services Segment for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue was higher by $8.0 million, or 19%, in the first quarter of 2017, compared to the fourth quarter of 2016, due to higher 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.

First Quarter 2017 versus First Quarter 2016

Consolidated revenue decreased by $5.8 million, or 2%, from $365.6 million during the first quarter of 2016, to $359.7 million during the first quarter of 2017, due to a decrease of $7.9 million in the Pipeline and Pipe Services segment, partially offset by a $2.5 million increase in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the first quarter of 2017 was $309.0 million, or 3% lower than in the first quarter of 2016, due to decreased activity levels in EMAR, partially offset by higher activity levels in North America, Latin America and Asia Pacific. 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 increased by $2.5 million, or 5%, during the first quarter of 2017, compared to the first quarter of 2016, 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.

Income from Operations ("Operating Income")

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

	Three Months Ended		
(in thousands of Canadian dollars, except percentages)	**March 31, 2017**	December 31, 2016	March 31, 2016
Operating income	**$ 25,810**	$ 21,697	$ 15,950
Operating margin[(a)]	**7.2%**	6.6%	4.4%

(a) Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. Non-GAAP measures do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies.

First Quarter 2017 versus Fourth Quarter 2016

Operating income increased by $4.1 million, from an operating income of $21.7 million during the fourth quarter of 2016 to operating income of $25.8 million in the first quarter of 2017. Operating income was positively impacted by increases in gross profit of $22.0 million. This was partially offset by an increase in selling, general and administrative ("SG&A") expenses of $7.3 million, a $1.3 million increase in research and development expenses, a $2.8 million increase in net foreign exchange losses and a $5.6 million in gain on sale of land recorded in the fourth quarter of 2016.

The increase in gross profit resulted from the higher revenue, as explained above, and a 3.3 percentage point increase in the gross margin from the fourth quarter of 2016. The increase in the gross margin percentage was primarily due to product and project mix, labour cost efficiencies due to higher facility utilization and increased absorption of manufacturing overheads and a $4.8 million reduction in the carrying value of inventory recorded in the fourth quarter of 2016.

SG&A expenses increased by $7.3 million, from $71.8 million in the fourth quarter of 2016 to $79.0 million in the first quarter of 2017, primarily due to an increase in personnel related and management incentive compensation expenses of $4.6 million and an increase of $5.7 million due to reductions in provisions for import duties and decommissioning obligations recorded in the fourth quarter of 2016. This was partially offset by a $3.0 million reduction in warranty provisions and professional fees.

First Quarter 2017 versus First Quarter 2016

Operating income increased by $9.9 million, from an operating income of $16.0 million in the first quarter of 2016 to an operating income of $25.8 million during the first quarter of 2017. Operating income was impacted by an increase in gross profit of $2.7 million, decreases of $4.8 million in SG&A expenses, $0.7 million in research and development expenses, $1.4 million in amortization of property, plant, equipment and intangible assets and $0.3 million in net foreign exchange losses.

The increase in gross profit resulted from a 1.3 percentage point increase in gross margin, partially offset by the lower revenue, as explained above. The increase in the gross margin percentage was primarily attributable to product and project mix.

SG&A expenses in the first quarter of 2017 decreased by $4.8 million compared to the first quarter of 2016, primarily due to a $3.6 million reduction in personnel related expenses, a $1.8 million decrease in professional fees, a decrease in rental related expenses for facilities of $2.4 million and a net reduction in other costs of $1.4 million. Partially offsetting these expense reductions was an increase in management incentive compensation expenses of $4.4 million.

Finance Costs, Net

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2017**	December 31, 2016	March 31, 2016
Interest income	**$ (457)**	$ (2,274)	$ (316)
Interest expense, other	**1,815**	1,254	914
Interest expense on long-term debt	**4,270**	3,888	4,146
Finance costs, net	**$ 5,628**	$ 2,868	$ 4,744

First Quarter 2017 versus Fourth Quarter 2016

In the first quarter of 2017, net finance costs were $5.6 million, compared to a net finance cost of $2.9 million during the fourth quarter of 2016. The increase in net finance costs was due to a decrease in interest income of $1.8 million on short term deposits and other receivables, a $0.4 million increase in interest expense on long term debt and higher interest on bank borrowings and facilities of $0.6 million.

First Quarter 2017 versus First Quarter 2016

In the first quarter of 2017, net finance costs were $5.6 million, compared to a net finance cost of $4.7 million during the first quarter of 2016. The increase in net finance costs was primarily a result of higher interest expense on bank borrowings and facilities.

Income Taxes

The following table sets forth the income taxes for the following periods:

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2017**	December 31, 2016	March 31, 2016
Income taxes	**$ 2,510**	$ 6,954	$ 2,598

First Quarter 2017 versus Fourth Quarter 2016

The Company recorded an income tax expense of $2.5 million (14% of income before income taxes) in the first quarter of 2017, compared to an income tax expense of $7.0 million (20% of income before income taxes) in the fourth quarter of 2016. The effective tax rate in the first quarter of 2017 was lower than the expected income tax rate of 27% primarily due to a portion of the Company’s taxable income being earned in lower tax jurisdictions and losses being generated in higher tax jurisdictions.

First Quarter 2017 versus First Quarter 2016

The Company recorded an income tax expense of $2.5 million (14% of income before income taxes) in the first quarter of 2017, compared to an income tax expense of $2.6 million (24% of income before income taxes) in the first quarter of 2016. The effective tax rate in the first quarter of 2017 was lower than the expected income tax rate of 27% primarily due to a portion of the Company’s taxable income being earned in lower tax jurisdictions and losses being generated in higher tax jurisdictions.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

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

(in thousands of Canadian dollars, except percentages)	Three Months Ended **March 31, 2017**	December 31, 2016	March 31, 2016
North America	**$ 146,856**	$ 145,328	$ 137,767
Latin America	**29,115**	11,212	28,147
EMAR	**62,404**	81,537	128,514
Asia Pacific	**70,659**	48,130	22,552
Total revenue	**$ 309,034**	$ 286,207	$ 316,980
Operating income	**$ 24,610**	$ 11,689	$ 16,193
Operating margin[(a)]	**8.0%**	4.1%	5.1%

(a) Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. Non-GAAP measures do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies.

First Quarter 2017 versus Fourth Quarter 2016

Revenue in the first quarter of 2017 increased by $22.8 million to $309.0 million, from $286.2 million in the fourth quarter of 2016. Revenue benefitted from higher activity levels in Asia Pacific, Latin America and North America, partially offset by lower volumes in EMAR:

- Revenue in North America increased by $1.5 million, or 1%, as a result of higher flexible composite pipe volumes and small diameter coating revenue in the US and Canada, increased activity levels in pipe weld inspection services and tubular management services and increased engineering services revenue at Lake Superior Consulting. This was partially offset by lower activity levels for large diameter pipe coatings in the US and Canada.

- In Latin America, revenue increased by $17.9 million, or 160%, primarily as a result of the start of production in Altamira, Mexico for the Sur de Texas – Tuxpan ("Tuxpan") project, partially offset by lower volumes at the Company’s Argentina facilities.

- Revenue in EMAR decreased by $19.1 million, or 23%, primarily due to lower activity levels on the Shah Deniz project in the Caspian and decreased revenue from the Orkanger, Norway, Ras Al Khaimah, UAE (“RAK”) and Leith, Scotland facilities. This was partially offset by higher activity levels at the Company’s Italian facilities and on field joint coating projects in the region.

- Asia Pacific revenue increased by $22.5 million, or 47%, mainly due to higher pipe coating project volumes for the Shah Deniz and Tuxpan projects at the Kabil, Indonesia and Kuantan, Malaysia facilities.

In the first quarter of 2017, operating income was $24.6 million compared to an operating income of $11.7 million in the fourth quarter of 2016, an increase of $12.9 million. The increase in operating income was primarily due to the $18.3 million increase in gross profit due to the increase in revenue, as explained above, and a 3.5 percentage point increase in gross margin. The increase in gross margin was due to favourable project mix, labour efficiencies due to higher facility utilization and increased manufacturing overhead absorption and a $4.8 million reduction in the carrying value of inventory recorded in the fourth quarter of 2016. This was partially offset by higher SG&A expenses, explained in section 4.1 above, and the $5.6 million gain on sale of land recorded in the fourth quarter of 2016.

First Quarter 2017 versus First Quarter 2016

Revenue in the first quarter of 2017 was $309.0 million, a decrease of $7.9 million, or 3%, from $317.0 million in the comparable period of 2016. Segment revenue was adversely affected by the impact on translation of foreign operations, as noted in section 2.3 above, and lower activity levels in EMAR, partially offset by higher revenue in North America, Latin America and Asia Pacific:

- In North America, revenue increased by $9.1 million, or 7%, primarily due to higher volumes of small diameter pipe coating in Canada, increased activity levels in pipe weld inspection services and in tubular management services and higher flexible composite pipe sales volumes. This was partially offset by lower activity levels of large diameter pipe coating in the US and Canada.

- Latin America revenue increased by $1.0 million, or 3%, primarily as a result of the start of production in Altamira, Mexico for the Tuxpan project, partially offset by lower volumes at the Company's Argentina facilities and at the Veracruz, Mexico facility.

- Revenue in EMAR decreased by $66.1 million, or 51%, primarily due to lower activity levels on the Shah Deniz project in the Caspian and at the Leith, Scotland, RAK and Italian facilities. This was partially offset by higher activity levels at the Orkanger, Norway facility.

- Revenue in Asia Pacific increased by $48.1 million, or 213%, mainly due to higher pipe coating project volumes from the Shah Deniz and Tuxpan projects at the Kabil, Indonesia and Kuantan, Malaysia facilities.

In the first quarter of 2017, operating income was $24.6 million compared to $16.2 million in the first quarter of 2016, an increase of $8.4 million. This increase was attributable primarily to a reduction in SG&A expenses, decreases in research and development expenses and amortization of property, plant, equipment and intangible assets, as explained in section 4.1 above. This was partially offset by a reduction in gross profit of $1.1 million as a result of a decrease in revenue of $7.9 million, as explained above, partially offset by a 0.5 percentage point increase in gross margin. The increase in gross margin was due to favourable project mix.

4.2.2 Petrochemical and Industrial Segment

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

	Three Months Ended		
(in thousands of Canadian dollars, except percentages)	**March 31, 2017**	December 31, 2016	March 31, 2016
North America	**$ 31,472**	$ 26,358	$ 29,611
EMAR	**16,678**	13,887	16,508
Asia Pacific	**3,217**	3,076	$ 2,754
Total revenue	**$ 51,367**	$ 43,321	48,873
Operating income	**$ 9,647**	$ 6,270	$ 7,595
Operating margin[(a)]	**18.8%**	14.5%	15.5%

a) Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. Non-GAAP measures do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies.

First Quarter 2017 versus Fourth Quarter 2016

In the first quarter of 2017, revenue increased by $8.0 million, or 19%, to $51.4 million, compared to the fourth quarter of 2016, primarily due to increased shipments of heat shrink tubing product, particularly in the automotive sector, and higher activity levels for wire and cable products.

Operating income of $9.6 million in the first quarter of 2017 was $3.4 million, or 54%, higher than in the fourth quarter of 2016. The increase in operating income was primarily due to an increase in gross profit of $3.6 million due to the increased revenue, as explained above, and a 2.4 percentage point increase in gross margin. The increase in gross margin was due to favourable product mix and labour efficiencies due to higher facility utilization and increased manufacturing overhead absorption.

First Quarter 2017 versus First Quarter 2016

Revenue in the first quarter of 2017 increased by $2.5 million, or 5%, compared to the first quarter of 2016. Revenue was impacted by increased shipments of heat shrink tubing product, particularly in the automotive sector, and by higher activity levels for wire and cable products.

Operating income in the first quarter of 2017 was $9.6 million compared to $7.6 million in the first quarter of 2016, an increase of $2.1 million, or 27%. The increase in operating income was primarily due to an increase in gross profit of $2.7 million as a result of an increase in revenue of $2.5 million, as explained above, and a 4.0 percentage point increase in gross margin. The increase in gross margin was due to favourable product mix and labour efficiencies due to higher facility utilization and increased manufacturing overhead absorption.

4.2.3 Financial and Corporate

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

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2017**	December 31, 2016	March 31, 2016
Financial and corporate expenses	**$ (7,024)**	$ (3,249)	$ (6,125)

First Quarter 2017 versus Fourth Quarter 2016

Financial and corporate costs increased by $3.8 million from $3.2 million during the fourth quarter of 2016 to $7.0 million in the first quarter of 2017. The increase was primarily due to an increase in personnel related and management incentive compensation expenses of $2.0 million. In addition, in the fourth quarter of 2016, $1.5 million in provisions for pension expense and professional fees were reversed.

First Quarter 2017 versus First Quarter 2016

Financial and corporate costs increased by $0.9 million from the first quarter of 2016 to $7.0 million in the first quarter of 2017. The increase was primarily due to higher personnel related and stock based and long term management incentive expenses of $2.6 million. This was partially offset by a $1.5 million decrease in professional consulting and legal fees.

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)	Three Months Ended March 31, 2017	2016
Net Income	**$ 14,976**	$ 8,155
Non-cash items	**26,688**	22,557
Settlement of decommissioning obligations	**(156)**	(3)
Settlement of other provisions	**(573)**	(7,739)
Net change in employee future benefits	**359**	603
Net change in non-cash working capital and foreign exchange	**(65,956)**	61,896
Cash (used in) provided by operating activities	**(24,662)**	85,469
Cash used in investing activities	**(12,745)**	(43,398)
Cash used in financing activities	**(12,751)**	(9,511)
Foreign exchange impact on cash and cash equivalents	**99**	(15,028)
Net Change in Cash and Cash Equivalents	**(50,059)**	17,532
Cash and cash equivalents at beginning of period	**194,824**	260,645
Cash and Cash Equivalents at End of Period	**$ 144,765**	$ 278,177

The Company expects to generate sufficient cash flows and have continued access to its credit facilities to meet contractual obligations and planned development and growth initiatives as and when they are required. Access to credit facilities is dependent on the Company's compliance with its debt covenants as outlined in section 5.5. The Company expects that working capital investment will be required to support revenue growth consistent with historical working capital measures as noted in section 5.4. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

5.1 Cash (Used in) Provided by Operating Activities

First Quarter 2017 versus First Quarter 2016

Cash used by operating activities was $24.7 million in the first quarter of 2017, a net change of $110.1 million from $85.5 million cash provided in the first quarter of 2016. The increase in cash used by operating activities was primarily due to an increase in cash used by non-cash working capital and foreign exchange of $127.9 million. This was partially offset by decreases in cash used in the settlement of other provisions of $7.2 million and in non-cash items of $4.1 million and an increase in net income of $6.8 million, as outlined in section 4.1.

The increase in cash used by non-cash working capital and foreign exchange reflected increases in accounts receivable of $171.3 million, in inventory of $58.5 million, in prepaid expenses of $10.2 million, in income taxes receivable of $5.7 million and a decrease in income taxes payable of $2.2 million. This was partially offset by increases in accounts payable and accrued liabilities of $48.1 million, in deferred revenue of $41.5 million, in other current liabilities of $13.7 million and in the movement of foreign currency items of $16.7 million.

5.2 Cash Used in Investing Activities

First Quarter 2017 versus First Quarter 2016

Cash used in investing activities decreased by $30.7 million, from $43.4 million in the first quarter of 2016 to $12.7 million in the first quarter of 2017. The decrease is primarily attributed to decreases in spending on business acquisition of $25.5 million and in capital expenditures for property, plant and equipment of $8.5 million. This was partially offset by an increase in other assets of $3.0 million.

5.3 Cash Used in Financing Activities

First Quarter 2017 versus First Quarter 2016

Cash used in financing activities increased by $3.2 million, from $9.5 million in the first quarter of 2016 to $12.8 million in the first quarter of 2017. This was mainly due to a decrease in bank indebtedness of $2.5 million and an increase in dividends paid to shareholders of $0.9 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 (″DSO″) in trade accounts receivables as at:

(in thousands of Canadian dollars, except DSO)		**March 31, 2017**		December 31, 2016		Change
Average trade accounts receivable	**$**	**192,427**	$	182,331	$	10,096
DSO[(a)]		**48**		50		(2)

(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 10.0 – Reconciliation of non-GAAP Measures* for additional information with respect to non-GAAP measures used by the Company.

Average trade accounts receivables increased by $10.1 million, from $182.3 million as at December 31, 2016 to $192.4 million as at March 31, 2017, primarily as a result of increased revenue in the first quarter of 2017 compared with the fourth quarter of 2016. DSO decreased by 2 days during the first quarter of 2017 as compared to the fourth quarter of 2016, mainly due to the timing of revenue generation and collections.

Inventory

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

(in thousands of Canadian dollars)		**March 31, 2017**		December 31, 2016		Change
Inventory	**$**	**136,783**	$	113,485	$	23,298

Inventories increased by $23.3 million, from $113.5 million as at December 31, 2016 to $136.8 million as at March 31, 2017, as a result of increases in work-in-process of $14.2 million, in raw materials and supplies of $4.8 million, in finished goods of $1.9 million and a decrease in inventory obsolescence of $2.4 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)		**March 31, 2017**		December 31, 2016		Change
Average accounts payable and accrued liabilities	**$**	**210,622**	$	205,602	$	5,020
DPO[(a)]		**82**		84		(2)

(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 10.0 – Reconciliation of non-GAAP Measures* for additional information with respect to non-GAAP measures used by the Company.

Average accounts payable and accrued liabilities increased by $5.0 million, from $205.6 million as at December 31, 2016, to $210.6 million as at March 31, 2017, primarily due to the increase in activity levels. DPO decreased by 2 days from 2016 levels, due to changes in the timing of purchases and payments in the first quarter of 2017 compared with the fourth quarter of 2016.

5.5 Credit Facilities

(in thousands of Canadian dollars)		**March 31, 2017**		December 31, 2016
Bank indebtedness	**$**	**–**	$	2,463
Standard letters of credit for performance and bid bonds		**90,431**		90,898
Total utilized credit facilities		**90,431**		93,361
Total available credit facilities[(a)]		**487,914**		492,610
Unutilized credit facilities	**$**	**397,483**	$	399,249

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

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. During 2016, the Company and the lenders agreed to certain amendments to the Credit Facility, including among other things to reduce the size of the Credit Facility. These amendments are described below in the section captioned, "Amendments to Senior Notes Agreement and Credit Facility".

Amendments to Senior Notes Agreement and Credit Facility

On May 10, 2016, the Company entered into amending agreements with the holders of its Senior Notes and the syndicate of lenders under the Credit Facility. Subsequently, on December 6, 2016, the Company entered into further amending agreements with the holders of its Senior Notes and the syndicate of lenders under the Credit Facility, with the latest principal amendments as follows:

a) an extension of the term of the Credit Facility from March 20, 2018 to December 6, 2019 and a reduction in the size of the Credit Facility from US$325 million to US$317 million;

b) the elimination of the requirement for the Company to meet a Total Debt to EBITDA covenant (the "Leverage Ratio") for the quarter ending December 31, 2016 ("Q4 2016");

c) the creation of a minimum EBITDA covenant of $15 million in respect of Q4 2016;

d) an increase in the maximum Leverage Ratio to 3.50 to 1.00 and 3.25 to 1.00 for the quarters ending March 31, 2017 ("Q1 2017") and June 30, 2017 ("Q2 2017"), respectively; with EBITDA for Q1 2017 to be calculated by multiplying the EBITDA for such quarter by 4 and with EBITDA for Q2 2017 to be calculated by adding the EBITDA for Q1 2017 and the EBITDA for Q2 2017 and then multiplying such sum by 2;

e) a decrease in the minimum Interest Coverage Ratio/Fixed Charge Ratio (currently 2.5 to 1.0) to 1.5 to 1.0 for Q4 2016;

f) an amendment to the method of calculation of the Interest Coverage Ratio/Fixed Charge Ratio for Q1 2017 and Q2 2017 such that each of the components of such ratio (EBITDA, interest expense and rental payments) is calculated on a basis similar to the calculation of the Leverage Ratio for such quarters; and

g) increased interest rates and standby and other fees payable to Senior Note holders and under the Credit Facility during Q4 2016 and in any period when the Company is permitted an increased Leverage Ratio.

The Company was in compliance with these covenants as at March 31, 2017.

5.6 Long-Term Debt

The Senior Notes balance, as at March 31, 2017 is $261.0 million (US$196.3 million) (December 31, 2016 – $263.5 million (US$196.3 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 section 5.8 below.

In respect of the long-term debt, the Company is required to maintain certain covenants that are consistent with the debt covenants described in *Section 5.5 – Credit Facilities*. The Company was in compliance with these covenants as at March 31, 2017.

5.7 Contingencies and Off Balance Sheet Arrangements

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 summarizes these future payments required in respect of the Company's contractual obligations:

(in thousands of Canadian dollars)	2017	2018	2019	2020	2021	After 2021	Total
Purchase commitments	44,335	1,854	2,105	–	–	–	48,294
Accounts payable	89,245	–	–	–	–	–	89,245
Deferred purchase consideration	3,689	–	–	–	–	–	3,689
Long-term debt	–	–	–	81,727	–	180,029	261,756
Finance costs on long-term debt	6,997	9,287	9,287	7,458	6,851	20,976	60,856
Obligations under finance leases	1,023	1,315	1,315	1,315	1,315	9,224	15,507
Operating leases	19,525	16,496	16,261	9,188	6,452	11,771	79,693
Total contractual obligations	**164,814**	**28,952**	**28,968**	**99,688**	**14,618**	**222,000**	**559,040**

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 $90.4 million as at March 31, 2017 (December 31, 2016 – $90.9 million) for support of its bonds. In addition, as at March 31, 2017, the Company had $31.8 million of outstanding surety bonds through insurance companies (December 31, 2016 – $107.2 million).

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 March 31, 2017:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ **144,765**	$ **144,765**	$ **–**	$ **–**
Short-term investments	**1,875**	**1,875**	**–**	**–**
Loans Receivable	**8,884**	**–**	**8,884**	**–**
Derivative financial instruments	**10,208**	**–**	**10,208**	**–**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
Deposit guarantee	**112**	**–**	**112**	**–**
	$ **175,844**	$ **146,640**	$ **19,204**	$ **10,000**
Liabilities				
Deferred purchase consideration	$ **3,689**	$ **–**	$ **3,689**	$ **–**
Derivative financial instruments	**5,375**	**–**	**5,375**	**–**
Long-term debt	**237,727**	**–**	**237,727**	**–**
	$ **246,791**	$ **–**	$ **246,791**	$ **–**

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.

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, 2017, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the three-month period then ended by approximately $12.8 million, $0.9 million and $0.8 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 $60.7 million, $18.1 million and $42.6 million, respectively, as at March 31, 2017.

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.

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, 2017:

(in thousands, except weighted average rate amounts)	
Canadian dollars sold for US dollars	
Less than one year	**C$ 4,552**
Weighted average rate	**0.77**
US dollars sold for Canadian dollars	
Less than one year	**US$ 9,000**
Weighted average rate	**1.31**
US dollars sold for Euros	
Less than one year	**US$ 35,111**
Weighted average rate	**0.93**
Euros sold for US dollars	
Less than one year	**€ 22,121**
Weighted average rate	**1.11**
US dollars sold for British Pounds Sterling	
Less than one year	**US$ 3,109**
Weighted average rate	**0.80**
Norwegian Kroners sold for US dollars	
Less than one year	**NOK 85,616**
Weighted average rate	**0.12**

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

As at March 31, 2017, the Company had notional amounts of $112.0 million of foreign exchange forward contracts outstanding (December 31, 2016 – $113.7 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totalling $0.7 million (December 31, 2016 – $1.1 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 three-month period ended March 31, 2017, a loss of $2.5 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 three-month period ended March 31, 2017.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at March 31, 2017:

(in thousands of Canadian dollars)	Non-Interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial assets				
Cash equivalents	**$ –**	**$ –**	**$ 32,605**	**$ 32,605**
Short-term investments	**–**	**–**	**1,875**	**1,875**
Loans receivable	**3,889**	**4,995**	**–**	**8,884**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
	$ 13,889	**$ 4,995**	**$ 34,480**	**$ 53,364**
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	**$ 90,431**	**$ –**	**$ –**	**$ 90,431**
Long-term debt[(a)]	**–**	**–**	**260,998**	**260,998**
	$ 90,431	**$ –**	**$ 260,998**	**$ 351,429**

(a) As per the amendment to the Senior Notes Agreement and Credit Facility in May, 2016, during any period when the Company is permitted an increased Leverage Ratio, increased interest rates and standby and other fees are payable to the Senior Notes holders and under the Credit Facility.

The Company's interest rate risk arises primarily from its 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, foreign exchange forward contracts, as well as credit exposure of customers, including outstanding accounts receivable. The maximum credit risk is equal to the carrying value of the financial instruments.

For the three-month period ended March 31, 2017, there was one customer who generated approximately 14.7% of total consolidated revenue (three-month period ended March 31, 2016 – no customer accounted for more than 10% of total consolidated revenue). As at March 31, 2017, this customer accounted for $29.1 million or approximately 13.0% of the Company's total trade accounts receivable (as at December 31, 2016 – no customer accounted for more than 10% of total trade accounts receivable).

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. Access to credit facilities is dependent on the Company's compliance with its debt covenants as outlined in *Section 5.5 – Credit Facilities*. As at March 31, 2017, the Company had cash and cash equivalents totaling $144.8 million (December 31, 2016 – $194.8 million) and had unutilized lines of credit available to use of $397.5 million (December 31, 2016 – $399.2 million).

5.9 Outstanding Share Capital

As at May 8, 2017, the Company had 69,932,093 common shares outstanding and stock options and share units outstanding to purchase up to 2,274,728 common shares.

5.10 Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three-month period ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

5.11 Transactions with Related Parties

The Company had no material transactions with related parties during the three-month period ended March 31, 2017. All related party transactions were in the normal course of business.

6.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments

6.1 Critical Judgments

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

Materiality

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

Determination of Reportable Operating Segments

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

Determination of Cash Generating Unit ("CGU")

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

Business Acquisitions

Significant judgments 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 March 31, 2017, the Company had $55.3 million of provisions; of this amount $19.7 million was included in current liabilities and $35.6 million was included in non-current liabilities. Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably measured. The timing of recognition and measurement of the provision requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take into account changing facts and circumstances.

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

Decommissioning liabilities

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

Income Taxes

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

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

6.2 Critical Accounting Estimates

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

Critical estimates used in preparing the interim unaudited consolidated financial statements include:

Long-lived Assets and Goodwill

As at March 31, 2017, the Company had $994.5 million of long-lived assets and goodwill. The Company evaluates the carrying values of the Cash Generating Units' goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions and estimates.

Employee Future Benefit Obligations

As at March 31, 2017, the Company had $21.2 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 interim unaudited consolidated financial statements includes a number of assumptions regarding discount rates, rates of employee compensation increases, rates of inflation, and life expectancies. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Decommissioning Liabilities

As at March 31, 2017, the Company had decommissioning liabilities in the amount of $29.7 million; of this amount $5.9 million was included in the current provisions account and $23.8 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 interim unaudited consolidated financial statements based on estimated future amounts required to satisfy these obligations. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a current pre-tax risk-free rate.

Financial Instruments

The Company has determined the estimated fair values of its financial instruments not traded in an active market based on appropriate valuation methodologies; however, considerable judgement is required to develop these estimates, mainly based on market conditions existing at the end of each reporting period. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Income Taxes

The recording of income tax expense includes certain estimations related to the impact in the current year of future events. Differences between the estimated and actual impact of these events could impact tax expense, current taxes payable or deferred taxes. In particular, income and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the losses can be utilized.

Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and tax expense already recorded. The Company establishes liabilities, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such liabilities is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of the respective entities.

6.3 Accounting Standards Issued but Not Yet Applied

IFRS 2, *Share-based Payment*

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment* in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRS 9, *Financial Instruments*

In July 2015, 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 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 has formed a steering committee and put together an implementation team to perform the required analysis. The Company has approved its implementation plan and is currently in the process of mapping its current revenue streams and completing the scoping exercise. The Company will begin to analyze revenue contracts for detailed testing subsequent to the completion of the scoping exercise. The Company has not yet determined the impact of this standard 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.

New Accounting Standards Adopted

IAS 12, *Income Taxes*

On January 19, 2016, the IASB issued amendments to IAS 12, Income Taxes, relating to the recognition of deferred income tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company's adoption of these amendments did not have a material impact on the interim consolidated financial statements.

7.0 Outlook

The Company believes that the decline in global oil and gas investment that followed the decrease in oil and gas prices in the second half of 2014 has reached a cycle low and is now beginning to trend towards improvement. Shawcor's financial performance is closely correlated with oil and gas infrastructure spending and the trend towards stabilization in market demand for the Company's products and services has enabled the Company to report quarter over quarter gains in revenue and operating income since the trough of the cycle in the second quarter of 2016. The level of improvement in market demand combined with Shawcor's booked order backlog is expected to enable the Company to deliver solid growth in financial performance in 2017. However, the rate of improvement will vary by region.

The region with the most momentum for stronger activity is North America and in particular the number of rigs operating and the number of new oil and gas wells being drilled and completed. As the rig counts in Canada and the USA have improved since early 2016, the demand for the Company's gathering line pipeline products and services has strengthened. It is expected that increased gathering pipeline construction will lead to new transmission infrastructure investment to accommodate increased production volumes, particularly in west Texas and in the eastern USA.

Internationally, economic growth in emerging markets and supportive political mandates to reduce hydrocarbon emissions in electricity generation is leading to investment in new natural gas pipeline infrastructure. Examples include the Company's Tuxpan undersea natural gas pipeline project in Mexico and the recently awarded PTT 5th Transmission pipeline project in Thailand. These projects are not directly related to new hydrocarbon production and thus oil and gas prices are not determinative in the project investment decision. As a result, the projects are proceeding now at an early stage of the new capital investment cycle.

In contrast to natural gas demand driven projects, oil and gas greenfield development projects that enable new hydrocarbon production as well as smaller production sustaining capital projects are lagging as national and international oil companies continue to limit commitments for new projects to ensure that capital spending is in line with reduced operating cash flow. However, capital investments will eventually be required to offset depleting production with resulting growth in demand for Shawcor's international products and services beyond 2017. Further detail on the outlook for the Pipeline and Pipe Services segment by region and in the Petrochemical and Industrial segment is set out below.

Pipeline and Pipe Services Segment - North America

Market demand in Shawcor's North American Pipeline segment businesses is closely tied to well completion activity in North America which drives the demand for small diameter pipe coating and joint protection, composite pipe for gathering line applications, OCTG pipe inspection and refurbishment and gathering line girth weld inspection. Demand for these products and services is expected to fluctuate with changes in global oil and gas prices and the resulting volume of wells drilled and completed. A persistent improvement in drilling rig counts in North America since the second quarter of 2016 has enabled a modest improvement in revenue for Shawcor's North American Pipeline segment businesses and this trend is expected to continue in 2017.

Beyond 2017, the Company expects that the North American Pipeline and Pipe Services segment will benefit from the build of new pipeline infrastructure in the form of tie-back infrastructure in the Gulf of Mexico and new onshore large diameter transmission lines to support increasing production of shale oil and the export of natural gas to Mexico and internationally through LNG.

Pipeline and Pipe Services Segment - Latin America

With the launch of concrete weight coating operations in Altamira, Mexico on the Tuxpan project, the Company expects revenue in the Latin America Pipeline segment region to provide strong growth with full production from the two mobile plants expected to be reached by the end of the second quarter. At March 31, 2017, the Company has booked revenue relating to the Tuxpan project included in the backlog of approximately $340 million to be executed from the second quarter of 2017 to the first quarter of 2018.

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

Shawcor's EMAR Pipeline segment region has been the Company's region most impacted by the continued deferral of capital spending on new pipeline infrastructure by national and international oil companies. Although project engineering and bidding activity remains very strong in the region, and the Company is pursuing significant revenue opportunities for girth weld inspection, pipeline joint protection and pipe end preservation on both the Turk Stream and Nord Stream 2 pipelines, these opportunities are not likely to benefit revenue until 2018 or later.

Pipeline and Pipe Services Segment - Asia Pacific

The Company's Asia Pacific region has benefited over the past two quarters from the execution of the flow assurance work for the Shah Deniz project and the anti-corrosion coating for pipe destined for Mexico for the Tuxpan project. With the region's involvement in the coating of these projects now complete, revenue will decrease as project activity will be limited until the PTT 5th Transmission pipeline project commences later in the year.

Petrochemical and Industrial Segment

Shawcor's Petrochemical and Industrial segment businesses continue to deliver steady growth in revenue and earnings based on consistent demand growth in the North American and European automotive, industrial and nuclear refurbishment markets served by the segment. This trend is expected to continue in 2017 as new capacity for control cable and sealing and insulation products enters production and relieves capacity constraints that are currently limiting revenue growth.

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 March 31, 2017 of $648 million was in line with the order backlog of $650 million at December 31, 2016. Revenue generated in the quarter from backlog orders was offset by new orders and the movement of a portion of the booked order for the Tuxpan project in Mexico that is planned for execution in the first quarter of 2018.

In addition to the backlog, the Company closely monitors its bidding activity and the value of outstanding firm bids is currently in excess of $600 million. In addition, the Company has provided budgetary estimates and is currently working with customers on projects with aggregate values of approximately $1.6 billion. Although the

Company cannot be certain on the timing of these projects, they do represent a diverse portfolio of opportunities to sustain and grow the backlog in 2017 and beyond.

8.0 Risks and Uncertainties

Operating in an international environment, servicing predominantly the oil and gas industry, Shawcor faces a number of business risks and uncertainties that could materially and adversely affect the Company's projections, business, results of operations and financial condition. A more complete outline of the risks and uncertainties facing the Company is included in the annual MD&A contained in the Company's 2016 Annual Report. There were no other material changes in the nature or magnitude of such business risks during the three-month period ended March 30, 2017.

9.0 Environmental Matters

As at March 31, 2017, the provisions on the consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $29.7 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 $44.0 million as at March 31, 2017. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.17% and 6.99%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company's operations.

The Company expects the following cash outflows over the next five years and thereafter for decommissioning liabilities.

(in thousands of Canadian dollars)	**March 31, 2017**
2017	**5,980**
2018	**2,006**
2019	**3,015**
2020	**3,758**
2021	**4,537**
More than five years	**24,740**
	44,036

10.0 Reconciliation of Non-GAAP Measures

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

(in thousands of Canadian dollars)	Three Months Ended March 31, 2017	2016
Net Income	**$ 14,976**	$ 8,155
Add:		
Income taxes	**2,510**	2,598
Finance costs, net	**5,628**	4,744
Amortization of property, plant, equipment and intangible assets	**19,782**	21,133
EBITDA[(a)]	**$ 42,896**	$ 36,630

(a) EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools.

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. The Company believes that EBITDA is a useful supplemental measure 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.

Days Sales Outstanding

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)	**March 31, 2017**	December 31, 2016
Revenue for the quarter	**$ 359,732**	$ 329,182
Average trade accounts receivable	**$ 192,427**	$ 182,331
DSO	**48**	50

Days Payables Outstanding

DPO is defined as the average number of days from when purchased goods and services are received by the Company until payment is made to the Company's 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.

The following table sets forth the calculation for the Company’s DPO as at:

(in thousands of Canadian dollars, except DPO)	**March 31, 2017**	December 31, 2016
Cost of goods sold and services rendered for the quarter	**$ 230,071**	$ 221,480
Average accounts payable and accrued liabilities	**$ 210,622**	$ 205,602
DPO	**82**	84

11.0 Summary of Quarterly Results

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

(in thousands of Canadian dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue					
2017	**359,732**	–	–	–	–
2016	365,579	255,359	259,139	329,182	1,209,259
2015	471,940	398,020	485,428	455,260	1,810,648
Income (loss) from operations					
2017	**25,810**	–	–	–	–
2016	15,950	(40,792)	(167,975)	21,697	(171,120)
2015	55,616	(7,078)	55,195	45,696	149,429
Net income (loss)[(a)]					
2017	**15,132**	–	–	–	–
2016	7,461	(41,678)	(174,019)	27,276	(180,960)
2015	37,774	(8,538)	38,107	30,901	98,244
Income (loss) from operations per share					
Basic					
2017	**0.37**	–	–	–	–
2016	0.25	(0.63)	(2.60)	0.33	(2.64)
2015	0.86	(0.11)	0.86	0.70	2.31
Diluted					
2017	**0.37**	–	–	–	–
2016	0.25	(0.63)	(2.60)	0.33	(2.64)
2015	0.86	(0.11)	0.86	0.71	2.32
Net income (loss) per share					
Basic					
2017	**0.22**	–	–	–	–
2016	0.12	(0.65)	(2.69)	0.42	(2.80)
2015	0.59	(0.13)	0.59	0.48	1.52
Diluted					
2017	**0.22**	–	–	–	–
2016	0.12	(0.65)	(2.69)	0.42	(2.80)
2015	0.58	(0.13)	0.59	0.48	1.52

(a) Represents the net income attributable to shareholders of the Company.

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

The Company's operations in the Pipeline and Pipe Services segment, representing approximately 86% of the Company's consolidated revenue in the three-month period ended March 31, 2017, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The comparability of the quarterly information disclosed above is also impacted by movements in exchange rates as the majority of the Company's revenue is transacted in currencies other than Canadian dollars, primarily US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars.

12.0 Forward-Looking Information

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward looking information in the Outlook section and elsewhere in respect of, among other things, the achievement of key performance objectives, the incurrence of additional capital expenditures as necessary to respond to market demand growth and to facilitate growth in new markets, the increase in investment in net working capital, the timing of major project activity, the expected improvement in consolidated revenues and earnings in 2017 from 2016, the growth in revenue and earnings in the Pipeline and Pipe Services segment and in the Petrochemical and Industrial segment of the Company's business, the sufficiency of resources, capacity and capital to meet market demand, to meet contractual obligations and to execute the Company's development and growth strategy, the impact of the existing order backlog and other factors on the Company's revenue and operating income, the impact of global economic activity on the demand for the Company's products, the impact of the improvement 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 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 previous declines in the global price of oil and gas, long term changes in global or regional economic activity and changes in energy supply and demand, which impact on the level of global pipeline infrastructure construction; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; and fluctuations in foreign exchange rates.

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, increases in expenditures on natural 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.

13.0 Additional Information

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

May 9, 2017