Shawcor Ltd.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

March 31, 2017

Shawcor Ltd.
Interim Consolidated Statements of Income (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended March 31, 2017	2016
Revenue		
Sale of products	**$ 126,116**	$ 124,915
Rendering of services	**233,616**	240,664
	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 (note 7)	**(5,628)**	(4,744)
Income Before Income Taxes	**17,486**	10,753
Income taxes (note 8)	**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
Earnings per Share (note 9)		
Basic	**$ 0.22**	$ 0.12
Diluted	**$ 0.22**	$ 0.12
Weighted Average Number of Shares Outstanding (000s) (note 9)		
Basic	**69,901**	64,531
Diluted	**69,945**	64,617

Shawcor Ltd.

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

(in thousands of Canadian dollars)	Three Months Ended March 31, **2017**	2016
Net Income	**$ 14,976**	$ 8,155
Other Comprehensive Income (Loss)		
Other Comprehensive Loss to be Reclassified to Net Income in Subsequent Periods		
Exchange differences on translation of foreign operations	**(2,576)**	(39,386)
Other comprehensive income attributable to investments in associates	**(98)**	(912)
Net Other Comprehensive Income (Loss) to be Reclassified to Net Income in Subsequent Periods	**(2,674)**	(40,298)
Other Comprehensive Loss not to be Reclassified To Net Income in Subsequent Periods		
Acturial loss on defined benefit plan	**(3)**	(4)
Income tax recovery	**1**	2
Net Other Comprehensive Loss not to be Reclassified to Net Income in Subsequent Periods	**(2)**	(2)
Other Comprehensive Loss, Net of Income Tax	**(2,676)**	(40,300)
Total Comprehensive Income (Loss)	**$ 12,300**	$ (32,145)
Comprehensive Income (Loss) Attributable to:		
Shareholders of the Company	**$ 12,389**	$ (32,296)
Non-controlling interests	**(89)**	151
Total Comprehensive Income (Loss)	**$ 12,300**	$ (32,145)

Shawcor Ltd.
Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)		**March 31, 2017**		December 31, 2016
ASSETS				
Current Assets				
Cash and cash equivalents (note 11)	**$**	**144,765**	$	194,824
Short-term investments		**1,875**		1,890
Loans and notes receivable (note 12)		**3,828**		3,832
Accounts receivable		**344,004**		294,397
Income taxes receivable		**36,275**		35,141
Inventories		**136,783**		113,485
Prepaid expenses		**29,009**		22,477
Derivative financial instruments (note 4)		**10,208**		9,393
		706,747		675,439
Non-current Assets				
Loans receivable (note 12)		**5,056**		5,058
Property, plant and equipment		**459,734**		471,468
Intangible assets		**186,441**		192,907
Investments in associates		**23,945**		26,739
Deferred income tax assets		**31,353**		28,955
Other assets		**26,228**		26,407
Goodwill		**348,285**		350,818
Total non-current assets		**1,081,042**		1,102,352
TOTAL ASSETS	**$**	**1,787,789**	$	1,777,791
LIABILITIES AND EQUITY				
Current Liabilities				
Bank indebtedness	**$**	**–**	$	2,463
Accounts payable and accrued liabilities		**209,802**		212,539
Provisions		**19,699**		21,104
Income taxes payable		**38,457**		39,011
Derivative financial instruments (note 4)		**5,375**		3,759
Deferred revenue		**117,811**		103,584
Obligations under finance lease		**656**		950
Other liabilities		**12,772**		12,043
Total current liabilities		**404,572**		395,453
Non-current Liabilities				
Long-term debt (note 14)		**260,998**		263,528
Obligations under finance lease		**11,049**		11,019
Provisions		**35,592**		35,304
Employee future benefits		**21,174**		20,727
Deferred income tax liabilities		**6,067**		7,484
Other liabilities		**1,704**		1,236
Total non-current liabilities		**336,584**		339,298
Total Liabilities		**741,156**		734,751
Equity				
Share capital (note 16)		**704,183**		703,316
Contributed surplus		**24,292**		23,379
Retained earnings		**277,690**		273,045
Non-controlling interests		**5,803**		5,892
Accumulated other comprehensive income		**34,665**		37,408
Total Equity		**1,046,633**		1,043,040
TOTAL LIABILITIES AND EQUITY	**$**	**1,787,789**	$	1,777,791

Shawcor Ltd.

Interim Consolidated Statements of Change 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, 2016	**703,316**	**23,379**	**273,045**	**5,892**	**37,408**	**1,043,040**
Net income	**–**	**–**	**15,132**	**(156)**	–	**14,976**
Other comprehensive income (loss)	**–**	**–**	–	**67**	**(2,743)**	**(2,676)**
Comprehensive income (loss)	**–**	**–**	**15,132**	**(89)**	**(2,743)**	**12,300**
Issued on exercise of stock options	**481**	–	–	–	–	**481**
Compensation cost on exercised options	**176**	**(176)**	–	–	–	–
Compensation cost on exercised RSUs	**210**	**(210)**	–	–	–	–
Share-based compensation expense	**–**	**1,299**	–	–	–	**1,299**
Dividends declared and paid to shareholders (note 16)	**–**	–	**(10,487)**	–	–	**(10,487)**
Balance – March 31, 2017	**704,183**	**24,292**	**277,690**	**5,803**	**34,665**	**1,046,633**
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

Shawcor Ltd.

Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)		Three Months Ended March 31, 2017		2016
Operating Activities				
Net income	**$**	**14,976**	$	8,155
Add (deduct) items not affecting cash				
Amortization of property, plant and equipment		**14,744**		14,829
Amortization of intangible assets		**5,038**		6,304
Amortization of long-term prepaid expenses		**102**		115
Decommissioning obligations expense		**80**		41
Other provision expenses		**(18)**		1,739
Share-based compensation and incentive-based compensation (note 10)		**2,814**		1,240
Deferred income taxes		**(3,572)**		(4,973)
Loss on disposal of property, plant and equipment		**(591)**		165
Unrealized loss on derivative financial instruments		**4,927**		2,644
Loss from investments in associates		**2,696**		453
Other		**468**		–
Settlement of decommissioning liabilities		**(156)**		(3)
Settlement of other provisions		**(573)**		(7,739)
Net change in future employee benefits (note 6)		**359**		603
Change in non-cash working capital and foreign exchange		**(65,956)**		61,896
Cash (Used in) Provided by Operating Activities	**$**	**(24,662)**	$	85,469
Investing Activities				
Increase in loans receivable (note 12)		**(44)**		–
Decrease in short-term investments		**15**		176
Purchases of property, plant and equipment		**(9,483)**		(17,961)
Proceeds on disposal of property, plant and equipment		**879**		1,046
Increase in other assets		**(4,112)**		(1,120)
Business acquisitions, net of cash acquired		**–**		(25,539)
Cash Used in Investing Activities	**$**	**(12,745)**	$	(43,398)
Financing Activities				
Decrease in bank indebtedness		**(2,463)**		–
Decrease in loans payable		**–**		(237)
Payment of obligations under finance lease		**(282)**		(173)
Issuance of shares (note 16)		**481**		532
Dividends paid to shareholders (note 16)		**(10,487)**		(9,633)
Cash Used in Financing Activities	**$**	**(12,751)**	$	(9,511)
Effect of Foreign Exchange on Cash and Cash Equivalents		**99**		(15,028)
Net (decrease) increase in Cash and Cash Equivalents		**(50,059)**		17,532
Cash and Cash Equivalents – Beginning of Period		**194,824**		260,645
Cash and Cash Equivalents – End of Period	**$**	**144,765**	$	278,177

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 & Pipe Services and the Petrochemical & 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 5.

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

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, 2016 ("Annual Consolidated Financial Statements"). The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in 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, 2017 were authorized for issue by the Company's Board of Directors ("Board") on May 9, 2017.

2 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.

3 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.

4 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)		**March 31 2017**		December 31 2016
Loans and Receivables, Measured at Amortized Cost				
Loans receivable (note 12)	**$**	**8,884**	$	8,890
Trade accounts receivable, net		**224,184**		169,116
Held-to-maturity				
Short-term investments		**1,875**		1,890
Deposit guarantee		**112**		112
Fair Value through Profit or Loss				
Cash and cash equivalents		**144,765**		194,824
Derivative financial instruments – assets		**10,208**		9,393
Derivative financial instruments – liabilities		**5,375**		3,759
Available-for-sale				
Convertible preferred shares		**10,000**		10,000
Other Financial Liabilities, Measured at Amortized Cost				
Bank indebtedness		**–**		2,463
Accounts payable		**89,245**		88,980
Deferred purchase consideration		**3,689**		3,684
Long-term debt (note 14)		**260,998**		263,528

Fair Value

IFRS 13, *Fair Value – Measurement*, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those that reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs which are used to measure fair value fall into the following three 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 of financial assets and liabilities in the fair value hierarchy 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.

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, 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**

(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	**$ 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 December 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 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, 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 Note 13 – Credit Facilities. As at March 31, 2017, the Company had cash and cash equivalents totalling $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 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.

As at March 31, 2017, 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 customers 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;
- Canusa - CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubular products;
- Shawcor Inspection Services (formerly, "Desert NDT"), which provides non-destructive testing services for new oil and gas gathering pipelines and infrastructure integrity management services; and
- 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 is comprised of the Connection Systems division which manufactures:

- wire and cable for process instrumentation and control applications; and
- heat shrinkable tubing for automotive, electrical, electronic and utility applications.

Financial and Corporate

The financial and corporate division of 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**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue										
External	**308,639**	316,951	**51,093**	48,628	**–**	–	**–**	–	**359,732**	365,579
Inter-segment	**395**	29	**274**	245	**–**	–	**(669)**	(274)	**–**	–
Total Revenue	**309,034**	316,980	**51,367**	48,873	**–**	–	**(669)**	(274)	**359,732**	365,579
Income (Loss) from operations	**24,610**	16,193	**9,647**	7,595	**(8,447)**	(7,838)	**–**	–	**25,810**	15,950
Income (Loss) before income taxes	**15,082**	11,592	**8,775**	7,234	**(6,371)**	(8,073)	**–**	–	**17,486**	10,753

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

(in thousands of Canadian dollars)	**March 31, 2017**	December 31, 2016
Pipeline and Pipe Services	**$ 1,695,445**	$ 1,682,578
Petrochemical and Industrial	**118,047**	113,329
Financial and Corporate	**1,425,734**	1,431,746
Elimination and adjustments	**(1,451,437)**	(1,449,862)
	$ 1,787,789	$ 1,777,791

6 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, 2017 was $1.3 million (three-month period ended March 31, 2016 – $1.2 million). The Company's costs for the defined contribution pension arrangements for the three-month period ended March 31, 2017 was $2.5 million (three-month period ended March 31, 2016 – $2.4 million).

7 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, 2017**	2016
Interest income	**$ (457)**	$ (316)
Interest expense, other	**1,815**	914
Interest expense on long term debt	**4,270**	4,146
Finance Costs – net	**$ 5,628**	$ 4,744

8 Income Taxes

The following table sets forth a reconciliation of the Company's effective income tax rate for the threee months ended March 31:

	Three Months Ended March 31, 2017	2016
	%	%
Expected statutory income tax rate	**26.8**	26.9
Tax rate differential on earnings of foreign subsidiaries	**(14.6)**	(15.1)
Benefit of previously unrecognized tax losses	**(13.7)**	(18.7)
Unrecognized losses	**31.4**	45.3
Adjustment to prior year provisions	**1.1**	(0.2)
Permanent differences not deductible for tax purposes	**(25.6)**	(35.1)
Withholding taxes	**4.6**	13.6
Other	**4.4**	7.5
Effective Tax Rate	**14.4**	24.2

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, 2017	2016
Net income used to calculate EPS		
Net income (attributable to the shareholders of the Company)	**$ 15,132**	$ 7,461
Weighted average number of shares outstanding – basic (000's)	**69,901**	64,531
Dilutive effect of share-based compensation	**44**	86
Weighted average number of shares outstanding – diluted (000's)	**69,945**	64,617
Basic EPS	**$ 0.22**	$ 0.12
Diluted EPS	**$ 0.22**	$ 0.12

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, 2017			Year Ended December 31, 2016		
	Total Shares		**Weighted Average Exercise Price**	Total Shares		Weighted Average Exercise Price
Balance Outstanding - Beginning of Period	**1,173,080**	**$**	**32.02**	1,043,440	$	32.27
Granted	**163,400**		**37.40**	223,600		27.72
Exercised	**(17,000)**		**25.07**	(93,960)		24.58
Balance Outstanding - End of Period	**1,319,480**	**$**	**32.77**	1,173,080	$	32.02
Options exercisable	**834,100**	**$**	**31.75**	724,360	$	31.14

March 31, 2017	**Options Outstanding**				**Options Exercisable**		
Range of Exercise Price	**Outstanding as at March 31, 2017**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise Price**	**Exercisable as at March 31, 2017**		**Weighted Average Exercise Price**
$15.01 to $20.00	**162,620**	**1.75**	**$**	**15.51**	**162,620**	**$**	**15.51**
$25.01 to $30.00	**292,000**	**5.54**		**27.87**	**150,480**		**29.15**
$30.01 to $35.00	**227,100**	**5.55**		**32.69**	**182,100**		**32.81**
$35.01 to $40.00	**345,060**	**7.51**		**37.01**	**134,020**		**36.96**
$40.01 to $45.00	**246,300**	**5.75**		**41.69**	**177,040**		**41.62**
$45.01 to $50.00	**46,400**	**6.75**		**45.73**	**27,840**		**45.73**
	1,319,480	**5.67**	**$**	**32.77**	**834,100**	**$**	**31.75**

December 31, 2016	Options Outstanding				Options Exercisable		
Range of Exercise Price	Outstanding as at December 31, 2016	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Exercisable as at December 31, 2016		Weighted Average Exercise Price
$15.01 to $20.00	163,720	2.01	$	15.51	163,720	$	15.51
$25.01 to $30.00	307,900	5.57		27.76	131,000		29.45
$30.01 to $35.00	227,100	5.80		32.69	145,160		32.81
$35.01 to $40.00	181,660	5.76		36.65	118,140		37.11
$40.01 to $45.00	246,300	6.01		41.69	147,780		41.69
$45.01 to $50.00	46,400	7.01		45.73	18,560		45.73
	1,173,080	5.30	$	32.02	724,360	$	31.14

The Board of Directors approved the granting of 163,400 stock options during the three month period ended March 31, 2017 (March 31, 2016 – 178,600) under the 2001 Employee Plan. The total fair value of the stock options granted during the three month period ended March 31, 2017 was $1.3 million (three month period ended March 31, 2016 – $1.15 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

	Three Months Ended March 31,			
		2017		2016
Weighted average share price	**$**	**37.40**	$	26.60
Exercise price	**$**	**37.40**	$	26.60
Weighted average expected life of options		**6.25**		6.25
Weighted average expected stock price volatility		**28.46%**		30.40%
Weighted average expected dividend yield		**1.604%**		2.14%
Weighted average risk-free interest rate		**1.45%**		1.08%

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, 2017, included in selling, general and administrative expenses, was $0.3 million (three month period ended March 31, 2016 – $0.3 million).

Stock Options with Tandem Share Appreciation Rights

	Three Months Ended March 31, 2017			Year Ended December 31, 2016		
	Total Shares		**Weighted Average Fair Value[(a)]**	Total Shares		Weighted Average Fair Value
Balance Outstanding - Beginning of Period	**367,300**	**$**	**10.23**	277,300	$	11.69
Granted	**44,800**		**8.61**	110,800		6.77
Exercised	**(2,000)**		**10.30**	-		-
Expired	**-**		**-**	(20,800)		11.30
Balance Outstanding - End of Period	**410,100**	**$**	**10.10**	367,300	$	10.23
Options exercisable	**197,760**	**$**	**10.53**	144,000	$	10.98

(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.

The mark-to-market liability for the stock options with SARs as at March 31, 2017 is $2.5 million (December 31, 2016 – $2.0 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″), the Employee Share Unit Plan (″ESUP″), and the Performance Incentive Plan (″PIP″).

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, 2017 is $1.3 million (December 31, 2016 – $1.7 million).

ESUP

The ESUP authorizes the Board to grant awards of restricted share units ("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 exercisable 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 RSUs/PSUs reconciliation as at the periods indicated:

	Three Months Ended March 31, 2017			Year Ended December 31, 2016		
	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	**541,441**	**$**	**31.79**	472,849	$	32.84
Granted	**48,937**		**35.80**	116,333		26.54
Exercised	**(6,710)**		**29.70**	(16,033)		28.87
Forfeited/Cancelled	**(7,907)**		**26.87**	(31,708)		29.61
Balance Outstanding - End of Period	**575,761**	**$**	**32.22**	541,441	$	31.79
RSUs/PSUs exercisable	**207,619**	**$**	**33.20**	159,264	$	33.77

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.

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, 2017			Year Ended December 31, 2016		
	Total Shares		**Weighted Average Grant Date Fair Value[(a)]**	Total Shares		Weighted Average Grant Date Fair Value[(a)]
Balance Outstanding - Beginning of Period	**148,427**	**$**	**35.15**	110,597	$	36.37
Granted	**7,345**		**38.59**	37,830		31.58
Exercised[(b)]	–		–	–		–
Balance Outstanding - End of Period	**155,772**	**$**	**35.31**	148,427	$	35.15

(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, 2017 is $6 million (December 31, 2016 – $5.3 million), all of which is included in current other liabilities on the consolidated balance sheets.

PIP

On March 2, 2017, the Board approved the PIP under the Company's LTIP. The PIP is a cash-based awards plan, which rewards designated executives and employees over a three-year performance period. Each unit granted to participants notionally represents one common share and such units vest at the end of the third year from the date they were granted. The value of units at the vesting date is based on the weighted average trading price of the Company's common shares over the five trading days preceding the vesting date. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the PIP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The PIP liability as at March 31, 2017 is $0.023 million (December 31, 2016 – nil).

Incentive-based Compensation

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

(in thousands of Canadian dollars)	Three Months Ended March 31, **2017**	2016
Stock option expense	**$ 329**	$ 309
VGP expense (recovery)	**227**	(419)
DSU expense	**745**	327
RSU expense	**970**	1,120
SAR expense (recovery)	**520**	(97)
PIP expense	**23**	–
Total Share-based and Other Incentive-based Compensation Expense	**$ 2,814**	$ 1,240

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 2017**	December 31 2016
Cash	**$ 112,160**	$ 98,911
Cash equivalents	**32,605**	95,913
Total	**$ 144,765**	$ 194,824

12 Loans Receivable

The following table sets forth the Company's loans receivable as at:

(in thousands of Canadian dollars)		March 31 2017		December 31 2016
Current				
Notes receivable	**$**	**78**	$	82
Loan receivable		**3,750**		3,750
		3,828		3,832
Non-current				
Notes receivable[a]	**$**	**4,995**	$	5,003
Loan receivable		**61**		55
		5,056		5,058
Total	**$**	**8,884**	$	8,890

(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 US 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, 2017, the amount of the notes receivable was US$3,756 (December 31, 2016 – US$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 2017		December 31 2016
Bank indebtedness	**$**	**–**	$	2,463
Standard letters of credit for performance, bid and surety bonds (Note 15)		**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. 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.

14 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 note 4.

In respect of the long-term debt, the Company is required to maintain certain covenants that are consistent with the debt covenants described in note 13 for the Credit Facility. The Company was in compliance with these covenants as at March 31, 2017.

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 $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).

16 Share Capital

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

(in thousands of Canadian dollars)		
Number of Shares		
Balance, December 31, 2016		**69,892,544**
Issued on exercise of stock options		**17,000**
Issued on exercise of RSUs		**6,710**
Issued on exercise of SARs		**2,000**
Balance, March 31, 2017		**69,918,254**
Stated Value:		
Balance, December 31, 2016	**$**	**703,316**
Issued on exercise of stock options		**426**
Issued on exercise of SARs		**55**
Compensation cost on exercised stock options		**176**
Compensation cost on exercised RSUs		**210**
Balance, March 31, 2017	**$**	**704,183**

(in thousands of Canadian dollars)		
Number of Shares		
Balance, December 31, 2015		64,521,301
Issued through public offering		5,261,250
Issued on exercise of stock options		93,960
Issued on exercise of RSUs		16,033
Balance, December 31, 2016		69,892,544
Stated Value:		
Balance, December 31, 2015	$	534,484
Issued through public offering (net of commissions and share issuance costs of $7.3 million)		165,295
Issued on exercise of stock options		2,311
Compensation cost on exercised stock options		764
Compensation cost on exercised RSUs		462
Balance, December 31, 2016	$	703,316

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:

(Dollar amounts per share)		**March 31, 2017**		March 31, 2016
Dividends declared and paid to shareholders	**$**	**10,487**	$	9,633
Dividends declared and paid per share	**$**	**0.15**	$	0.15