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

The following Management's Discussion and Analysis ("MD&A"), is a discussion of the consolidated financial position and results of operations of Shawcor Ltd. ("Shawcor" or "the Company") for the years ended December 31, 2016 and 2015 and should be read together with Shawcor's audited consolidated financial statements and accompanying notes for the same periods. All dollar amounts in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

This MD&A and the audited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("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 14 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 December 31, 2016, 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 85% of consolidated revenue for the year ended December 31, 2016. 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. During 2015, the Socotherm division was integrated with the Bredero Shaw division.
- 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 15% of consolidated revenue for the year ended December 31, 2016. Operations within this segment utilize polymer and adhesive technologies that were developed for the Pipeline and Pipe Services segment and are now being applied to applications in Petrochemical and Industrial markets. The Connection Systems division was formed from the 2015 integration of the DSG-Canusa and Shawflex divisions.

- 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.

1.2 Vision and Objectives

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

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

1.3 Key Performance Drivers

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

- demand for the Company's products and services that is primarily determined by investment in new energy infrastructure necessary to supply global energy needs;
- current and forecasted oil and gas commodity prices and availability of capital to enable customers to finance energy infrastructure investment;
- the Company's competitive position globally and its ability to maintain operations in each of the major oil and gas producing regions;
- the Company's technology and its ability to research and commercialize innovative products that provide added value to customers and provide competitive differentiation;
- the Company's operational effectiveness and its ability to maintain efficient utilization of productive capacity at each geographic location;
- access to capital and maintenance of sufficient available liquidity to support continuing operations and finance growth activities;
- the ability to identify and execute successful business acquisitions that result in strategic global growth; and
- the ability to attract and retain key personnel.

1.4 Key Performance Indicators

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

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

Net Income Growth

As part of its performance objectives, the Company has set a goal for average annual net income growth of 15% over the full business cycle, as described in *Section 1.2 – Vision and Objectives*. Net income (attributable to shareholders of the Company) decreased by $279.2 million from $98.2 million for the year ended December 31, 2015 to a net loss of $181.0 million for the year ended December 31, 2016. This was mainly due to the $320.5 million decrease in Operating Income, a $3.4 million higher loss from investments in associates and a $3.0 million higher cost associated with repayment and modification of long term debt. This was partially offset by a $19.2 million arbitration award, lower finance costs of $2.3 million and a $25.3 million decrease in income tax expense.

Return on Invested Capital

Return on Invested Capital ("ROIC"), a non-GAAP measure, is defined as net income for the year adjusted for after tax interest expense divided by average invested capital for the most recently completed year. ROIC does not have a standardized meaning under GAAP and may not necessarily be comparable to similar titled measures used by other entities. ROIC is used by the Company to assess the efficiency of generating profits from each unit of invested capital. As part of its performance objectives, the Company has set an ROIC target of 15%, as described in *Section 1.2 – Vision and Objectives.* The Company's ROIC for the years ended December 31, 2016 and 2015 was (11.8%) and 7.5%, respectively. This decrease was primarily due to a decrease of $277.2 million in net income for the year, adjusted for after-tax interest expense, offset by a decrease in average invested capital of $104.9 million.

Safety and Environmental Stewardship

The Company maintains a comprehensive HSE management system in place within each of its eight operating divisions and is committed to being an IIF workplace with no damage to the environment. For the years ended December 31, 2016 and December 31, 2015, the Company had recordable injuries per million person hours worked of 4.5 and 6.7, respectively. During 2016, the Company completed 15 HSE audits at manufacturing and service locations across all eight divisions and developed action plans to correct any deficiencies identified in the audits.

1.5 Capability to Deliver Results

Capital Resources

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

Capital expenditures increased by $26.3 million from $61.2 million for the year ended December 31, 2015 to $87.5 million for the year ended December 31, 2016. The Company believes it has sufficient available resources and capacity to meet the market demand for its products and services in the markets where the Company operates. The Company may, however, incur new capital expenditures to respond to market demand growth and to facilitate growth in new markets.

The Company expects that as a result of growth in revenue, it will increase its investment in net working capital during 2017. This expected increase in requirements will be financed from the Company's cash balances and available committed credit facilities. In order to improve the Company's capital resources and fund working capital and growth investment requirements, the Company completed an equity issue in December 2016 for net proceeds of $165.3 million. The Company had cash and cash equivalents and short term investments of $196.7 million and $263.6 million as at December 31, 2016 and 2015, respectively, and had unutilized lines of credit available of $399.2 million and $491.9 million, as at December 31, 2016 and 2015, respectively.

As described in *Section 5.5 – Credit Facilities*, the Company renegotiated the terms of its debt covenants with respect to its Credit Facility and Senior Notes to improve its flexibility and ability to handle the risks and opportunities posed by the current market environment and to ensure that it remains in compliance with the terms of these agreements. The term of its Credit Facility was extended to December 6, 2019.

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

Non-Capital Resources

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

On an ongoing basis, the Company monitors its succession planning program in order to mitigate the impact of planned or unplanned departures of key personnel. As at December 31, 2016, the Company believes it has sufficient human resources to continue to operate its businesses and execute its strategic plan.

Systems and Processes

Management regularly reviews the Company's operational systems and processes and develops new ones as required. Key operational programs utilized by the Company during the year ended December 31, 2016 included systems and controls over project bidding, capital expenditures, internal controls over financial reporting, product development, HSE management and human resource development. In addition, the Shawcor Management System program has been implemented to increase operating efficiency and achieve significant cost savings in each of the Company's eight divisions.

As at December 31, 2016, the Company believes it has sufficient systems and processes in place to continue to operate its businesses and execute its strategic plan.

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars)	Year Ended December 31, 2016	2015	2014
Revenue	**$ 1,209,259**	$ 1,810,648	$ 1,890,029
Cost of Goods Sold and Services Rendered	**816,775**	1,204,306	1,166,319
Gross Profit	**392,484**	606,342	723,710
Selling, general and administrative expenses	**320,643**	371,954	375,153
Research and development expenses	**13,239**	13,664	13,053
Foreign exchange gains	**(1,386)**	(7,868)	(3,747)
Amortization of property, plant and equipment	**57,255**	58,019	55,219
Amortization of intangible assets	**23,035**	21,368	15,587
Gains on sale of land	**(6,493)**	(814)	(609)
Impairment	**157,311**	590	120,378
(Loss) Income from Operations	**(171,120)**	149,429	148,676
Gain on assets held for sale	**–**	–	6,427
(Loss) income from investments in associates	**(3,536)**	(114)	877
Loss on investments in joint ventures	**–**	–	(22,375)
Finance costs, net	**(15,915)**	(18,244)	(18,401)
Costs associated with repayment and modification of long-term debt	**(3,009)**	–	–
Gain from arbitration award	**19,221**	–	–
(Loss) Income before Income Taxes	**(174,359)**	131,071	115,204
Income taxes	**6,207**	31,551	21,010
Net (Loss) Income	**$ (180,566)**	$ 99,520	$ 94,194
Net (Loss) Income Attributable to:			
Shareholders of the Company	**(180,960)**	98,244	94,861
Non-controlling interests	**394**	1,276	(667)
Net (Loss) Income[(a)]	**(180,566)**	99,520	94,194
Per Share Information:			
Earnings (Loss) per Share			
Basic	**$ (2.80)**	$ 1.52	$ 1.55
Diluted	**$ (2.80)**	$ 1.52	$ 1.53
Cash Dividend per Share:			
Common Shares	**$ 0.600**	$ 0.600	$ 0.575

(a) Please refer to *Section 4.1 – Consolidated Information* for further details on the variance to net income for 2016 compared to 2015. Please refer to the company's 2015 MD&A for further details on the variance in net income for 2015 compared to 2014.

(in thousands of Canadian dollars)	**December 31 2016**	December 31 2015	December 31 2014
Total Assets	**$ 1,777,791**	**$** 2,145,705	$ 1,939,970
Total Non-current Liabilities	**$ 339,298**	**$** 579,839	$ 524,462

2.2 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 the Canadian dollar, for the following periods:

	Year Ended December 31	
	2016	2015
US Dollar	**1.3284**	1.2794
Euro	**1.4633**	1.4231
British Pound	**1.7991**	1.9544

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

(in thousands of Canadian dollars)		Year Ended December 31, 2016
Revenue	**$**	**(490)**
Income from operations		**(4,945)**
Net income (attributable to shareholders of the Company)		**(6,863)**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $1.4 million in 2016, compared to a foreign exchange gain of $7.9 million 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

Acquisition of Lake Superior Consulting

On January 5, 2016, the Company acquired the units of Lake Superior Consulting, LLC ("Lake Superior") for approximately $37.3 million (US$26.9 million) inclusive of a $7.2 million (US$5.2 million) earn out paid in 2016. Lake Superior is a Duluth, Minnesota based professional services firm, specializing in pipeline engineering and integrity management services to major pipeline operators. The business operates from facilities in Minnesota, Texas, Nebraska, Kansas and North Dakota, provides pipeline design, engineering, inspection and commissioning as well as integrity management services.

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

Repurchase of US$78 Million of Senior Notes

In April 2016, the Company utilized a portion of its existing cash balances to repurchase approximately US$78 million of its long-term debt ("Senior Notes") at a purchase price of approximately US$79 million plus accrued interest.

Sur de Texas – Tuxpan Contract Award

On July 8, 2016, the Company was awarded a conditional contract with a value in excess of $300 million from Infraestructura Marina del Golfo (IMG), a Mexican company majority-owned by TransCanada Corporation and partially owned by IEnova, for pipeline coating for the CFE Sur de Texas – Tuxpan gas pipeline project, a 690 km offshore pipeline that will run from the USA/Mexico international border near Brownsville, Texas to a location near Tuxpan, Mexico. The contract has since been finalized and is scheduled to be executed from two coating plants in Altamira, Mexico and involves the application of concrete weight coating. Coating has commenced with completion expected in early 2018.

The Company has also received a contract for anti-corrosion coating of pipe that will be coated at the Company's facilities in Asia Pacific and then transported to Mexico for concrete coating and delivery to the client for the Sur de Texas – Tuxpan pipeline. Including the anti-corrosion coating, the Sur de Texas – Tuxpan project has an estimated revenue value to Shawcor in excess of $350 million.

Further Amendments to Senior Notes Agreement and Credit Facility and Repurchase of US$75 million of Senior Notes

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 Cdn$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 incurred fees and expenses of $2.1 million and $0.9 million to implement these amendments in the second and fourth quarter of 2016, respectively.

The Company also utilized a portion of its available Credit Facility to repurchase US$75 million of its Senior Notes on December 12, 2016 at a price of US$75 million.

Equity Issuance

On December 7, 2016, the Company entered into an agreement with a syndicate of underwriters (the "Underwriters") led by TD Securities Inc. pursuant to which the Underwriters agreed to purchase from Shawcor on a bought deal basis and sell to the public 4,575,000 common shares of Shawcor at a price of $32.80 per common share for gross proceeds of $150 million (the "Offering"). In addition, Shawcor granted the Underwriters an option to purchase up to an additional 686,250 common shares at a price of $32.80 per common share to cover over-allotments, if any, and for market stabilization purposes, during the 30 days following the closing of the Offering (the "Over-Allotment Option").

On December 23, 2016, the Company closed the Offering and the full Over Allotment Option and issued 5,261,250 common shares for aggregate gross proceeds of approximately $173 million.

Shawcor used a portion of the net proceeds of the Offering to repay US$75 million (Cdn $101 million) of the Credit Facility debt and anticipates using the remainder to facilitate investments in working capital related to booked and future potential orders for large pipe coating projects, to fund future corporate investments, which may potentially include future acquisitions, and for general corporate purposes.

4.0 Results from Operations

4.1 Consolidated Information

Revenue

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

(in thousands of Canadian dollars)	**2016**	2015	Change
Pipeline and Pipe Services	**$ 1,023,312**	$ 1,631,147	$ (607,835)
Petrochemical and Industrial	**187,418**	181,867	5,551
Elimination	**(1,471)**	(2,366)	895
Consolidated	**1,209,259**	1,810,648	(601,389)

Consolidated revenue decreased by $601.4 million, or 33%, from $1,810.6 million for the year ended December 31, 2015 to $1,209.3 million for the year ended December 31, 2016, due to a decrease of $607.8 million, or 37%, in the Pipeline and Pipe Services segment, partially offset by an increase of $5.6 million, or 3%, in the Petrochemical and Industrial segment.

Revenue for the Pipeline and Pipe Services segment during 2016 was $1,023.3 million, or $607.8 million lower than in 2015, due to lower activity levels in all regions. Please refer to *Section 4.2.1 – Pipeline and Pipe Services* Segment for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment increased by $5.6 million during 2016 compared to 2015, due to higher activity levels in the North America and Asia Pacific regions, partially offset by lower revenue in Europe, Middle East, Africa and Russia ("EMAR"). Please refer to *Section 4.2.2 – Petrochemical and Industrial* Segment for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

(Loss) Income from Operations ("Operating Income" *or* ***"Operating Loss")***

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

(in thousands of Canadian dollars)	**2016**	2015	Change
(Loss) Income from Operations	**$ (171,120)**	$ 149,429	$ (320,549)
Operating Margin[(a)]	**(14.2%)**	8.3%	(22.5%)

(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.

Operating Income decreased by $320.5 million from the year ended December 31, 2015, to an Operating Loss of $171.1 million in 2016. Operating Income was impacted by a year over year decrease in gross profit of $213.9 million, an increase in impairment charges of $156.7 million, a $0.9 million increase in amortization of property, plant, equipment and intangible assets and a reduction in net foreign exchange gain of $6.5 million. This was partially offset by a decrease in selling, general and administration ("SG&A") expenses of $51.3 million, an increase in gain on sale of land of $5.7 million and a decrease in research and development expenses of $0.4 million.

The decrease in gross profit resulted from the lower revenue, as explained above, and a 1.0 percentage point decrease in gross margin. The decrease in the gross margin was attributable to changes in product and project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption compared to the prior year, particularly in the Pipeline and Pipe Services segment.

SG&A expenses decreased by $51.3 million in the year ended December 31, 2016 compared to 2015, primarily due to a decrease in personnel related expenses of $28.1 million, a decrease in rental and building costs of $7.1 million, a $4.7 million reduction in a provision for import duties, a reduction in bank charges for performance guarantees and other fees of $4.3 million, a $3.4 million decrease in legal provisions and professional fees and a reduction in other costs of $2.9 million.

Finance Costs, Net

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

(in thousands of Canadian dollars)		**2016**		2015		Change
Interest income on short-term deposits	**$**	**(3,108)**	$	(1,009)	$	(2,099)
Interest expense, other		**4,739**		3,359		1,380
Interest expense on long-term debt		**14,284**		15,894		(1,610)
Finance costs – net	**$**	**15,915**	$	18,244	$	(2,329)

For the year ended December 31, 2016, net finance cost was $15.9 million, compared to a net finance cost of $18.2 million for 2015. The decrease in net finance costs was primarily a result of lower interest expense on long-term debt as a result of the repayment of Senior Notes and higher interest income on short term deposits. This was partially offset by higher interest on borrowings during the year.

Income Taxes

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

(in thousands of Canadian dollars)		**2016**		2015		Change
Income tax expense	$	**6,207**	$	31,551	$	(25,344)

The Company recorded an income tax expense of $6.2 million during the year ended December 31, 2016, compared to an income tax expense of $31.6 million (24% of income before income taxes) during the year ended December 31, 2015. The recording of an income tax expense in 2016, rather than an expected tax recovery, was due to the fact that a tax expense was incurred in jurisdictions where the Company was profitable, while some of the losses in the year were generated in jurisdictions where the Company was unable to record a tax benefit.

Net Income (attributable to shareholders of the Company)

Net income decreased by $279.2 million, from a Net Income of $98.2 million during the twelve month period ended December 31, 2015 to a Net Loss of $181.0 million during the twelve month period ended December 31, 2016. This was mainly due to the $320.5 million decrease in Operating Income, as explained above, a $3.4 million higher loss from investments in associates and a $3.0 million higher cost associated with repayment and modification of long term debt. This was partially offset by a $19.2 million arbitration award against Wasco Energy, lower finance costs of $2.3 million and a $25.3 million decrease in income tax expense.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

The following table sets forth the revenue by geographic location, Operating (Loss) Income and Operating Margin for the Pipeline and Pipe Services segment for the year:

(in thousands of Canadian dollars, except Operating Margin)		**2016**		2015		Change
North America	**$**	**491,567**	$	730,316	$	(238,749)
Latin America		**56,149**		150,783		(94,634)
EMAR		**365,291**		579,640		(214,349)
Asia Pacific		**110,305**		170,408		(60,103)
Total Revenue	**$**	**1,023,312**	$	1,631,147	$	(607,835)
Operating (Loss) Income	**$**	**(186,163)**	$	148,853	$	(335,016)
Operating Margin[(a)]		**(18.2%)**		9.1%		(27.3%)

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

Revenue in the Pipeline and Pipe Services segment for the year ended December 31, 2016 was $1,023.3 million, a decrease of $607.8 million from $1,631.1 million in the prior year. Segment revenue was impacted by lower activity levels in all regions:

- Revenue in North America decreased by $238.7 million, or 33%, primarily due to a decrease in tubular management services in Canada, lower pipe weld inspection services revenue in the USA and lower activity levels for small and large diameter pipe coatings in Canada and the USA. This was partially offset by the impact of the Lake Superior Consulting acquisition completed in the first quarter of 2016 and an increase in volumes of flexible composite pipe.

- In Latin America, revenue was lower by $94.6 million, or 63%, mainly due to lower activity levels in Brazil and Argentina, combined with lower volumes at the Veracruz and Monterrey, Mexico facilities.

- Revenue in EMAR decreased by $214.3 million, or 37%, primarily due to decreased pipe coating activity levels for the Shah Deniz project in the Caspian, lower activity levels at the RAK, Orkanger, Norway and Italian facilities and other field joint projects in the region. This was partially offset by higher activity levels at the Leith, Scotland facility.

- In Asia Pacific, revenue decreased by $60.1 million, or 35%, due to lower project volumes at the Kuantan, Malaysia and Kabil, Indonesia facilities.

Operating Loss for the year ended December 31, 2016 was $186.2 million compared to Operating Income of $148.9 million for the prior year, a decrease of $335.0 million. The decrease in Operating Income is primarily due to the $157.3 million in impairment charges recorded in 2016, a decline in gross profit of $214.4 million, driven by a decrease in revenue of $607.8 million, as explained above and a 0.8 percentage point decrease in gross margin. The decrease in gross margin was due to unfavourable project mix, labour inefficiencies due to lower facility utilization and reduced manufacturing overhead absorption. Partially offsetting these negative factors was a reduction in SG&A expenses, as explained above, and a $5.7 million increase in gains on sale of land.

4.2.2 Petrochemical and Industrial Segment

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

(in thousands of Canadian dollars, except Operating Margin)		**2016**		2015		Change
North America	**$**	**114,512**	$	106,984	$	7,528
EMAR		**61,263**		64,189		(2,926)
Asia Pacific		**11,643**		10,694		949
Total Revenue	**$**	**187,418**	$	181,867	$	5,551
Operating Income	**$**	**29,987**	$	28,686	$	1,301
Operating Margin[(a)]		**16.0%**		15.8%		23.4%

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

Revenue increased in the year ended December 31, 2016 by $5.6 million, or 3%, to $187.4 million, compared to 2015, primarily due to increased heat shrinkable product shipments in North America and Asia Pacific.

Operating Income for the year ended December 31, 2016 was $30.0 million compared to $28.7 million in 2015, an increase of $1.3 million, or 5%. The increase was primarily due to an increase in gross profit of $0.5 million as a result of an increase in revenue of $5.6 million, as explained above, and lower research and development expenses.

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 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.

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

(in thousands of Canadian dollars)		**2016**		2015		Change
Financial and corporate expenses	**$**	**(22,823)**	$	(36,792)	$	13,969

Financial and corporate costs decreased by $14.0 million from the year ended December 31, 2015 to $22.8 million in 2016. The decrease was primarily due to reductions in personnel related expenses of $8.3 million and in professional consulting and legal fees of $1.8 million, a $8.5 million decrease as a result of higher allocations to the operating segments for information systems expenses and a reduction of $2.9 million in bank and other costs. This was partially offset by an increase in stock based and long term management incentive expenses of $6.0 million and a $1.5 million increase in equipment and product development costs.

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)		2016		2015
Net (Loss) Income	**$**	**(180,566)**	$	99,520
Non-cash items		**234,048**		116,788
Settlement of decommissioning obligations		**(292)**		(2,658)
Settlement of other provisions		**(16,288)**		(24,143)
Net change in employee future benefits		**56**		63
Net change in non-cash working capital and foreign exchange		**94,935**		91,471
Cash provided by operating activities		**131,893**		281,041
Cash used in investing activities		**(111,360)**		(120,900)
Cash used in financing activities		**(72,556)**		(46,402)
Foreign exchange impact on cash and cash equivalents		**(13,798)**		30,350
Net Change in Cash and Cash Equivalents		**(65,821)**		144,089
Cash and cash equivalents at beginning of Year		**260,645**		116,556
Cash and Cash Equivalents at End of Year	**$**	**194,824**	$	260,645

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 Provided by Operating Activities

Cash provided by operating activities was $131.9 million in 2016, a decrease of $149.1 million or 53.1% compared to the prior year. This was due to a decrease in net income of $280.1 million, partially offset by an increase in non-cash items of $117.3 million and lower settlements of decommissioning liabilities and other provisions of $10.2 million and higher cash provided by non-cash working capital and foreign exchange of $3.5 million. Net income decreased due to the reasons discussed in *Section 4.1* while the increase in non-cash items primarily reflected the impairment charges reported in 2016.

The increase in cash provided by non-cash working capital and foreign exchange was due to net reductions in accounts receivable, income taxes receivable and inventories of $71.1 million and an increase in deferred revenue of $89.3 million, partially offset by a net decrease in accounts payable and accrued liabilities of $153.4 million.

5.2 Cash Used in Investing Activities

Cash used in investing activities was $111.4 million, a decrease of $9.5 million or 7.9% compared to the prior year. The decrease was primarily due to a decrease in business acquisition costs of $19.2 million (cash costs net of cash acquired), decreases in investments in associates by $10.5 million, and in short term investment of $3.5 million. Further, there were increases in proceeds from the sale of assets of $8.4 million, and in deferred purchase of consideration of $1.3 million, contributing to the overall decrease. This was partially offset by the Company's increased spending on the purchase of property, plant and equipment by $28.1 million, increases in other assets of $4.5 million and in loan receivable of $1.1 million.

5.3 Cash Used in Financing Activities

Cash used in financing activities during 2016 was $72.6 million, an increase of $26.2 million or 56.4% compared to the prior year. The change was primarily due to the repayments of long-term debt of $202.6 million. This was partially offset by the increases arising from the issuance of common shares for net proceeds of $167.1 million in 2016, higher bank indebtedness of $7.1 million and a reduction in the repayment of loans payable of $2.0 million.

5.4 Liquidity and Capital Resource Measures

Accounts Receivables

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

(in thousands of Canadian dollars, except DSO)		**2016**		2015		Change
Average trade accounts receivable	**$**	**182,331**	$	301,966	$	(119,635)
DSO[(a)]		**50**		60		(10)

(a) The Company calculates DSO as the average number of days that trade accounts receivables-net (which excludes unbilled and other receivables) are outstanding based on a 90 day cycle. DSO is a non-GAAP measure and does not have a standardized meaning and the Company's method of calculating may differ from that used by other entities, and as a result may not necessarily be comparable to measures used by others. See *Section 12.0 – Reconciliation of Non-GAAP Measures*.

Average trade accounts receivables decreased by $119.6 million or 40% as at December 31, 2016 compared to December 31, 2015, due to a decrease in revenue in the fourth quarter of 2016 compared with a year ago. DSO decreased by 10 days from 60 days during 2015 to 50 days during 2016, primarily due to the timing of sales and collection of receivables in 2016 compared to the prior year.

Inventory

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

(in thousands of Canadian dollars)		**2016**		2015		Change
Inventory	**$**	**113,485**	$	167,557	$	(54,072)

Inventories decreased by $54.1 million or 32% as at December 31, 2016 compared to December 31, 2015, due to reductions in raw materials and finished goods of $21.3 million and $28.0 million, respectively, and an increase in the inventory obsolescence provisions of $3.2 million. This was partially offset by an increase in work in progress inventory of $1.6 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)		**2016**		2015		Change
Average accounts payable and accrued liabilities	**$**	**205,602**	$	288,383	$	(82,781)
DPO[(a)]		**84**		86		(2)

(a) The Company calculates DPO as 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. DPO is a non-GAAP measure, and does not have a standardized meaning and the Company's method of calculating may differ from that used by other entities, and as a result may not necessarily be comparable to measures used by others. See *Section 12.0 – Reconciliation of Non-GAAP Measures*.

Average accounts payable and accrued liabilities decreased by $82.8 million or 29% as at December 31, 2016 compared to December 31, 2015. DPO decreased by 2 days from 2015 levels, due to changes in the timing of purchases in 2016 compared with the prior year.

5.5 Credit Facilities

(in thousands of Canadian dollars)		**2016**		2015
Bank indebtedness	**$**	**2,463**	$	–
Standard letters of credit for performance, bid and surety bonds		**90,898**		132,052
Total utilized credit facilities		**93,361**		132,052
Total available credit facilities[(a)]		**492,610**		623,970
Unutilized credit facilities	**$**	**399,249**	$	491,918

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

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by US$100 million from US$150 million to US$250 million, with an option to increase the credit limit to US$400 million with the consent of the lenders. On June 16, 2014, the option to increase the credit limit to US$400 million was exercised with the consent of the lenders and a new option to increase the credit limit to US$550 million with the consent of the lenders was added. The Company pays a floating interest rate on this Credit Facility that is a function of the Company's Total Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility is US$50 million. 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 Cdn$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 incurred fees and expenses of $2.1 million and $0.9 million to implement these amendments in the second and fourth quarters of 2016, respectively.

The Company was in compliance with these covenants as at December 31, 2016.

5.6 Long-Term Debt

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

(in millions of Canadian dollars)	Due Date	Interest Rate	**December 31 2016**	December 31 2015	**December 31 2016**	December 31 2015
			(US$)	(US$)	**(Cdn$)**	(Cdn$)
Senior Notes, Series A	March 31, 2020	2.98%	**62**	100	**83**	139
Senior Notes, Series B	March 31, 2023	3.67%	**57**	100	**76**	139
Senior Notes, Series C	March 31, 2025	3.82%	**52**	100	**70**	139
Senior Notes, Series D	March 31, 2028	4.07%	**26**	50	**35**	68
			197	350	**264**	485

Repurchase of Senior Notes

In the second quarter of 2016, the Company utilized a portion of its existing cash balances to repurchase approximately US$78 million of its Senior Notes at a purchase price of approximately US$79 million ($101.8 million at the then current exchange rate) plus accrued interest.

In the fourth quarter of 2016, the Company utilized a portion of its $172.6 million public offering proceeds to repurchase US$75 million of its Senior Notes at a purchase price of US$75 million ($100.7 million at the then current exchange rate) plus accrued interest.

The total long-term debt balance as at December 31, 2016 is $263.5 million (US$196.8 million) (2015 – $485.1 million (US$350.0 million)). The long-term debt has 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 December 31, 2016 and December 31, 2015.

5.7 Commitments, Leases, Contingencies and Off Balance Sheet Arrangements

(in thousands of Canadian dollars)	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**
	$	$	$	$	$	$	$
Purchase commitments	46,432	2,105	1,088	–	–	–	49,625
Accounts payable	88,980	–	–	–	–	–	88,980
Deferred purchase consideration	3,684	–	–	–	–	–	3,684
Bank indebtedness	2,463	–	–	–	–	–	2,463
Long-term debt	–	–	–	82,513	–	181,015	263,528
Finance costs on long-term debt	9,376	9,376	9,376	7,529	6,917	21,178	63,752
Obligations under finance lease	1,461	1,397	1,341	1,338	1,335	9,248	16,120
Operating lease commitments	24,709	18,264	16,851	9,391	9,325	9,638	88,178
	177,105	**31,142**	**28,656**	**100,771**	**17,577**	**221,079**	**576,330**

Commitments and Contingencies

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

The following table sets forth the Company's future minimum finance lease payments as at December 31:

(in thousands of Canadian dollars)		**2016**
Total future minimum lease payments	**$**	**16,120**
Less: imputed interest		**(4,151)**
Balance of obligations under finance leases		**11,969**
Less: current portion		**950**
Non – current obligations under finance leases	**$**	**11,019**

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.

In the fourth quarter of 2016, the Company recorded a gain of $19.2 million resulting from an arbitration award against Wasco Energy.

Performance, Bid and Surety Bonds

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

The Company's utilizes its credit facilities to support the Company's bonds. The Company had utilized credit facilities of $90.9 million as at December 31, 2016 (December 31, 2015 – $132.1 million) for support of its bonds. In addition, as at December 31, 2016, the Company had $107.2 million of outstanding surety bonds through insurance companies (December 31, 2015 – $130.8 million).

In May 2016, the Company entered into agreements to, among other things, reduce the size of its Credit Facility and amend certain covenants under the Credit Facility and its Senior Notes agreements and in December 2016, the Company made further amendments to its covenants under the Credit Facility and the Senior Notes agreements. Please refer to *Section 5.5* for a description of the amendments to the Credit Facility and the amended covenants applicable to the Credit Facility and Senior Notes.

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 that 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 of financial assets and liabilities in the fair value hierarchy as at December 31, 2016:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	**$ 194,824**	**$ 194,824**	**$ –**	**$ –**
Short-term investments	**1,890**	**1,890**	**–**	**–**
Loans receivable	**8,890**	**–**	**8,890**	
Derivative financial instruments	**9,393**	**–**	**9,393**	**–**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
Deposit guarantee	**112**	**–**	**112**	**–**
	$ 225,109	**$ 196,714**	**$ 18,395**	**$ 10,000**
Liabilities				
Bank indebtedness	**$ 2,463**	**–**	**$ 2,463**	**$** –
Deferred purchase consideration	**3,684**	**$ –**	**3,684**	–
Long-term debt	**236,734**	**–**	**236,734**	–
Derivative financial instruments	**3,759**	**–**	**3,759**	–
	$ 246,640	**$ –**	**$ 246,640**	**$ –**

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 of the underlying contract (hedge rate for a forward contract or an exercise price for an option) to the year-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 risk 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 the Company's management. Material risks are monitored and are regularly reported to the Board of Directors.

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 denominated 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 amounts are translated into Canadian dollars. As at December 31, 2016, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the year then ended by approximately $49.9 million, $5.4 million and $6.1 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 $61.2 million, $18.0 million and $43.2 million, respectively.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures associated with the Company's foreign currency-denominated cash streams and the resulting variability of the Company's income. 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 December 31, 2016:

(in thousands, except weighted average rate amounts)	
Canadian Dollars Sold for US Dollars	
Less than one year	Cdn$ 6,445
Weighted average rate	0.76
US Dollars Sold for Canadian Dollars	
Less than one year	US$ 12,000
Weighted average rate	1.32
US Dollars Sold for Malaysian Ringgits	
Less than one year	US$ 6,500
Weighted average rate	4.27
US Dollars Sold for Euros	
Less than one year	US$ 22,111
Weighted average rate	0.94
US Dollars Sold for British Pounds	
Less than one year	US$ 1,225
Weighted average rate	0.82
British Pounds Sold for US Dollars	
Less than one year	£ 45
Weighted average rate	1.44
Norwegian Kroner Sold for US Dollars	
Less than one year	NOK 103,181
Weighted average rate	0.12
Euros Sold for US Dollars	
Less than one year	€ 24,656
Weighted average rate	1.12

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

As at December 31, 2016, the Company had notional amounts of $113.7 million of foreign exchange forward contracts outstanding (2015 – $145.7 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totaling $1.1 million (2015 – $1.0 million net benefit).

Net Investment Hedge

The US dollar denominated 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 year ended December 31, 2016, a gain of $18.5 million (2015 – loss of $78.3 million) on the translation of the long-term debt was transferred to other comprehensive (loss) income to offset the loss on translation of the net investments in the subsidiary. There was no ineffectiveness of this hedge for the year ended December 31, 2016.

Interest Rate Risk

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

(in thousands of Canadian dollars)	Non-Interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial Assets				
Cash equivalents	$ –	$ –	$ 95,913	$ 95,913
Short-term investments	–	–	1,890	1,890
Loans receivable	3,887	5,003	–	8,890
Convertible preferred shares	10,000	–	–	10,000
	$ 13,887	$ 5,003	$ 97,803	$ 116,693
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	$ 90,898	$ –	$ –	$ 90,898
Bank indebtedness	–	2,463	–	2,463
Long-term debt(a)	–	–	263,528	263,528
	$ 90,898	$ 2,463	$ 263,528	$ 356,889

(a) As per the amendments to the Senior Notes Agreement and Credit Facility in May 2016 and 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 its floating rate Credit Facility and the Senior Notes 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.

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

For the year ended December 31, 2016, there was one customer who generated approximately 13% of total consolidated revenue (2015 – one customer generated approximately 18% of total consolidated revenue). As at December 31, 2016, this customer accounted for $10 million, or approximately 6%, of the Company's total trade accounts receivable.

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

As at December 31, 2016, $11.6 million, or 7%, of trade accounts receivable was more than 90 days overdue, compared to $36.5 million or 13%, as at December 31, 2015. The Company expects to receive full payment on accounts receivable that are neither past due nor impaired.

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

(in thousands of Canadian dollars)		**2016**		2015
Balance - Beginning of Year	**$**	**(5,004)**	$	(12,516)
Bad debt expense		**(1,317)**		(3,512)
Recovery of amounts previously provided for		**265**		731
Write-off of bad debts		**1,014**		9,575
Impact of change in foreign exchange rates		**177**		718
Balance - End of Year	**$**	**(4,865)**	$	(5,004)

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at December 31, 2016, the Company had cash and cash equivalents totalling $194.8 million (2015 – $260.6 million) and had unutilized lines of credit available to use of $399.2 million (2015 - $491.9 million).

5.9 Outstanding Share Capital

As at February 28, 2017, the Company had 69,897,986 common shares outstanding. In addition, as at February 28, 2017, the Company had stock options and share units outstanding to purchase up to 2,076,379 common shares.

5.10 Transactions with Related Parties

The Company had no material transactions with related parties in the year ended December 31, 2016. All related party transactions were in the normal course of business.

6.0 Quarterly Selected Financial Information

The following tables set forth the Company's summary of selected financial information for the four quarters of 2016 and 2015:

(in thousands of Canadian dollars except per share amounts)	Q1-2016	Q2-2016	Q3-2016	**Q4-2016**
Operating Results				
Revenue	$ 365,579	$ 255,359	$ 259,139	$ **329,182**
Income (loss) from operations	15,950	(40,792)	(167,975)	**21,697**
Net income (loss)[(a)]	7,461	(41,678)	(174,019)	**27,276**
Earnings (Loss) per share				
Basic	$ 0.12	$ (0.65)	$ (2.69)	$ **0.42**
Diluted	0.12	(0.65)	(2.69)	**0.42**

(a) Attributable to shareholders of the Company.

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

(a) 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 85% of the Company's consolidated revenue in 2016, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services segment.
- Over 80% of the Company's revenue in 2016 was transacted in currencies other than Canadian dollars, with a majority transacted in US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars. Please refer to *Section 2.2 - Foreign Exchange Impact*, for additional information with respect to the effects of foreign exchange fluctuations on the results of the Company.

6.1 Fourth Quarter Highlights

Highlights of the Company's 2016 fourth quarter include:

FOURTH QUARTER 2016 VERSUS THIRD QUARTER 2016

- **Revenue:** Consolidated revenue increased 27%, or $70.0 million, from $259.1 million during the third quarter of 2016 to $329.2 million during the fourth quarter of 2016, due to an increase of $73.1 million in the Pipeline and Pipe Services segment, partially offset by a decrease of $3.1 million in the Petrochemical and Industrial segment.

  Revenue increased by 34% in the Pipeline and Pipe Services segment, or $73.1 million, from $213.1 million in the third quarter of 2016 to $286.2 million in the fourth quarter of 2016, due to higher activity levels in all regions. Please refer to *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

  In the Petrochemical and Industrial segment, revenue was lower by $3.1 million, or 7%, in the fourth quarter of 2016, compared to the third quarter of 2016 due to lower activity levels in EMAR and North American regions. Please refer to *Section 4.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

- **Operating Income:** Operating Income increased by $189.7 million, from an operating loss of $168.0 million during the third quarter of 2016 to Operating Income of $21.7 million in the fourth quarter of 2016. Operating Income was positively impacted by increases in gross profit of $20.7 million, an increase in gains from sale of land of $5.1 million, a decrease in SG&A expenses of $7.3 million and the absence of $155.9 million in impairment charges recorded in the third quarter of 2016. This was partially offset by a $0.4 million increase in research and development expenses.

  The increase in gross profit resulted from the higher revenue, as explained above, partially offset by a 0.8 percentage point decrease in the gross margin from the third quarter of 2016. The decrease in the gross margin percentage was primarily due to product and project mix and a $4.8 million reduction in the carrying value of inventory, partially offset by labour cost efficiencies due to higher facility utilization and increased absorption of manufacturing overheads.

  SG&A expenses decreased by $7.3 million, from $79.0 million in the third quarter of 2016 to $71.8 million in the fourth quarter of 2016, primarily due to a $6.8 million reduction in provisions for import duties and decommissioning liabilities and a $1.1 million decrease in personnel related expenses.

- **Finance costs:** In the fourth quarter of 2016, net finance costs were $2.9 million, compared to a net finance cost of $4.3 million during the third quarter of 2016. The decrease in net finance costs was primarily a result of higher interest income on short term deposits.

- **Income taxes:** The Company recorded an income tax expense of $7.0 million (20% of income before income taxes) in the fourth quarter of 2016, compared to an income tax expense of $2.5 million in the third quarter of 2016. The effective tax rate in the fourth quarter of 2016 was lower than the expected income tax rate of 27% primarily due to a portion of the Company's taxable income being earned in jurisdictions where the tax rate is 25% or less.

- **Net Income:** Net income increased by $201.3 million, from a net loss of $174.0 million during the third quarter of 2016 to a net income of $27.3 million during the fourth quarter of 2016. This was mainly due to the $189.7 million increase in Operating Income, as explained above, a $19.2 million arbitration award against Wasco Energy and a $1.5 million decrease in finance costs. This was partially offset by a $1.3 million higher loss from investments in associates and a $4.5 million increase in income tax expense.

FOURTH QUARTER 2016 VERSUS FOURTH QUARTER 2015

- **Revenue:** Consolidated revenue decreased by $126.1 million, or 28%, from $455.3 million during the fourth quarter of 2015, to $329.2 million during the fourth quarter of 2016, due to decreases of $124.6 million in the Pipeline and Pipe Services segment and $2.3 million in the Petrochemical and Industrial segments.

  In the Pipeline and Pipe Services segment, revenue in the fourth quarter of 2016 was $286.2 million, or 30% lower than in the fourth quarter of 2015, due to decreased activity levels in EMAR, North America and Latin America, partially offset by higher activity levels in Asia Pacific. Please refer to *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 decreased by $2.3 million, or 5%, during the fourth quarter of 2016, compared to the fourth quarter of 2015, due to lower activity levels in North America and EMAR. Please refer to *Section 4.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

- **Operating Income:** Operating Income decreased by $24.0 million, from an Operating Income of $45.7 million in the fourth quarter of 2015 to an Operating Income of $21.7 million during the fourth quarter of 2016. Operating Income was impacted by a decrease in gross profit of $44.0 million and a $4.9 million decrease in net foreign exchange gains. This was partially offset by decreases in SG&A expenses of $17.3 million, in research and development expenses of $0.3 million, in amortization of property, plant, equipment and intangible assets of $1.1 million and an increase in gains from sale of land of $5.6 million.

  The decrease in gross profit resulted from the lower revenue, as explained above, and a 0.6 percentage point decrease in gross margin. The decrease in the gross margin percentage was primarily attributable to product and project mix, a $4.8 million reduction in the carrying value of inventory, labour inefficiencies due to lower facility utilization and decreased absorption of manufacturing overheads.

  SG&A expenses in the fourth quarter of 2016 decreased by $17.3 million, primarily due to a $6.9 million reduction in provisions for import duties and decommissioning liabilities, a $7.2 million reduction in personnel related expenses, a $6.3 million decrease in legal provisions and professional fees, a decrease in restructuring costs relating to the closure of facilities of $3.5 million and a net reduction in other costs of $4.2 million. Partially offsetting these expense reductions was an increase in management incentive compensation expenses of $10.8 million as a result of provision reversals in the fourth quarter of 2015 and Shawcor share price appreciation in 2016 versus a decline in 2015.

- **Finance costs:** In the fourth quarter of 2016, net finance costs were $2.9 million, compared to a net finance cost of $4.7 million during the fourth quarter of 2015. The decrease in net finance costs was primarily a result of higher interest income on short term deposits.

- **Income taxes:** The Company recorded an income tax expense of $7.0 million (20% of income before income taxes) in the fourth quarter of 2016, compared to an income tax expense of $9.7 million (23% of income before income taxes) in the fourth quarter of 2015. The effective tax rate in the fourth quarter of 2016 was lower than the expected income tax rate of 27% primarily due to a portion of the Company's taxable income being earned in jurisdictions where the tax rate is 25% or less.

- **Net Income:** Net income decreased by $3.6 million, from $30.9 million during the fourth quarter of 2015 to $27.3 million during the fourth quarter of 2016. This was mainly due to the $24.0 million decrease in Operating Income, as explained above, and a $2.0 million higher loss from investments in associates. This was partially offset by a $19.2 million arbitration award against Wasco Energy, lower finance costs of $1.9 million and a $2.7 million decrease in income tax expense.

7.0 Disclosure Controls and Internal Controls over Financial Reporting

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with the management of the Company, have evaluated the effectiveness of the Company's Disclosure Controls and Procedures ("DC&Ps") (as defined in the rules of the Canadian Securities Administrators) and the effectiveness of Internal Controls over Financial Reporting ("ICFRs"). Based on that evaluation, they have concluded that the Company's DC&Ps were effective as at December 31, 2016. Furthermore, they have concluded that the Company's ICFRs were effective as at December 31, 2016. There were no material changes in either the Company's DC&Ps or its ICFRs during 2016.

8.0 Critical Accounting Judgements, Estimates and Accounting Policy Developments

8.1 Critical judgements

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

Materiality

Assessments are made about whether line items are sufficiently material to warrant separate presentation in the primary financial statements or 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"). Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM is responsible for allocating resources and assessing the performance of the operating segments.

Determination of Cash-Generating Units ("CGUs")

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

Business Acquisitions

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

Provisions and Contingent Liabilities

As at December 31, 2016, the Company had $56.4 million of provisions; of this amount $21.1 million was included in current liabilities and $35.3 million was included in non-current liabilities. Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably measured. The timing of recognition and measurement of the provision requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take into account changing facts and circumstances.

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

Decommissioning liabilities

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

Income Taxes

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

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

8.2 Critical Accounting Estimates

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

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

As at December 31, 2016, the Company had $1,015.2 million of long-lived assets and goodwill. The Company evaluates the carrying values of its CGUs' goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions and estimates.

Employee Future Benefit Obligations

As at December 31, 2016, the Company had $20.7 million of employee future benefit obligations. The Company provides future benefits to its employees under a number of defined benefit arrangements. The calculation of the defined benefit obligation recognized in the consolidated financial statements includes a number of assumptions regarding discount rates, rates of employee compensation increases, rates of inflation, and life expectancies. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Decommissioning Liabilities

As at December 31, 2016, 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 consolidated financial statements based on estimated future amounts required to satisfy these obligations. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a current pre-tax risk free rate.

Financial Instruments

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

Income Taxes

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

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

8.3 Accounting Standards Issued but Not Yet Applied

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 does not expect a material impact on the consolidated financial statements from the adoption of these amendments.

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 2015, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of initiating data collection and will provide incremental disclosure leading up to its adoption of this standard in its interim and annual consolidated financial statements.

IFRS 16, *Leases*

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

8.4 New Accounting Standards Adopted

Amendments to IAS 1, *Disclosure Initiative*

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

- The materiality requirements in IAS 1;
- That specific line items in the statements of income, comprehensive income and financial position that may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to the financial statements; and

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

IFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests*

The amendments to IFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3, *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company's adoption of these amendments did not have a material impact on the consolidated financial statements.

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

In May 2015, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets* prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company's adoption of these amendments did not have an impact on the consolidated financial statements.

9.0 Outlook

Since global oil and gas prices first declined in the second half of 2014, the Company has experienced weak market conditions that have impacted demand for the Company’s products and services. Lower expenditures by customers on the drilling and completion of wells has affected the Pipeline and Pipe Services Segment - North America region and the curtailment in capital spending on new oil and gas development projects has impacted the international regions of the Pipeline and Pipe Services Segment. These trends were evident in the Company’s financial performance particularly in the second and third quarters of this year.

However, commencing in the fourth quarter of 2016, the Company’s financial performance evidenced improving market demand which, combined with the growth in the Company’s order backlog, offers the potential that Shawcor will now sustain a trend of improving results. Critical to this outlook are two factors. The first is the level of North American upstream activity, and specifically the number of new oil and gas wells drilled and completed. Since reaching a low level of less than 500 active drilling rigs in the second quarter of 2016, North American rig counts have more than doubled to over 1,000 rigs in early February 2017. As rig counts improve, the demand for the Company’s gathering line pipeline products and services grows.

A second factor driving Shawcor’s outlook is the level of capital spending on pipeline infrastructure projects by the Company’s customers. Since late 2014, the decline in oil and gas prices has resulted in the delay or curtailment of large oil and gas greenfield development projects. This impact has been most evident for Shawcor in our international regions. In 2016, capital spending reductions also translated into substantially lower levels of small project activity both in North America and internationally. In the case of both large greenfield developments and smaller production sustaining capital projects, customers continue to limit commitments for new projects to ensure that capital spending is in line with reduced operating cash flow. Where the Company is seeing evidence of projects proceeding is in natural gas infrastructure, which is supported by strong economics and supportive political mandates to reduce hydrocarbon emissions in electricity generation. One such example is the US$2.1 billion Sur de Texas - Tuxpan undersea natural gas pipeline in Mexico, which is expected to generate approximately $350 million in pipe coating revenue for Shawcor during 2017. This project, combined with a modest but steady improvement in North American well completion activity, is expected to enable the Company to deliver strong growth in financial performance in 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. As noted above, drilling rig counts in North America bottomed in the second quarter of 2016 and have improved through early 2017. This should enable some modest improvement in revenue for these businesses in 2017. To gain the opportunity associated with increased well completions, the Company will need to be successful in scaling operations to meet activity as well as managing significant potential volatility.

In addition to changes in market demand, the Company's North American Pipeline segment businesses expect to generate increased revenue in 2017 from new growth initiatives. Areas of focus include increased shipments of composite pipe to international markets, the expansion of the composite pipe product line to include the new six inch and eight inch FlexFlow composite pipe product, and the continued expansion of new non-destructive testing services to midstream and oilfield infrastructure integrity applications.

The final driver of revenue in the Company's North American Pipeline segment relates to the build of new pipeline infrastructure. Offshore projects in the Gulf of Mexico are likely to be limited to smaller projects that provide tie-back infrastructure until such time as a sustained improvement in oil prices supports new greenfield developments. For large diameter onshore transmission lines, the Company is actively engaged with customers on upfront engineering and bidding for a number of large pipe coating projects. However, these projects must overcome a number of regulatory and possible legal challenges before they can proceed and thus are likely to benefit 2018 at the earliest.

Pipeline and Pipe Services Segment - Latin America

Of the Company's geographic regions, the Latin America Pipeline segment region will provide the most certainty for financial performance improvement in 2017. The Company has now commenced concrete weight coating operations in Altamira, Mexico on the $350 million Sur de Texas – Tuxpan project. Pipe deliveries to the site are proceeding on schedule and the first of two mobile plants is now operational. The second plant will enter production in May and full production of the project should be achieved by the end of the second quarter. With the vast majority of the project revenue expected to be realized in 2017, the Sur de Texas – Tuxpan project should provide a strong source for improved Shawcor financial performance in 2017.

Pipeline and Pipe Services Segment – EMAR

Revenue in the EMAR Pipeline segment region is expected to move significantly lower in 2017 as a result of the completion of pipe coating for the Shah Deniz project and the two South Stream projects in 2016 and the fact that pipeline operators continue to defer capital spending projects, both large greenfield offshore oil developments and smaller production sustaining projects. However, with the South Stream pipelines now proceeding based on a revised route to Turkey, and the Nord Stream 2 pipelines scheduled for construction, the Company is pursuing significant revenue opportunities for girth weld inspection, pipeline joint protection and pipe end preservation on these pipelines which would support growth in revenue in 2018. Also potentially impacting 2018 are a number of projects in the region that the Company is either bidding or on which it has provided budgetary estimates.

Pipeline and Pipe Services Segment - Asia Pacific

Following a steep decline in revenue in 2016, the Company is now expecting revenue to recover in the Asia Pacific region based on continued production in the first quarter of 2017 of the flow assurance work for the Shah Deniz project and the anti-corrosion coating for pipe destined for Mexico for the Sur de Texas – Tuxpan project. In the second quarter and continuing throughout 2017, healthy growth over 2016 levels is expected to continue based on booked projects included in the order backlog and bidding opportunities that are approaching award.

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 December 31, 2016 of $650 million improved by 7% from $606 million at September 30, 2016 and was over 44% improved from the backlog at the start of the year. The increase in the backlog is due primarily to the inclusion of the booked order for the Sur de Texas – Tuxpan project in Mexico. This project has an estimated value in excess of $350 million of which over 90% is now included in the backlog at December 30, 2016, with the remainder scheduled for production in early 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 $700 million. In addition, the Company has provided budgetary estimates and is currently working with customers on projects with aggregate values of in excess of $1.7 billion. These projects provide a solid basis for potential backlog growth in 2017 and beyond.

10.0 Risks and Uncertainties

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

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

10.1 Economic Risks

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

The Company's business is materially dependent on the level of global drilling activity, which, in turn depends on global oil and gas demand, prices and production depletion rates. Lower drilling activity decreases demand for the Company's products and services, including small diameter pipe coating, composite pipe, gathering line weld inspection and tubular inspection and inventory management services. These business activities represented approximately 20% of 2016 revenues.

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

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

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

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

Revenue generated by the Company's Pipeline and Pipe Services segment accounted for 85% of consolidated sales in 2016. With this proportion expected to continue, the Company's revenue is materially dependent on the global Pipeline and Pipe Services industry. Any further significant declines in pipeline market activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

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

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

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

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

Economic Risk Mitigation

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

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

10.2 Litigation and Legal Risks

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

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

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

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

Litigation and Legal Risk Mitigation

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

10.3 HSE Risks

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

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

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

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

HSE Risk Mitigation

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

10.4 Political and Regulatory Risks

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

During 2016, the Company derived over 19% of its total revenue from its facilities outside Canada, the US and Western Europe. In addition, part of the Company's sales from its locations in Canada and the US were for use in other countries. The Company's operations in certain international locations are subject to various political and economic conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- currency restrictions and limitations on repatriation of profits;
- political instability and civil unrest;

- hostile or terrorist activities; and
- restrictions on foreign operations.

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

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

Any material currency fluctuations, devaluations or political unrest that may disrupt oil and gas exploration and production or the movement of funds and assets could materially adversely affect the Company's projections, business, results of operations and financial condition.
The Company's North American operations could be affected by regulatory approval processes that could delay or prevent the construction of new pipeline infrastructure.

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

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

The Company has various facilities that export products to the United States and other countries. Any changes to trade or tax laws that negatively impact the competitiveness of the Company's exports or products could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Political and Regulatory Risk Mitigation

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

11.0 Environmental Matters

As at December 31, 2016, the provisions on the annual 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 $42.4 million as at December 31, 2016. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.15% and 7.59%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company's operations.

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

(in thousands of Canadian dollars)		**December 31, 2016**
2017	$	6,388
2018		2,091
2019		3,015
2020		3,750
2021		4,507
More than five years		22,618
	$	42,369

12.0 Reconciliation of Non-GAAP Measures

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

EBITDA and Adjusted EBITDA

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

(in thousands of Canadian dollars)	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	**2016**	2015
Net (Loss) Income	**$ 28,339**	$ 31,467	**$ (180,566)**	$ 99,520
Add:				
Income taxes	**6,954**	9,653	**6,207**	31,551
Finance costs, net	**2,868**	4,728	**15,915**	18,244
Amortization of property, plant, equipment and intangible assets	**18,927**	20,061	**80,290**	79,387
EBITDA	**$ 57,088**	$ 65,909	**$ (78,154)**	$ 228,702
Cost associated with repayment and modification of long-term debt	**948**	–	**3,009**	–
Gain from arbitration award	**(19,221)**	–	**(19,221)**	–
Impairment	**–**	590	**157,311**	590
Gains on sale of land	**(5,562)**	–	**(6,493)**	(814)
ADJUSTED EBITDA	**$ 33,253**	$ 66,499	**$ 56,452**	$ 228,478

Return on Invested Capital

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

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

(in thousands of Canadian dollars)	**2016**	2015
Net (loss) income	**$ (180,960)**	$ 99,520
Add: After-tax interest expense	**15,973**	12,682
Net income adjusted for after-tax interest expense	**$ (164,987)**	$ 112,202
Average invested capital	**$ 1,397,722**	$ 1,502,588
ROIC	**(11.8%)**	7.5%

Days Sales Outstanding ("DSO")

DSO is defined as the number of days trade accounts receivable are outstanding based on a 90 day cycle and is calculated by dividing the average trade accounts receivable balance for the quarter by the revenue for that same quarter, and multiplying by 90 days. DSO approximates the measure of the average number of days from when the Company recognizes revenue until the cash is collected from the customer. The following table sets forth the calculation for the Company’s DSO as at:

(in thousands of Canadian dollars, except DSO)	**2016**	2015
Revenue for the fourth quarter	**$ 329,182**	$ 455,260
Average trade accounts receivable	**$ 182,331**	$ 301,966
DSO	**50**	60

Days Payables Outstanding ("DPO")

DPO is defined as the average number of days from when purchased goods and services are received until payment is made to the suppliers based on a 90-day cycle and is calculated by dividing the average accounts payable and accrued liabilities for the quarter by the cost of goods sold for that same quarter, and multiplying by 90 days. DPO approximates average payment terms granted by the suppliers, an increase in DPO is considered an improvement in the management of accounts payable and accrued liabilities. The following table sets forth the calculation for the Company's DPO as at:

(in thousands of Canadian dollars, except DPO)		**2016**		2015
Cost of goods sold for the fourth quarter	**$**	**221,480**	$	303,510
Average accounts payable and accrued liabilities	**$**	**205,602**	$	288,383
DPO		**84**		86

Working Capital Ratio

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

(in thousands of Canadian dollars)		**2016**		2015
Current assets	**$**	**675,439**	$	887,070
Current liabilities	**$**	**395,453**	$	440,665
Working capital ratio		**1.71**		2.01

13.0 Forward-Looking Information

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, 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 sufficiency of the Company's human resources, systems and processes to operate its business and execute its strategic plan, the impact of the existing order backlog and other factors on the Company's revenue and Operating Income, the impact of any potential cancellation of contracts included in the order backlog, and in the longer term, the impact of global economic activity on the demand for the Company's products, the impact of the decline in global oil and gas commodity prices on the level of industry investment in oil and gas infrastructure, the impact of changing energy demand, supply and prices, the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation matters 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; fluctuations in foreign exchange rates, as well as other risks and uncertainties, as more fully described herein under the heading "Risks and Uncertainties."

These statements of forward looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include those in respect of global oil and gas prices, 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.

14.0 Additional Information

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

March 3rd, 2017