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

The following Management's Discussion and Analysis ("MD&A"), is a discussion of the consolidated financial position and results of operations of Shawcor Ltd. ("Shawcor" or the "Company") for the three months ended March 31, 2018 and 2017 and should be read together with Shawcor's interim unaudited consolidated financial statements and accompanying notes for the same periods and the MD&A included in the Company's 2017 Annual Report. All dollar amounts in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

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

1.0 Executive Overview

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

1.1 Core Businesses

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

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

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

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

As at March 31, 2018, the Company operated its eight divisions through two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company and accounted for 86% of consolidated revenue for the quarter ended March 31, 2018. This segment includes the Bredero Shaw, Pipeline and Pipe Services Products, Flexpipe Systems, Guardian, Shaw Pipeline Services, 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.
- Pipeline and Pipe Services Products, which includes Canusa-CPS that manufactures heat shrinkable sleeves, adhesives, liquid coatings for pipeline joint protection applications; and Dhatec that designs and assembles engineered pipe logistics products and services.
- Flexpipe Systems manufactures spoolable and stick composite pipe systems and high density polyethylene ("HDPE") pipe 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.
- 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.
- Shawcor Inspection Services (formerly "Desert NDT") provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services.
- Lake Superior Consulting provides pipeline engineering and integrity management services to major North American pipeline operators.

Petrochemical and Industrial

The Petrochemical and Industrial segment, which consists of the Connection Systems division, accounted for 14% of consolidated revenue for the three months ended March 31, 2018. 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.

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended March 31, 2018	2017 [a]
Revenue	**$ 350,519**	$ 360,060
Cost of Goods Sold and Services Rendered	**233,733**	230,071
Gross Profit	**116,786**	129,989
Selling, general and administrative expenses	**79,325**	79,027
Research and development expenses	**3,104**	3,618
Foreign exchange (gains) losses	**(827)**	1,424
Amortization of property, plant and equipment	**19,221**	14,744
Amortization of intangible assets	**4,526**	5,038
Income from Operations	**11,437**	26,138
Loss from investments in associates	**(116)**	(2,696)
Finance costs, net	**(2,666)**	(5,628)
Income before Income Taxes	**8,655**	17,814
Income taxes	**3,313**	2,577
Net Income	**$ 5,342**	$ 15,237
Net Income attributable to:		
Shareholders of the Company	**5,210**	15,393
Non-controlling interests	**132**	(156)
Net Income	**5,342**	15,237
Per Share Information:		
Earnings per Share		
Basic	**$ 0.07**	$ 0.22
Diluted	**$ 0.07**	$ 0.22
Cash Dividend per Share:		
Common Shares	**$ 0.15**	$ 0.15

(in thousands of Canadian dollars)	March 31, 2018	December 31, 2017 [a]
Total Assets	**$ 1,718,928**	$ 1,698,001
Total Non-Current Liabilities	**$ 327,629**	$ 322,235

(a) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3- New Accounting Standards Adopted* for further details.

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 Canadian dollars, for the following periods:

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
US Dollar	**1.2635**	1.2702	1.3255
Euro	**1.5461**	1.5035	1.4119
British Pounds	**1.7542**	1.7044	1.6520

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

(in thousands of Canadian dollars)	**Q1-2018 Versus Q4-2017**	**Q1-2018 Versus Q1-2017**
Revenue	**$ 194**	**$ (5,484)**
Income from operations	**14**	**453**
Net income (attributable to shareholders of the Company)	**(215)**	**27**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $0.8 million in the first quarter of 2018, compared to a foreign exchange loss of $1.4 million for the comparable period in the prior year, as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities.

3.0 Business Developments

Flexpipe capacity expansion in the Middle East

On May 2, 2018, the Company announced that its Flexpipe Systems division has entered into a majority ownership joint venture with a local pipe installation company with the intent to set up a manufacturing facility in the Middle East. The total value of the joint venture's investment is expected to exceed USD$20 million and the facility is expected to primarily serve the Middle Eastern, North African and Asia-Pacific markets. This facility is expected to increase Flexpipe's global production capacity of existing spoolable composite product by 30%, with flexibility to extend to a larger diameter range. First shipments from this new facility are expected by the end of 2019.

Contract to Provide Pipe Coating Services for an Offshore Qatar Pipeline Project

During the first quarter of 2018, the Company announced that its pipe coating division had received a contract with a value in excess of C$50 million from the EEW Group to provide anti-corrosion and concrete weight coatings in connection with the replacement and upgrading of an offshore pipeline located in Qatar.

The contract will be executed in Shawcor's coating facilities in Italy, and is expected to commence in Q3 2018 and to be completed by Q1 2020.

4.0 Results from Operations

4.1 Consolidated Information

Revenue

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2018**	December 31, 2017[b]	March 31, 2017[b]
Pipeline and Pipe Services	**$ 299,966**	$ 382,549	$ 309,362
Petrochemical and Industrial	**51,007**	44,361	51,367
Elimination[a]	**(454)**	(94)	(669)
Consolidated revenue	**$ 350,519**	$ 426,816	$ 360,060

(a) Represents the elimination of the inter-segment sales between the Pipeline and Pipe Services segment and the Petrochemical and Industrial segment.
(b) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See Section 6.3 - New Accounting Standards Adopted for further details.

First Quarter 2018 versus Fourth Quarter 2017

Consolidated revenue decreased 17.9%, or $76.3 million, from $426.8 million during the fourth quarter of 2017 to $350.5 million during the first quarter of 2018, due to a decrease of $82.6 million in the Pipeline and Pipe Services segment, partially offset by an increase of $6.6 million in the Petrochemical and Industrial segment.

Revenue decreased by 21.6% in the Pipeline and Pipe Services segment, or $82.6 million, from $382.5 million in the fourth quarter of 2017 to $300.0 million in the first quarter of 2018, due to lower activity levels in Latin America and the Europe, Middle East, Africa and Russia ("EMAR") regions, partially offset by higher volumes in North America and Asia Pacific. See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue was higher by $6.6 million, or 15.0%, in the first quarter of 2018, compared to the fourth quarter of 2017, due to higher activity levels in North America and the EMAR region. See *Section 4.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

First Quarter 2018 versus First Quarter 2017

Consolidated revenue decreased by $9.5 million, or 2.6%, from $360.1 million during the first quarter of 2017, to $350.5 million during the first quarter of 2018, due to decreases of $9.4 million in the Pipeline and Pipe Services segment and $0.4 million in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the first quarter of 2018 was $300.0 million, or 3.0% lower than in the first quarter of 2017, due to decreased activity levels in EMAR and Asia Pacific, partially offset by higher activity levels in North America and Latin America. See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

In the Petrochemical and Industrial segment, revenue decreased by $0.4 million, or 0.7%, during the first quarter of 2018, compared to the first quarter of 2017, due to decreased activity levels in North America and Asia Pacific, partially offset by higher volumes in EMAR. See *Section 4.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Income from Operations ("Operating Income")

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

(in thousands of Canadian dollars, except percentages)	Three Months Ended **March 31, 2018**	December 31, 2017 [b]	March 31, 2017[b]
Operating income	**$ 11,437**	$ 34,472	$ 26,138
Operating margin[a]	**3.3%**	8.1%	7.3%

(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. See *section 10.0 – Reconciliation of Non-GAAP Measures.*

(b) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

First Quarter 2018 versus Fourth Quarter 2017

Operating income decreased by $23.0 million, from an operating income of $34.5 million during the fourth quarter of 2017 to an operating income of $11.4 million in the first quarter of 2018. Operating income was negatively impacted by a $45.1 million decrease in gross profit and a $1.1 million increase in research and development expenses. This was partially offset by decreases in selling, general and administrative ("SG&A") expenses of $14.0 million and $1.1 million in amortization of property, plant, equipment and intangible assets and a $8.1 million impairment charge recorded in the fourth quarter of 2017.

The decrease in gross profit resulted from the lower revenue, as explained above, and a 4.6 percentage point decrease in the gross margin from the fourth quarter of 2017. The decrease in the gross margin percentage was primarily due to product and project mix, lower facility utilization and decreased absorption of manufacturing overheads, particularly in the Pipeline and Pipe Services segment.

SG&A expenses decreased by $14.0 million, from $93.4 million in the fourth quarter of 2017 to $79.3 million in the first quarter of 2018, primarily due to a $6.7 million decrease in compensation and other related personnel costs, a $7.0 million decrease in restructuring costs and a $1.2 million decrease in professional fees.

First Quarter 2018 versus First Quarter 2017

Operating income decreased by $14.7 million, from an operating income of $26.1 million in the first quarter of 2017 to an operating income of $11.4 million during the first quarter of 2018. Operating income was negatively impacted by a $13.2 million decrease in gross profit, a $4.0 million net increase in amortization of property, plant, equipment and intangible assets and a $0.3 million increase in SG&A expenses. This was partially offset by a $0.5 million decrease in research and development expenses and a $2.3 million lower net foreign exchange loss.

The decrease in gross profit resulted from a 2.8 percentage point decrease in gross margin and from the lower revenue, as explained above. The decrease in the gross margin percentage was primarily due to product and project mix, lower facility utilization and decreased absorption of manufacturing overheads, particularly in the Pipeline and Pipe Services segment.

SG&A expenses in the first quarter of 2018 increased by $0.3 million compared to the first quarter of 2017, primarily due to a $3.3 million increase in equipment, building and other costs, partially offset by a $3.2 million reduction in compensation and other related personnel costs.

Finance Costs, Net

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2018**	December 31, 2017	March 31, 2017
Interest income	**$ (841)**	$ (333)	$ (457)
Interest expense, other	**1,292**	1,661	1,815
Interest expense on long-term debt	**2,215**	2,234	4,270
Finance costs, net	**$ 2,666**	$ 3,562	$ 5,628

First Quarter 2018 versus Fourth Quarter 2017

In the first quarter of 2018, net finance costs were $2.7 million, compared to net finance costs of $3.6 million during the fourth quarter of 2017. The decrease in net finance costs was primarily due to a $0.5 million increase in interest income on short-term deposits and other receivables and a $0.4 million decrease in interest expense on other borrowings and accretion costs on Decommissioning obligations.

First Quarter 2018 versus First Quarter 2017

In the first quarter of 2018, net finance costs were $2.7 million, compared to a net finance cost of $5.6 million during the first quarter of 2017. The decrease in net finance costs was primarily a result of a $0.4 million increase in interest income million on short-term deposits and other receivables, lower interest costs on long term debt due to lower interest rates and decreases in interest expense on other borrowings and accretion costs on decommissioning obligations.

Income Taxes

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2018**	December 31, 2017[(a)]	March 31, 2017[(a)]
Income tax expense	**$ 3,313**	$ 9,998	$ 2,577

(a) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

First Quarter 2018 versus Fourth Quarter 2017

The Company recorded an income tax expense of $3.3 million (38% of income before income taxes) in the first quarter of 2018, compared to an income tax expense of $10.0 million (33% of income before income taxes) in the fourth quarter of 2017. The effective tax rate in the first quarter of 2018 was higher than the expected income tax rate of 27% primarily due to a large portion of the Company's taxable income being earned in higher tax jurisdictions and some losses in the quarter being generated in jurisdictions where the Company was unable to record a tax benefit.

First Quarter 2018 versus First Quarter 2017

The Company recorded an income tax expense of $3.3 million (38% of income before income taxes) in the first quarter of 2018, compared to an income tax expense of $2.6 million (14% of income before income taxes) in the first quarter of 2017. The effective tax rate in the first quarter of 2018 was higher than the expected income tax rate of 27% primarily due to a large portion of the Company's taxable income being earned in higher tax jurisdictions and some losses in the quarter being generated in jurisdictions where the Company was unable to record a tax benefit.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

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

	Three Months Ended					
(in thousands of Canadian dollars, except percentages)		**March 31, 2018**		December 31, 2017 (b)		March 31, 2017 (b)
North America	**$**	**174,197**	$	163,900	$	146,905
Latin America		**37,372**		130,445		29,115
EMAR		**52,548**		53,889		62,683
Asia Pacific		**35,849**		34,315		70,659
Total revenue	**$**	**299,966**	$	382,549	$	309,362
Operating income	**$**	**8,897**	$	36,808	$	24,938
Operating margin(a)		**3.0%**		9.6%		8.1%

(a) Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. Non-GAAP measures do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies. See *section 10.0 - Reconciliation of Non-GAAP Measures*.

(b) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards* Adopted for further details.

First Quarter 2018 versus Fourth Quarter 2017

Revenue in the first quarter of 2018 decreased by $82.6 million to $300.0 million, from $382.5 million in the fourth quarter of 2017. Revenue was impacted by lower activity levels in Latin America and EMAR, partially offset by higher volumes in North America and Asia Pacific:

- Revenue in North America increased by $10.3 million, or 6.3%, as a result of higher flexible composite pipe volumes and small diameter coating revenue in the US and increased activity levels in pipe weld inspection services and tubular management services. This was partially offset by lower activity levels for large diameter pipe coatings in the US and engineering services at Lake Superior Consulting.

- In Latin America, revenue decreased by $93.1 million, or 71.4%, primarily as a result of the wind down of production in Altamira, Mexico for the Tuxpan project and lower volumes at the Company's Argentina facilities.

- Revenue in EMAR decreased by $1.3 million, or 2.5%, primarily due to lower activity levels at the Orkanger, Norway facility, the Company's Italian facilities and lower volumes of pipe weld inspection services in the region. This was partially offset by higher activity levels at the Ras Al Khaimah, UAE ("RAK") and Leith, Scotland facilities and on field joint coating projects in the region.

- Asia Pacific revenue increased by $1.5 million, or 4.5%, mainly due to higher pipe coating project volumes for the BP Tangguh project at the Kabil, Indonesia facility, partially offset by lower activity at the Kuantan, Malaysia facility.

In the first quarter of 2018, operating income was $8.9 million compared to an operating income of $36.8 million in the fourth quarter of 2017, a decrease of $27.9 million. The decrease in operating income was primarily due to the $48.6 million decrease in gross profit due to the decrease in revenue, as explained above, and a 5.4 percentage point decrease in gross margin. The decrease in gross margin was due to unfavourable project mix, lower facility utilization and decreased manufacturing overhead absorption. This was partially offset by lower SG&A expenses, as explained in section 4.1 above, and the $8.1 million impairment charge recorded in the fourth quarter of 2017.

First Quarter 2018 versus First Quarter 2017

Revenue in the first quarter of 2018 was $300.0 million, a decrease of $9.4 million, or 3.0%, from $309.4 million in the comparable period of 2017. Segment revenue was adversely affected by the impact on translation of foreign operations, as noted in section 2.2 above, and lower activity levels in EMAR and Asia Pacific, partially offset by higher revenue in North America and Latin America:

- In North America, revenue increased by $27.3 million, or 18.6%, primarily due to higher volumes of large diameter pipe coating in Canada and small diameter pipe coating in the US and increased activity levels in pipe weld inspection and flexible composite pipe sales volumes. This was partially offset by lower activity levels for large diameter pipe coating in the US and a decrease in revenues attributable to tubular management services.

- Latin America revenue increased by $8.3 million, or 28.4%, primarily as a result of higher activity levels at the Company's Argentina facilities.

- Revenue in EMAR decreased by $10.1 million, or 16.2%, primarily due to the absence of the Shah Deniz project in the Caspian and lower activity levels at the Orkanger, Norway, RAK and Italian facilities and field joint coating projects in the region. This was partially offset by higher activity levels at the Leith, Scotland facility.

- Revenue in Asia Pacific decreased by $34.8 million, or 49.3%, mainly due to lower pipe coating project volumes from the Shah Deniz and Sur de Texas -Tuxpan projects at the Kabil, Indonesia and Kuantan, Malaysia facilities.

In the first quarter of 2018, operating income was $8.9 million compared to $24.9 million in the first quarter of 2017, a decrease of $16.0 million. The decrease in operating income was primarily due to the $12.7 million decrease in gross profit resulting from the decrease in revenue, as explained above, and a 3.1 percentage point decrease in gross margin. The decrease in gross margin was due to unfavourable project mix, lower facility utilization and decreased manufacturing overhead absorption.

4.2.2 Petrochemical and Industrial Segment

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

	Three Months Ended		
(in thousands of Canadian dollars, except percentages)	**March 31, 2018**	December 31, 2017	March 31, 2017
North America	**$ 28,245**	$ 24,769	$ 31,472
EMAR	**19,876**	16,540	16,678
Asia Pacific	**2,886**	3,052	3,217
Total revenue	**$ 51,007**	$ 44,361	**$** 51,367
Operating income	**$ 8,868**	$ 5,342	$ 9,647
Operating margin[(a)]	**17.4%**	12.0%	18.8%

(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. See *section 10.0 - Reconciliation of Non-GAAP Measures*.

First Quarter 2018 versus Fourth Quarter 2017

In the first quarter of 2018, revenue increased by $6.6 million, or 15.0%, to $51.0 million, compared to the fourth quarter of 2017, primarily due to increased shipments of heat shrink tubing product, particularly in the automotive sector, and higher activity levels for wire and cable products.

Operating income of $8.9 million in the first quarter of 2018 was $3.5 million, or 66.0%, higher than in the fourth quarter of 2017. The increase in operating income was primarily due to an increase in gross profit of $3.5 million resulting from the increased revenue, as explained above, and a 3.2 percentage point increase in gross margin. The increase in gross margin was due to favourable product mix and higher facility utilization and increased manufacturing overhead absorption.

First Quarter 2018 versus First Quarter 2017

Revenue in the first quarter of 2018 decreased by $0.4 million, or 0.7%, compared to the first quarter of 2017. Revenue was impacted by decreased shipments of wire and cable products, partially offset by higher activity levels in heat shrink tubing product, particularly in the automotive sector.

Operating income in the first quarter of 2018 was $8.9 million compared to $9.6 million in the first quarter of 2017, a decrease of $0.8 million, or 8.1%. The decrease in operating income was primarily due to a decrease in gross profit of $0.5 million resulting from the decrease in revenue, as explained above, and a 0.9 percentage point decrease in gross margin. The decrease in gross margin was due to unfavourable product mix and lower facility utilization and decreased manufacturing overhead absorption.

4.2.3 Financial and Corporate

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

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

	Three Months Ended		
(in thousands of Canadian dollars)	**March 31, 2018**	December 31, 2017	March 31, 2017
Financial and corporate expenses	**$ (7,155)**	$ (8,557)	$ (7,024)

First Quarter 2018 versus Fourth Quarter 2017

Financial and corporate costs decreased by $1.4 million from $8.6 million during the fourth quarter of 2017 to $7.2 million in the first quarter of 2018. The decrease was primarily due to a $1.0 million decrease in compensation and other related personnel costs and $1.7 million in restructuring costs recorded in the fourth quarter of 2017. This was partially offset by a $0.9 million increase in insurance related expenses.

First Quarter 2018 versus First Quarter 2017

Financial and corporate costs increased by $0.1 million from the first quarter of 2017 to $7.2 million in the first quarter of 2018. The increase was primarily due to a $1.2 million increase in professional fees, management information system and other expenses. This was partially offset by a $1.0 million decrease in stock based and long term management incentive expenses and a $0.3 million decrease in compensation and other related personnel 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)	Three Months Ended March 31, 2018	2017 [(a)]
Net Income	**$ 5,342**	$ 15,237
Non-cash items	**22,011**	26,688
Settlement of decommissioning liabilities	**–**	(156)
Settlement of other provisions	**(3,882)**	(573)
Net change in future employee benefits	**(51)**	359
Net change in non-cash working capital and foreign exchange	**(52,417)**	(66,217)
Cash used in operating activities	**(28,997)**	(24,662)
Cash used in investing activities	**(8,571)**	(12,745)
Cash used in financing activities	**(9,474)**	(12,751)
Effect of foreign exchange on cash and cash equivalents	**6,356**	99
Net Change in Cash and Cash Equivalents	**(40,686)**	(50,059)
Cash and cash equivalents at beginning of period	**289,065**	194,824
Cash and Cash Equivalents at End of Period	**$ 248,379**	$ 144,765

(a) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

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

5.1 Cash Used in Operating Activities

First Quarter 2018 versus First Quarter 2017

Cash used in operating activities was $29.0 million in the first quarter of 2018, an increase of $4.3 million from $24.7 million in the first quarter of 2017. The increase was primarily due to a $9.9 million decrease in net income, a $4.7 million decrease in non-cash items and a $3.3 million increase in the settlement of other provisions. This was partially offset by a $13.8 million increase in non-cash working capital and foreign exchange.

5.2 Cash Used in Investing Activities

First Quarter 2018 versus First Quarter 2017

Cash used in investing activities decreased by $4.2 million, from $12.7 million in the first quarter of 2017 to $8.6 million in the first quarter of 2018. The decrease is primarily attributed to a decrease in spending on other assets of $4.4 million.

5.3 Cash Used in Financing Activities

First Quarter 2018 versus First Quarter 2017

Cash used in financing activities decreased by $3.3 million, from $12.8 million in the first quarter of 2017 to $9.5 million in the first quarter of 2018. This was mainly due to the $2.5 million bank indebtedness payment made in the first quarter of 2017, and a $0.9 million increase in issuance of shares related to executive compensation in the first quarter of 2018.

5.4 Liquidity and Capital Resource Measures

Accounts Receivables

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

(in thousands of Canadian dollars, except DSO)	**March 31, 2018**	December 31, 2017	Change
Average trade accounts receivable	**$ 210,284**	$ 208,104	$ 2,180
DSO[a]	**54**	44	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 DSO may differ from that used by other entities, and as a result may not necessarily be comparable to measures used by others. See *Section 10.0 – Reconciliation of Non-GAAP Measures*.

Average trade accounts receivables increased by $2.2 million, from $208.1 million as at December 31, 2017 to $210.3 million as at March 31, 2018. DSO increased by 10 days during the first quarter of 2018 compared to the fourth quarter of 2017, mainly due to the $76.3 million decrease in revenue and the timing of collections related to large project activity in the fourth quarter of 2017.

Inventory

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

(in thousands of Canadian dollars)	**March 31, 2018**	December 31, 2017[a]	Change
Inventory	**$ 126,816**	$ 115,018	$ 11,798

(a) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

Inventories increased by $11.8 million, from $115 million as at December 31, 2017 to $126.8 million as at March 31, 2018, as a result of increases of $2.9 million in work-in-process, $5.2 million in raw materials and supplies, and $4.5 million in finished goods, partially offset by a $0.8 million increase in inventory obsolescence.

Accounts Payable

The following table sets forth the Company's average accounts payable balance and days of purchases outstanding in accounts payable and accrued liabilities (″DPO″) as at:

(in thousands of Canadian dollars, except DPO)	**March 31, 2018**	December 31, 2017	Change
Average accounts payable and accrued liabilities	**$ 206,605**	$ 203,497	$ 3,108
DPO[a]	**80**	69	11

(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 DPO may differ from that used by other entities, and as a result may not necessarily be comparable to measures used by others. See *Section 10.0 – Reconciliation of Non-GAAP Measures*.

Average accounts payable and accrued liabilities increased by $3.1 million, from $203.5 million as at December 31, 2017, to $206.6 million as at March 31, 2018. DPO increased by 11 days from 2017 levels, due to changes in the timing of payments in the first quarter of 2018 compared with the fourth quarter of 2017 and a reduction in the purchases of goods and services.

5.5 Credit Facilities

(in thousands of Canadian dollars)		March 31, 2018		December 31, 2017
Standard letters of credit for performance, bid and surety bonds	**$**	**67,638**	$	71,175
Total utilized credit facilities		**67,638**		71,175
Total available credit facilities[(a)]		**473,055**		460,251
Unutilized Credit Facilities	**$**	**405,417**	$	389,076

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

The Company pays a floating interest rate on its 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.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the Credit Facility. Specifically, the Company is required to maintain an Interest Coverage Ratio (EBITDA plus rental payments divided by interest expense plus rental payments) of more than 2.50 to 1.00 and a Leverage Ratio (Total Debt to EBITDA) of less than 3.00 to 1.00.

The Company was in compliance with the Interest Coverage Ratio and Leverage Ratio as at March 31, 2018.

5.6 Long-Term Debt

The total long-term debt balance as at March 31, 2018 is $253.0 million (US$196.8 million) (December 31, 2017 – $246.2 million (US$196.8 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 March 31, 2018.

5.7 Contingencies and Off Balance Sheet Arrangements

Commitments and Contingencies

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

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

(in thousands of Canadian dollars)	2018	2019	2020	2021	2022	Thereafter	Total
Purchase commitments	57,409	166	119	41	148	–	57,883
Accounts payable	84,493	–	–	–	–	–	84,493
Long-term debt	–	–	79,238	–	–	174,547	253,785
Finance costs on long-term debt	6,784	9,004	7,230	6,643	6,643	13,693	49,997
Obligations under finance leases	1,179	1,512	1,494	1,471	1,471	8,827	15,954
Operating leases	16,510	18,235	14,719	10,642	8,333	25,866	94,305
Total contractual obligations	166,375	28,917	102,800	18,797	16,595	222,933	556,417

Legal Claims

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

Performance, Bid and Surety Bonds

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

The Company utilizes the Credit Facility to support its bonds. The Company has utilized total credit facilities of $67.6 million as at March 31, 2018 (December 31, 2017 – $71.2 million) for support of its bonds. In addition, as at March 31, 2018, the Company had $56.3 million of outstanding surety bonds through insurance companies (December 31, 2017 – $48.4 million).

5.8 Financial Instruments and Other Instruments

Fair Value

IFRS 13, *Fair Value – Measurement*, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those 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 which are used to measure fair value fall into the following three different levels of the fair value hierarchy:

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

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

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

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

The following table presents the fair value of financial assets and liabilities in the fair value hierarchy as at March 31, 2018:

(in thousands of Canadian dollars)		Fair Value		Level 1		Level 2		Level 3
Assets								
Cash and cash equivalents	$	**248,379**	$	**248,379**	$	**–**	$	**–**
Loans Receivable		**4,707**		**–**		**4,707**		**–**
Derivative financial instruments		**289**		**–**		**289**		**–**
Deposit guarantee		**113**		**–**		**113**		**–**
	$	**253,488**	$	**248,379**	$	**5,109**	$	**–**
Liabilities								
Derivative financial instruments		**291**		**–**		**291**		**–**
Long-term debt		**233,689**		**–**		**233,689**		**–**
	$	**233,980**	$	**–**	$	**233,980**	$	**–**

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

Financial Risk Management

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

Market Risk

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As at March 31, 2018, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the three-month period ended by approximately $10.8 million, $0.1 million and $(0.3) million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by approximately $59.0 million, $13.7 million and $45.3 million, respectively.

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

Foreign Exchange Forward Contracts

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

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at March 31, 2018:

(in thousands, except weighted average rate amounts)	
Canadian dollars sold for US dollars	
Less than one year	**C$ 4,326**
Weighted average rate	**0.81**
US dollars sold for Euros	
Less than one year	**US$ 32,190**
Weighted average rate	**0.80**
Euros sold for US dollars	
Less than one year	**€ 17,182**
Weighted average rate	**1.25**
Norwegian Kroners sold for US dollars	
Less than one year	**NOK 30,864**
Weighted average rate	**0.13**

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

As at March 31, 2018, the Company had notional amounts of $78.2 million of foreign exchange forward contracts outstanding (December 31, 2017 – $83.8 million) with the fair value of the Company's net loss/gain from all foreign exchange forward contracts totalling nil (December 31, 2017 – $1.5 million net loss).

Net Investment Hedge

The long-term debt has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the US dollar as its functional currency. During the three-month period ended March 31, 2018, a loss of $6.9 million on the translation of the long-term debt was transferred to other comprehensive income to offset the gain on translation of the net investment in the US dollar functional currency subsidiary. There was no ineffectiveness of this hedge for the three-month period ended March 31, 2018.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at March 31, 2018:

(in thousands of Canadian dollars)	**Non-Interest Bearing**	**Floating Rate**	**Fixed Interest Rate**	**Total**
Financial assets				
Cash equivalents	$ –	$ –	$ 118,827	$ 118,827
Loans receivable	57	4,650	–	4,707
	$ 57	**$ 4,650**	**$ 118,827**	**$ 123,534**
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	$ 67,638	$ –	$ –	$ 67,638
Long-term debt	–	–	253,048	253,048
	$ 67,638	**$ –**	**$ 253,048**	**$ 320,686**

The Company's interest rate risk arises primarily from its floating rate on its loans receivable and is not currently considered to be material.

Credit Risk

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

For the three-month period ended March 31, 2018, there was no customer who generated more than 10% of total consolidated revenue (three-month period ended March 31, 2017 – one customer accounted for 14.7% of total consolidated revenue). As at March 31, 2018, no customer accounted for more than 10% of the Company's total trade accounts receivable (as at December 31, 2017 – one customer which accounted for 22% of total trade accounts receivable).

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. Access to credit facilities is dependent on the Company's compliance with its debt covenants as outlined in *Section 5.5 – Credit Facilities*. As at March 31, 2018, the Company had cash and cash equivalents totaling $248.4 million (December 31, 2017 – $289.1 million) and had unutilized lines of credit available to use of $405.4 million (December 31, 2017 – $389.1 million).

5.9 Outstanding Share Capital

As at May 4, 2018, the Company had 70,060,651 common shares outstanding and stock options and share units outstanding to purchase up to 2,376,597 common shares.

5.10 Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three-month period ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

5.11 Transactions with Related Parties

The Company had no material transactions with related parties during the three-month period ended March 31, 2018. All related party transactions were in the normal course of business.

6.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments

6.1 Critical Judgments

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

Materiality

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

Determination of Reportable Operating Segments

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

Determination of Cash Generating Unit ("CGU")

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

Business Acquisitions

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

Provisions and Contingent Liabilities

As at March 31, 2018, the Company had $64.7 million of provisions; of this amount $26.6 million was included in current liabilities and $38.2 million was included in non-current liabilities. Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably measured. The timing of recognition and measurement of the provision requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take into account changing facts and circumstances.

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

Decommissioning liabilities

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

Income Taxes

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

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

6.2 Critical Accounting Estimates

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

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

Long-lived Assets and Goodwill

As at March 31, 2018, the Company had $921.0 million of long-lived assets and goodwill. The Company evaluates the carrying values of the Cash Generating Units' goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions and estimates.

Employee Future Benefit Obligations

As at March 31, 2018, the Company had $18.7 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 interim unaudited consolidated financial statements includes a number of assumptions regarding discount rates, rates of employee compensation increases, rates of inflation, and life expectancies. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Decommissioning Liabilities

As at March 31, 2018, the Company had decommissioning liabilities in the amount of $30.3 million; of this amount $5.2 million was included in the current provisions account and $25.1 million was recorded in the non-current provisions account. Decommissioning liabilities include legal and constructive obligations related to owned and leased facilities. These have been recorded in the interim unaudited consolidated financial statements based on estimated future amounts required to satisfy these obligations. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a current pre-tax risk-free rate.

Financial Instruments

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

Income Taxes

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

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

6.3 Accounting Standards Issued but Not Yet Applied

IFRS 16, *Leases*

IFRS 16, issued by the International Accounting Standards Board (“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 approved its implementation plan and is currently in the process of completing the scoping exercise and reviewing its lease contracts. The Company has not yet determined the impact of adopting this standard on the consolidated financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

In October 2017, the IASB issued Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments clarify that a company applies IFRS 9, *Financial Instruments,* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments are effective from January 1, 2019, with early application permitted. The Company has not yet determined the impact of adopting this standard on the consolidated financial statements.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IASB published IFRIC 23, *Uncertainty over Income Tax Treatments*, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. The Company has not yet determined the impact of adopting this standard on the consolidated financial statements.

New Accounting Standards Adopted

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. The Company has adopted the new standard effective January 1, 2018. The Company performed an impact assessment on the classification and measurement of the amendments and determined that there is no material impact of adopting this standard on its interim 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 adopted the new standard effective January 1, 2018. The Company performed an impact assessment of all aspects of IFRS 9 and determined that there is no material impact on its interim consolidated financial statements on adoption of this standard. The Company elected to designate an investment in equity instruments as Fair Value through Other Comprehensive Income (“FVOCI”).

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The interpretation is effective for periods beginning on or after January 1, 2018 and may be applied either retrospectively or prospectively. The Company adopted this standard on January 1, 2018 and has determined that there is no material impact of adopting this standard on its interim consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

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

The Company has performed contract reviews in all divisions to identify the impact of the new standard and concluded that the sale of goods will continue to be recognized at a point in time and rendering of services will be recognized over time. The Company has identified minor changes in how revenue is allocated to performance obligations and the resulting timing of revenue recognition from some contracts originating in the Pipeline and Pipe Services segment, primarily related to field joint contracts. Previously, tasks associated with customer contract requirements were recognized into revenue based on task completion outlined in contracts. Under the new standard, some of these tasks are not defined as distinct performance obligations but rather are recognized as part of the primary performance obligation. The Company also concluded that some costs incurred in those contracts meet the definition of costs to fulfill.

To enhance clarity, comparability and utility of financial information post-implementation of the standard, the Company applied the standard retrospectively subject to permitted and elected practical expedients including:

i. No restatement for contracts that began and ended within the same annual reporting period.

ii. No restatement for contracts that were completed or modified prior to January 1, 2017.

iii. No disclosure of the aggregate transaction prices allocated to the remaining unfulfilled or partially unfulfilled performance obligations for periods ended prior to January 1, 2018.

For the purposes of applying the new standard on an ongoing basis, the Company will be using the practical expedient to not disclose the transaction prices allocated to the remaining unfilled, or partially unfilled performance obligations from contracts originally expected to have a duration of one year or less.

The impact of the adoption of the standard on the Company's consolidated balance sheets primarily relates to reclassifications among financial statement accounts to align with the new standard. Most notably, contracts in process for which the Company has rendered service in advance of billing are presented as contract assets as opposed to unbilled revenue assets within accounts receivable, based on amounts unbilled. Additionally, capitalized costs to fulfill contracts are included within contract assets. Advance payments and deferred revenue are combined and presented as contract liabilities.

The impact of adopting the standard on the Company's 2017 fiscal quarters for revenue, cost of goods sold, net income (loss) and basic and diluted earnings per share (EPS) was as follows:

	Three Months Ended				Twelve Months Ended
(in thousands of Canadian dollars, except per share amounts)	**Dec 31, 2017**	**Sept 30, 2017**	**Jun 30, 2017**	**Mar 31, 2017**	**Dec 31, 2017**
	$	$	$	$	$
Revenue	756	(2,026)	(211)	328	(1,153)
Cost of Goods Sold and Services Rendered	185	(1,083)	-	-	(898)
Income (Loss) before Income Taxes	571	(943)	(211)	328	(255)
Income Tax Expense (Recovery)	(125)	(21)	(24)	67	(103)
Net Income (Loss)	696	(922)	(187)	261	(152)
Basic Earnings (Loss) per share	0.01	(0.01)	(0.00)	0.00	(0.00)
Diluted Earnings (Loss) per share	0.01	(0.01)	(0.00)	0.00	(0.00)

The cumulative impact to retained earnings as at January 1, 2017 was a reduction of $0.05 million.

In the first quarters of 2018 and 2017, revenue recognized from performance obligations satisfied in previous periods under IAS 18, *Revenue*, was $1.08 million and $0.07 million. This related primarily to differences in the estimated stage of completion of projects under IFRS 15 as compared to revenue recognized under IAS 18.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and net of taxes or duty. The Company has concluded that it is the principal in its revenue arrangements since it is the primary obligor, has pricing latitude and is exposed to inventory and credit risks. Revenue is recognized when or as control of a good or service is transferred to a customer as satisfaction of a performance obligation. The majority of the Company's revenue is from short term contracts associated with the sale of goods or the rendering of services from pipe coating, inspection, repair and other services provided in respect of customer-owned property.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in IFRS 15. A contract's price is allocated to distinct performance obligations on a standalone selling price basis. The majority of the Company's contracts have a single performance obligation as the promise to transfer the goods or services is not separately identifiable from other promises in the contracts and, therefore, are not distinct. For contracts with multiple performance obligations, the allocation of the transaction price is done using management's best estimate of the standalone selling price of distinct goods or services in the contract using a cost plus gross margin approach within typical and reasonable variance ranges for similar contracts.

Sale of Goods

Revenue from the sale of goods is recognized when the control of the goods has passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue for the sale of goods is recognized at a point in time, upon transfer of control of the goods based upon the specified delivery terms.

Rendering of Services

Revenue from pipe coating, inspection, repair and other services provided in respect of customer-owned property is recognized as services are performed under specific contracts and recognized by reference to the stage of completion. Stage of completion is determined based on surveys of work performed as measured by units of production to date multiplied by contractually agreed upon rates. Revenue from the rendering of services is usually recognized as the performance obligations are satisfied over time as the work progresses. Substantially all of the revenue from the rendering of services is recognized over time. Revenue recognized over time is done using both input and output measures, depending upon the service being provided. For input measures, the cost incurred to date relative to the total estimated project costs at completion is used to measure progress. For output measures, the units of pipe coating or hours of service completed is used to measure progress.

Services performed in advance of billings are recorded as unbilled revenue pursuant to contractual terms. In general, amounts become billable upon the achievement of contract milestones (such as the commencement of coating) or in accordance with predetermined payment schedules. Changes in the scope of work are not included in net revenue unless the changes are probable and can be reliably measured.

The Company records payments received in advance of revenue recognition from customers as contract liabilities, which are then recognized as revenue as goods are delivered and as services are performed.

Contract Assets – Contract assets include unbilled amounts typically resulting from sales under contracts when an input or output method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Amounts may not exceed their net realizable value. Additionally, capitalized costs to fulfill contracts are included within contract assets. Contract assets are generally classified as current.

Contract Liabilities – Contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue. Contract assets and liabilities are reported on a net position on a contract by contract basis at the end of each reporting period. Advance payments and deferred revenue are combined and presented as contract liabilities under current liabilities. Deferred revenue as at December 31, 2017 was $44.8 million, of which $25.0 million was recognized into revenue during the three months ended March 31, 2018, and $24.7 million was added as deferred revenue resulting in a current contract liability balance of $44.5 million as at March 31, 2018.

Impacts of application of IFRS 15, *Revenue from Contracts with Customers*

a) IFRS 15, Revenue from Contracts with Customers, will affect the fiscal 2017 comparative amounts to be reported in our fiscal 2018 consolidated statements of income as follows:

(in thousands of Canadian dollars)	Twelve Months Ended December 31, 2017	IFRS 15 - Revenue Effects	Restated Twelve Months Ended December 31, 2017
	$	$	$
Revenue			
Sale of products	509,491	–	**509,491**
Rendering of services	1,057,161	(1,153)	**1,056,008**
	1,566,652	(1,153)	**1,565,499**
Cost of goods sold and Services Rendered	980,919	(898)	**980,021**
Gross profit	585,733	(255)	**585,478**
Selling, general and administrative expenses	342,991	–	**342,991**
Research and development expenses	10,536	–	**10,536**
Foreign exchange gains	(249)	–	**(249)**
Amortization of property, plant and equipment	77,267	–	**77,267**
Amortization of intangible assets	19,170	–	**19,170**
Gain on sale of land	(311)	–	**(311)**
Impairment	8,073	–	**8,073**
Income from operations	128,256	(255)	**128,001**
Loss from investment in associates	(6,271)	–	**(6,271)**
Finance costs, net	(16,817)	–	**(16,817)**
Income before income taxes	105,168	(255)	**104,913**
Income taxes	33,988	(103)	**33,885**
Net income	71,180	(152)	**71,028**
Net Income Attributable to:			
Shareholders of the company	71,307	(152)	**71,155**
Non-controlling interests	(127)	–	**(127)**
Net Income	71,180	(152)	**71,028**
Earnings per Share			
Basic	1.02		**1.02**
Diluted	1.02		**1.02**
Weighted Average Number of Shares Outstanding (000s)			
Basic	69,926		**69,926**
Diluted	70,102		**70,102**

b) IFRS 15, Revenue from Contracts with Customers, will affect the fiscal 2017 comparative amounts to be reported in our fiscal 2018 consolidated statements of balance sheets as follows:

(in thousands of Canadian dollars)	**December 31, 2017**	**IFRS 15 - Effects**	**December 31, 2017 Restated 2017**	Excluding Effects of IFRS 15	IFRS 15 – Effects	Pro Forma
ASSETS		**December 31, 2017**			January 1, 2017	
Current assets						
Cash and cash equivalents	$ 289,065	$ –	**$ 289,065**	$ 194,824	$ –	$ 194,824
Short-term investments	–	–	**–**	1,890	–	1,890
Loans receivable	2,448	–	**2,448**	3,832	–	3,832
Accounts receivable	259,694	(65,255)	**194,439**	294,397	(84,233)	210,164
Contract assets	–	65,413	**65,413**	-	84,161	84,161
Income taxes receivable	20,205	–	**20,205**	35,141	–	35,141
Inventories	115,479	(461)	**115,018**	113,485	–	113,485
Prepaid expenses	21,931	–	**21,931**	22,477	–	22,477
Derivative financial instruments	382	–	**382**	9,393	–	9,393
Total current assets	709,204	(303)	**708,901**	675,439	(72)	675,367
Non-current assets						
Loans Receivable	2,283	–	**2,283**	5,058	–	5,058
Property, plant and equipment	417,781	–	**417,781**	471,468	–	471,468
Intangible assets	164,872	–	**164,872**	192,907	–	192,907
Investments in associates	20,188	–	**20,188**	26,739	–	26,739
Deferred income tax assets	33,876	103	**33,979**	28,955	24	28,979
Other assets	20,606	–	**20,606**	26,407	–	26,407
Goodwill	329,391	–	**329,391**	350,818	–	350,818
Total non-current assets	988,997	103	**989,100**	1,102,352	24	1,102,376
TOTAL ASSETS	$ 1,698,201	$ (200)	**$ 1,698,001**	$ 1,777,791	$ (48)	$ 1,777,743
LIABILITIES AND EQUITY						
Current liabilities						
Bank indebtedness	$ –	$ –	**$ –**	$ 2,463	$ –	$ 2,463
Accounts payable and accrued liabilities	201,017	–	**201,017**	212,539	–	212,539
Provisions	27,361	–	**27,361**	21,104	–	21,104
Income taxes payable	42,904	–	**42,904**	39,011	–	39,011
Derivative financial instruments	1,915	–	**1,915**	3,759	–	3,759
Contract liabilities	44,826	–	**44,826**	103,584	–	103,584
Obligations under finance lease	1,111	–	**1,111**	950	–	950
Other liabilities	11,848	–	**11,848**	12,043	–	12,043
Total current liabilities	330,982	–	**330,982**	395,453	–	395,453
Non-current liabilities						
Long-term debt	246,175	–	**246,175**	263,528	–	263,528
Obligations under finance lease	10,840	–	**10,840**	11,019	–	11,019
Provisions	36,555	–	**36,555**	35,304	–	35,304
Employee future benefits	18,552	–	**18,552**	20,727	–	20,727
Deferred income tax liabilities	6,448	–	**6,448**	7,484	–	7,484
Other liabilities	3,665	–	**3,665**	1,236	–	1,236
Total non-current liabilities	322,235	–	**322,235**	339,298	–	339,298
Total Liabilities	653,217	–	**653,217**	734,751	–	734,751
Equity						
Share capital	704,956	–	**704,956**	703,316	–	703,316
Contributed surplus	27,651	–	**27,651**	23,379	–	23,379
Retained earnings	302,406	(200)	**302,206**	273,045	(48)	272,997
Non-controlling interests	5,848	–	**5,848**	5,892	–	5,892
Accumulated other comprehensive income	4,123	–	**4,123**	37,408	–	37,408
Total Equity	1,044,984	(200)	**1,044,784**	1,043,040	(48)	1,042,992
TOTAL LIABILITIES AND EQUITY	$ 1,698,201	$ (200)	**$ 1,698,001**	$ 1,777,791	$ (48)	$ 1,777,743

7.0 Outlook

Shawcor's financial performance is closely correlated with oil and gas infrastructure spending and the resultant demand for the Company's products and services. The Company believes the recovery of the oil and gas markets experienced in 2017 will further advance throughout 2018 and allow it to deliver positive performance on its base business in 2018, particularly in North America. As expected, the Company delivered positive Adjusted EBITDA in the first quarter of 2018 in line with the level achieved in the fourth quarter of 2016. Although the current level is lower compared to the quarterly results achieved in 2017 due to the absence of a large project, it does demonstrate the strength of the Company's base business and that its efforts to diversify the portfolio before the downturn are gaining traction. The Company continues to expect that the full year Adjusted EBITDA results in 2018 will be at a similar level as the annualized results of the fourth quarter of 2016, although there are some temporary factors that could impact short term quarterly performance in 2018. These factors include higher costs from logistics partners, both trucking and rail, to move Canadian produced products to the United States to meet growing demand, the reactivations of its plants to secure work or enable technology capabilities and upfront investment in the pursuit of multiple large projects (greater than $100 million in revenue). The Company expects to deliver positive performance in 2018 from the strength of its expanded base business driven by the continued demand in North America and improved asset utilization from increased industry capital spending, and to rebuild its backlog by securing projects that it is currently pursuing over the near term.

There is increased confidence that the level of capital spending is increasing as operators are beginning to commit capital to projects to address reservoir depletion and maintain production supply. Although the current focus remains on projects with shorter return profiles involving 'tie ins' to existing infrastructure, the Company is seeing resumed activity in the international and offshore markets which is reflected in the increased number of individual bids that it currently has outstanding. This is an important driver of demand for the Company's products and services across all the Pipeline and Pipe Services segment which in turn will support better utilization of its assets. The Company remains well positioned to capitalize on this continuing positive trend in project activity through its global footprint, technology portfolio and execution history.

During the first quarter of 2018, the Company continued its strategic positioning efforts in pursuit of several large projects. These large projects (characterized as greater than $100 million revenue for the Company) are not directly linked to oil and gas commodity prices as they involve energy security or reservoir access considerations. The Company continues to believe that there is a strong likelihood that some of these projects will be sanctioned in 2018 for commencement beyond 2018.

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. It is expected that North American land activity will continue to drive growth in rig counts and wells completed, particularly in the United States. This positive trend will support strong demand for the Company's products and services throughout 2018, especially considering the Company's expanded addressable market from the addition of new products and services into the portfolio since 2013.

The Company is also experiencing increasing demand for its pipe coating capabilities from increased activity in the Gulf of Mexico. This demand is improving the utilization of the Channelview coating facility which is strategically positioned to execute the requirements of customers operating in the Gulf. The Company also continues to be actively engaged in bidding several large diameter onshore transmission line projects that have and are expected to see continued delays due to regulatory and legal challenges.

Pipeline and Pipe Services Segment - Latin America

Due to the substantial completion of the work related to the Sur de Texas – Tuxpan project in 2017, the Company is expecting lower revenues in Latin America throughout 2018. The world class mobile coating assets in Altamira are being decommissioned and will be transported to another location to support the pursuit of another large project. Albeit on a smaller scale to the Sur de Texas – Tuxpan project in 2017, the Company is experiencing increased activity on smaller projects throughout Latin America that should improve plant utilization in 2018. The Company is currently reactivating facilities in Mexico and Brazil for expected continued activity in the Gulf of Mexico and smaller offshore Brazilian projects already awarded.

Pipeline and Pipe Services Segment – EMAR

Shawcor's EMAR Pipeline segment region continues to be negatively impacted by reduced capital spending by national and international companies. The Company expects to commence work in the second half of 2018 on a recently awarded contract to provide anti-corrosion and concrete weight coatings related to an offshore pipeline located in Qatar. In addition, the Company remains focused on securing 2018 work related to girth weld inspection, pipeline joint protection and pipe end preservation on both Turk Stream and Nordstream 2 pipelines and several other projects.

Pipeline and Pipe Services Segment - Asia Pacific

The region's project activity over the near term will be limited largely to the PTT 5th Transmission pipeline project which commenced in the fourth quarter of 2017 and small regional projects. The region is showing signs of recovery beyond 2018 with continued strong bid and budgetary activity related to the development of gas reservoirs.

Petrochemical and Industrial Segment

Shawcor's Petrochemical and Industrial segment businesses continue to deliver solid revenue and operating income based on stable demand in the Global automotive market and European and North American industrial markets. These markets generally follow GDP activity. The growth trend is expected to continue in 2018 with increased infrastructure spending and as new capacity for sealing and insulation products enters production and relives capacity constraints. In addition, increased demand for wire and cable products continues to be driven by projects related to nuclear refurbishment programs in Canada and several Light Rail Transit (LRT) projects.

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 of $459 million at March 31, 2018 was higher than the $385 million order backlog at December 31, 2017. The increase reflects new orders on the Company's base business and other project wins moving from bid into backlog, partially offset by revenue generated in the quarter from backlog orders.

In addition to the backlog, the Company closely monitors its bidding activity and the value of outstanding firm bids is currently in excess of $1 billion, an increase over the $800 million reported in the fourth quarter of 2017. The increase reflects new projects bidding activity and smaller projects moving from budgetary into bid. In addition, the Company is working with customers on a number of projects and has provided budgetary estimates in aggregate values of approximately $1.5 billion. Although the Company cannot be certain on the timing of these projects, they do represent a diverse portfolio of opportunities to sustain and build the backlog in 2018 and beyond.

8.0 Risks and Uncertainties

Operating in an international environment, servicing predominantly the oil and gas industry, Shawcor faces a number of business risks and uncertainties that could materially and adversely affect the Company's projections, business, results of operations and financial condition. A more complete outline of the risks and uncertainties facing the Company is included in the annual MD&A contained in the Company's 2017 Annual Report. There were no other material changes in the nature or magnitude of such business risks during the three-month period ended March 31, 2018.

9.0 Environmental Matters

As at March 31, 2018, the provisions on the consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $30.3 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 March 31, 2018. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0% and 18%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company's operations.

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

(in thousands of Canadian dollars)	**March 31, 2018**
2018	**5,185**
2019	**3,327**
2020	**5,623**
2021	**5,083**
2022	**502**
More than five years	**22,715**
	42,435

10.0 Reconciliation of Non-GAAP Measures

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage the capital structure. 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 items which do not impact day to day operations. 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 and for comparing its operating performance with the performance of other companies that have different financing, capital or tax structures. 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 or day to day operations. Adjusted EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools to evaluate financial performance and is a key metric in business valuations. It is also considered important by lenders to the Company and is included in the financial covenants of the Company's debt agreements.

EBITDA

(in thousands of Canadian dollars)	Three Months Ended March 31, 2018		2017[b]
Net Income	**$ 5,342**	$	15,237
Add:			
Income taxes	**3,313**		2,577
Finance costs, net	**2,666**		5,628
Amortization of property, plant, equipment and intangible assets	**23,747**		19,782
EBITDA	**$ 35,068**	$	43,224
ADJUSTED EBITDA[a]	**$ 35,068**	$	43,224

(a) Adjusted EBITDA and EBITDA are used by many analysts in the oil and gas industry as one of several important analytical tools
(b) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. The Company believes that EBITDA is a useful supplemental measure that provide a meaningful indication of the Company's results from principal business activities prior to the consideration of how these activities are financed or the tax impacts in various jurisdictions. 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.

Operating Margin

Operating margin is defined as operating income divided by revenue and is a non-GAAP measure. The Company believes that operating margin is a useful supplemental measure that provides meaningful assessment of the business performance of the Company and its Operating Segments. The Company uses this measure as a key indicator of financial performance, operating efficiency and cost control based on volume of business generated.

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. This measure is important in assessing the Company's ability to generate cash from its outstanding trade accounts receivable. The Company monitors this measure to manage cash flow from its operations. The following table sets forth the calculation for the Company's DSO as at:

(in thousands of Canadian dollars, except DSO)		**March 31, 2018**		December 31, 2017[(a)]
Revenue for the quarter	**$**	**350,519**	$	426,816
Average trade accounts receivable	**$**	**210,284**	$	208,104
DSO		**54**		44

(a) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

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 Company's suppliers, and an increase in DPO is generally considered an improvement in the management of accounts payable and accrued liabilities. This measure is important in assessing the Company's ability to ensure optimal cash flow management while meeting its financial obligations in a timely manner. The Company monitors this measure to manage cash flows from its operations. The following table sets forth the calculation for the Company's DPO as at:

(in thousands of Canadian dollars, except DPO)		**March 31, 2018**		December 31, 2017[(a)]
Cost of goods sold and services rendered for the quarter	**$**	**233,733**	$	264,959
Average accounts payable and accrued liabilities	**$**	**206,605**	$	203,497
DPO		**80**		69

(a) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

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, except ratios)		**March 31, 2018**		December 31, 2017[(a)]
Current assets	**$**	**725,918**	$	708,901
Current liabilities	**$**	**328,012**	$	330,982
Working capital ratio		**2.21**		2.14

(a) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

11.0 Summary of Quarterly Results

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

(in thousands of Canadian dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue					
2018	**350,519**	–	–	–	–
2017 [(b)]	360,060	383,571	395,052	426,816	1,565,499
2016	365,579	255,359	259,139	329,182	1,209,259
Income (loss) from operations					
2018	**11,437**	–	–	–	–
2017 [(b)]	26,138	28,023	39,368	34,472	128,001
2016	15,950	(40,792)	(167,975)	21,697	(171,120)
Net income (loss)[(a)]					
2018	**5,210**	–	–	–	–
2017 [(b)]	15,393	15,877	19,540	20,345	71,155
2016	7,461	(41,678)	(174,019)	27,276	(180,960)
Income (loss) from operations per share					
Basic					
2018	**0.16**	–	–	–	–
2017 [(b)]	0.37	0.40	0.56	0.49	1.83
2016	0.25	(0.63)	(2.60)	0.33	(2.64)
Diluted					
2018	**0.16**	–	–	–	–
2017 [(b)]	0.37	0.40	0.56	0.49	1.83
2016	0.25	(0.63)	(2.60)	0.33	(2.64)
Net income (loss) per share					
Basic					
2018	**0.07**	–	–	–	–
2017 [(b)]	0.22	0.23	0.28	0.29	1.02
2016	0.12	(0.65)	(2.69)	0.42	(2.80)
Diluted					
2018	**0.07**	–	–	–	–
2017 [(b)]	0.22	0.23	0.28	0.29	1.02
2016	0.12	(0.65)	(2.69)	0.42	(2.80)

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

(b) Restated due to the adoption of the IFRS 15 standard that became effective as at January 1, 2018, but was implemented retrospectively to January 1, 2017. See *Section 6.3 - New Accounting Standards Adopted* for further details.

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

The Company's operations in the Pipeline and Pipe Services segment, representing approximately 86% of the Company's consolidated revenue in the three-month period ended March 31, 2018, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The comparability of the quarterly information disclosed above is also impacted by movements in exchange rates as the majority of the Company's revenue is transacted in currencies other than Canadian dollars, primarily US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars.

12.0 Forward-Looking Information

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward looking information in the Outlook section and elsewhere in respect of, among other things, the achievement of key performance objectives, the timing of the Qatar pipeline coating project and other project activity, the sanctioning of large projects in 2018 and the impact thereof on the Company's business, the level of Adjusted EBITDA in 2018, the growth in revenue and operating income in the Petrochemical and Industrial segment of the Company's business, the increase in demand for the Company's products in the North American Pipeline and Pipe Services segment of the Company's business, the decline in revenues but improved plant utilization in the Latin American Pipeline and Pipe Services 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 expected development of the Company's order backlog and the impact thereof on the Company's revenue and operating income, including the award of contracts on outstanding bids, the impact of global economic activity on the demand for the Company's products, the impact of the improvement in global oil and gas commodity prices on the level of industry investment in oil and gas infrastructure, the impact of changing energy demand, supply and prices, the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation and tax matters and other claims generally, and the level of payments under the Company's performance bonds.

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 with other factors, impact on the level of global pipeline infrastructure construction; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; and fluctuations in foreign exchange rates, as well as other risks and uncertainties described under "Risks and Uncertainties" in the Company's annual MD&A and in the

Company's Annual Information Form under "Risk Factors".

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, including continuing recovery of the oil and gas markets throughout 2018, increases in expenditures on natural gas infrastructures, modest global economic growth, stable demand in the global automotive market and in the European and North American industrial markets as such apply to the Company's Petrochemical and Industrial segment, the Company's ability to execute projects under contract, the continued supply of and stable pricing for commodities used by the Company, short term increases in rail and transportation costs, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of operations in major oil and gas producing regions and the ability of the Company to satisfy all covenants under its Credit Facilities and the Senior Notes. The Company believes that the expectations reflected in the forward looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward looking information included in this document and the Company can give no assurance that such expectations will be achieved.

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

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

13.0 Additional Information

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

May 8, 2018