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 and nine months ended September 30, 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 13 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 September 30, 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 nine months ended September 30, 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 and 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 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 nine months ended September 30, 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 September 30, 2018	Three Months Ended September 30, 2017[a]	Nine Months Ended September 30, 2018[b]	Nine Months Ended September 30, 2017[a]
Revenue	**$ 350,589**	$ 395,052	**$ 1,054,724**	$ 1,138,683
Cost of Goods Sold and Services Rendered	**247,093**	245,256	**720,435**	715,062
Gross Profit	**103,496**	149,796	**334,289**	423,621
Selling, general and administrative expenses	**68,640**	84,932	**227,959**	249,629
Research and development expenses	**2,779**	2,704	**9,173**	8,576
Foreign exchange (gains) losses	**(2,166)**	(2,958)	**(7,547)**	630
Amortization of property, plant and equipment	**12,584**	21,490	**49,665**	57,138
Amortization of intangible assets	**4,602**	4,260	**13,752**	14,430
Gain on sale of land	**–**	–	**–**	(311)
Income from Operations	**17,057**	39,368	**41,287**	93,529
Gain (loss) from investments in associates	**452**	(2,557)	**629**	(5,872)
Finance costs, net	**(2,845)**	(2,844)	**(8,496)**	(13,255)
Net monetary loss	**(852)**	–	**(2,075)**	–
Income before Income Taxes	**13,812**	33,967	**31,345**	74,402
Income taxes	**3,237**	14,474	**9,262**	23,887
Net Income	**$ 10,575**	$ 19,493	**$ 22,083**	$ 50,515
Net Income (Loss) attributable to:				
Shareholders of the Company	**$ 10,373**	$ 19,540	**$ 21,510**	$ 50,810
Non-controlling interests	**202**	(47)	**573**	(295)
Net Income	**$ 10,575**	$ 19,493	**$ 22,083**	$ 50,515
Per Share Information:				
Earnings per Share				
Basic	**$ 0.15**	$ 0.28	**$ 0.31**	$ 0.73
Diluted	**$ 0.15**	$ 0.28	**$ 0.31**	$ 0.73
Cash Dividend per Share:				
Common Shares	**$ 0.150**	$ 0.150	**$ 0.450**	$ 0.450

(in thousands of Canadian dollars)	**September 30, 2018[b]**	December 31, 2017[a]
Total Assets	**$ 1,666,387**	$ 1,698,001
Total Non-Current Liabilities	**$ 330,607**	$ 322,235

(a) Restated due to the adoption of IFRS 15 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.

(b) Includes the impact of the restatement of the first and second quarters of 2018, due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

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 September 30,		Nine Months Ended September 30,	
	2018	2017	**2018**	2017
U.S. dollar	**1.3046**	1.2620	**1.2851**	1.3066
Euro	**1.5196**	1.4790	**1.5325**	1.4570
British Pounds	**1.7063**	1.6544	**1.7330**	1.6732

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)	**Q3-2018 versus Q2-2018**	**Q3-2018 versus Q3-2017**	**Q3-2018 YTD versus Q3-2017 YTD**
Revenue	$ (497)	$ 7,312	$ (32,015)
Income from operations	$ 659	$ 1,226	$ (13,011)
Net income (attributable to shareholders of the Company)	$ 592	$ 1,093	$ (9,092)

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $2.2 million in the third quarter of 2018 (nine months ended September 30, 2018 – gain of $7.6 million), compared to a foreign exchange gain of $3.0 million for the comparable period in the prior year (nine months ended September 30, 2017 – loss of $0.6 million), 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, primarily in Latin America.

3.0 Business Developments

Flexpipe Capacity Expansion in the Middle East

On May 2, 2018, the Company announced that its Flexpipe Systems division had 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.

Offshore Guyana Deepwater Projects

On October 4, 2018, the Company announced that its pipe coating division had been assigned work from Saipem valued at approximately C$110 million to provide thermal insulation and anticorrosion coating services for the Liza I and II deepwater development projects located offshore Guyana.

Coating work under the Liza I project commenced in March 2018 at Shawcor's Channelview, Texas facility and additional work will be completed at Shawcor's Veracruz, Mexico facility. Work on Liza I is expected to be completed during the first quarter of 2019. Coating work under the larger Liza II project, which is conditional on a Final Investment Decision, or "FID", by the pipeline operator, is expected to be executed at the Veracruz and Channelview facilities.

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			Nine Months Ended	
(in thousands of Canadian dollars)	**September 30, 2018**	June 30, 2018[(c)]	September 30, 2017[(b)]	**September 30, 2018[(d)]**	September 30, 2017[(b)]
Pipeline and Pipe Services	**$ 302,039**	$ 299,140	$ 345,943	**$ 901,393**	$ 990,007
Petrochemical and Industrial	**49,010**	54,612	49,401	**154,629**	149,846
Elimination[(a)]	**(460)**	(384)	(292)	**(1,298)**	(1,170)
Consolidated revenue	**$ 350,589**	$ 353,368	$ 395,052	**$ 1,054,724**	$ 1,138,683

(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 IFRS 15 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.
(c) Restated due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*
(d) Includes the impact of the restatement of the first and second quarters of 2018, due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

Third Quarter 2018 versus Second Quarter 2018

Consolidated revenue decreased $2.8 million, from $353.4 million during the second quarter of 2018 to $350.6 million during the third quarter of 2018, due to a $5.6 million decrease in the Petrochemical and Industrial segment, partially offset by a $2.9 million increase in the Pipeline and Pipe Services segment.

Revenue increased by 1% in the Pipeline and Pipe Services segment, or $2.9 million, from $299.1 million in the second quarter of 2018 to $302.0 million in the third quarter of 2018, due to higher activity levels in North America, partially offset by lower volumes in Europe, Middle East, Africa and Russia ("EMAR"), Latin America and Asia Pacific regions. In addition, revenue was negatively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina implemented retrospectively to January 1, 2018 as discussed in *Section 11.0 – Financial Reporting in Hyperinflationary Economies*. 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 lower by $5.6 million, or 10%, in the third quarter of 2018, compared to the second quarter of 2018, primarily due to lower activity levels in North America and 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.

Third Quarter 2018 versus Third Quarter 2017

Consolidated revenue decreased by $44.5 million, or 11%, from $395.1 million during the third quarter of 2017, to $350.6 million during the third quarter of 2018, reflecting a $43.9 million revenue decrease in the Pipeline and Pipe Services segment, and a $0.4 million revenue decrease in the Petrochemical and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the third quarter of 2018 was $302.0 million, or 13% lower than in the third quarter of 2017, primarily due to lower large project activity in Latin America and decreased activity levels in Asia Pacific, partially offset by higher revenue levels in North America and EMAR. In addition, revenue was negatively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina implemented retrospectively to January 1, 2018 as discussed in *Section 11.0 – Financial Reporting in Hyperinflationary Economies*. 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 $0.4 million lower during the third quarter of 2018, compared to $49.4 million in the third quarter of 2017, due to decreased activity levels in North America and Asia Pacific, partially offset by higher revenue 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.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

Consolidated revenue decreased by $84.0 million, or 7%, from $1,138.7 million for the nine month period ended September 30, 2017 to $1,054.7 million for the nine month period ended September 30, 2018, reflecting a decrease of $88.6 million, or 9%, in the Pipeline and Pipe Services segment, partially offset by a $4.8 million, or 3%, increase in revenue in the Petrochemical and Industrial segment.

Revenue for the Pipeline and Pipe Services segment during the nine month period ended September 30, 2018 was $901.4 million, or $88.6 million lower than in the comparable period in 2017, primarily due to lower large project activity in Latin America and decreased activity levels in Asia Pacific, partially offset by higher revenue levels in the North American region. In addition, revenue was negatively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina implemented retrospectively to January 1, 2018 as discussed in *Section 11.0 – Financial Reporting in Hyperinflationary Economies*. 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.

Revenue for the Petrochemical and Industrial segment increased by $4.8 million in the nine month period ended September 30, 2018 compared to the same period in 2017, due to higher activity levels in EMAR, partially offset by lower revenue in North America and Asia Pacific. 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			Nine Months Ended	
	September 30, 2018	June 30, 2018 [c]	September 30, 2017[b]	**September 30, 2018[d]**	September 30, 2017[b]
Operating income	**$ 17,057**	$ 13,465	$ 39,368	**$ 41,287**	$ 93,529
Operating margin[a]	**4.9%**	3.8%	10.0%	**3.9%**	8.2%

(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 IFRS 15 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.

(c) Restated due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

(d) Includes the impact of the restatement of the first and second quarters of 2018, due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

Third Quarter 2018 versus Second Quarter 2018

Operating income increased by $3.6 million, from $13.5 million during the second quarter of 2018 to $17.1 million in the third quarter of 2018. Operating income was positively impacted by a decrease of $11.3 million in selling, general and administrative ("SG&A") expenses and lower amortization of property, plant and equipment of $4.6 million primarily related to the substantial completion of the Sur de Texas – Tuxpan project demobilization. This was partially offset by a $10.4 million decrease in gross profit and a $2.4 million decrease in net foreign exchange gains. In addition, operating income was negatively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina implemented retrospectively to January 1, 2018 as discussed in *Section 11.0 – Financial Reporting in Hyperinflationary Economies*.

The decrease in gross profit resulted from the lower revenue, as explained above, and a 2.7 percentage point decrease in the gross margin from the second quarter of 2018. The decrease in the gross margin percentage was primarily due to product and project mix and lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads.

SG&A expenses decreased by $11.3 million, from $80.0 million in the second quarter of 2018 to $68.6 million in the third quarter of 2018, primarily due to decreases of $1.9 million in provision for bad debts expense, $3.8 million in compensation and other personnel related costs, $2.8 million in advertisement, equipment costs and professional consulting and legal fees and $2.8 million in insurance, management information systems and other costs.

Third Quarter 2018 versus Third Quarter 2017

Operating income decreased by $22.3 million, from $39.4 million in the third quarter of 2017 to $17.1 million during the third quarter of 2018. Operating income was negatively impacted by a $46.3 million decrease in gross profit and a $0.8 million decrease in net foreign exchange gains. This was partially offset by a decrease of $16.3 million in SG&A expenses and lower amortization of property, plant and equipment of $8.9 million primarily related to the substantial completion of the Sur de Texas – Tuxpan project demobilization. In addition, operating income was negatively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina implemented retrospectively to January 1, 2018 as discussed in *Section 11.0 – Financial Reporting in Hyperinflationary Economies*.

The decrease in gross profit resulted from the lower revenue, as explained above, and a 8.4 percentage point decrease in the gross margin from the third quarter of 2017. The decrease in the gross margin percentage was primarily due to lower large project activity in Latin America, lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads.

SG&A expenses in the third quarter of 2018 decreased by $16.3 million compared to the third quarter of 2017, primarily due to a $9.5 million decrease in compensation and other personnel related costs, where the prior year period included an increase in government mandated employee profit sharing on large project activity in Latin America, and decreases of $1.1 million in provision for bad debts, $1.1 million in professional consulting and legal fees and $4.6 million in insurance, management information systems and other costs.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

Operating income decreased by $52.2 million, from $93.5 million in the nine month period ended September 30, 2017, to $41.3 million in the nine month period ended September 30, 2018. Operating income was negatively impacted by a year- over-year decrease in gross profit of $89.3 million and a $0.6 million increase in research and development expenses. This was partially offset by decreases of $21.7 million in SG&A expenses and $8.2 million in amortization of property, plant, equipment and intangible assets, and a $8.2 million increase in net foreign exchange gains. In addition, operating income was negatively impacted by the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina implemented retrospectively to January 1, 2018 as discussed in *Section 11.0 – Financial Reporting in Hyperinflationary Economies*.

The decrease in gross profit resulted from the lower revenue, as explained above, and a 5.5 percentage point decrease in the gross margin from the prior year. The decrease in the gross margin percentage was primarily due to lower large project activity in Latin America and lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads.

SG&A expenses decreased by $21.7 million in the first nine months of 2018 compared to the comparable period in 2017, primarily due to a $21.4 million decrease in compensation and other personnel related costs, where the prior year period included an increase in government mandated employee profit sharing on large project activity in Latin America, and a $1.4 million decrease in professional consulting and legal fees. This was partially offset by a $1.8 million increase in provision for bad debts.

Finance Costs, Net

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

	Three Months Ended			Nine Months Ended	
(in thousands of Canadian dollars)	**September 30, 2018**	June 30, 2018[(a)]	September 30, 2017	**September 30, 2018[(b)]**	September 30, 2017
Interest income	**$ (664)**	$ (788)	$ (256)	**$ (2,293)**	$ (1,223)
Interest expense, other	**1,235**	1,502	913	**4,030**	3,877
Interest expense on long-term debt	**2,274**	2,271	2,187	**6,759**	10,601
Finance costs, net	**$ 2,845**	$ 2,985	$ 2,844	**$ 8,496**	$ 13,255

(a) Restated due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

(b) Includes the impact of the restatement of the first and second quarters of 2018, due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

Third Quarter 2018 versus Second Quarter 2018

In the third quarter of 2018, net finance costs were $2.8 million, compared to net finance costs of $3.0 million during the second quarter of 2018. The decrease in net finance costs was primarily due to a $0.3 million decrease in other financing expenses, partially offset by a reduction in interest income.

Third Quarter 2018 versus Third Quarter 2017

In the third quarter of 2018, net finance costs were $2.8 million, in-line with the third quarter of 2017. In the third quarter of 2018, interest income was higher by $0.4 compared to the third quarter of 2017, partially offset by a $0.3 million increase in other financing expenses.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

For the nine months ended September 30, 2018, net finance costs were $8.5 million, compared to $13.3 million in the comparable period in the prior year. The decrease in net finance costs was primarily a result of lower interest expense on long term debt due to lower interest rates and higher interest income on short term deposits.

Income Taxes

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

	Three Months Ended			Nine Months Ended	
(in thousands of Canadian dollars)	**September 30, 2018**	June 30, 2018[(b)]	September 30, 2017[(a)]	**September 30, 2018[(c)]**	September 30, 2017[(a)]
Income tax expense	**$ 3,237**	$ 2,478	$ 14,474	**$ 9,262**	$ 23,887

(a) Restated due to the adoption of IFRS 15 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.

(b) Restated due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

(c) Includes the impact of the restatement of the first and second quarters of 2018, due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

Third Quarter 2018 versus Second Quarter 2018

The Company recorded an income tax expense of $3.2 million (23% of income before income taxes) in the third quarter of 2018, compared to an income tax expense of $2.5 million (25% of income before income taxes) in the second quarter of 2018. The effective tax rate in the third quarter of 2018 was lower than the Company’s statutory income tax rate of 27% primarily due to the mix of jurisdictions where the income is earned and improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets.

Third Quarter 2018 versus Third Quarter 2017

The Company recorded an income tax expense of $3.2 million (23% of income before income taxes) in the third quarter of 2018, compared to an income tax expense of $14.5 million (43% of income before income taxes) in the third quarter of 2017. The effective tax rate in the third quarter of 2018 was lower than the Company's statutory income tax rate of 27% primarily due to the mix of jurisdictions where the income is earned and improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

The Company recorded an income tax expense of $9.3 million (30% of income before income taxes) during the nine month period ended September 30, 2018, compared to an income tax expense of $23.9 million (32% of income before income taxes) during the nine month period ended September 30, 2017. The effective tax rate for the nine month period ended September 30, 2018 was higher than the Company's statutory income tax rate of 27%, primarily due to the mix of jurisdictions where the income was earned and the impact of the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina, implemented retrospectively to January 1, 2018 as discussed in *Section 11.0 – Financial Reporting in Hyperinflationary Economies*, partially offset by improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets.

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			**Nine Months Ended**	
(in thousands of Canadian dollars, except percentages)	**September 30, 2018**	June 30, 2018(c)	September 30, 2017(b)	**September 30, 2018(d)**	September 30, 2017(b)
North America	**$ 229,527**	$ 199,037	$ 155,707	**$ 602,761**	$ 457,925
Latin America	**17,403**	28,329	124,419	**83,352**	253,093
EMAR	**42,665**	46,307	37,905	**141,520**	149,548
Asia Pacific	**12,444**	25,467	27,912	**73,760**	129,441
Total revenue	**$ 302,039**	$ 299,140	$ 345,943	**$ 901,393**	$ 990,007
Operating income	**$ 12,329**	$ 8,386	$ 36,729	**$ 28,920**	$ 88,638
Operating margin(a)	**4.1%**	2.8%	10.6%	**3.2%**	9.0%

(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 IFRS 15 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.

(c) Restated due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

(d) Includes the impact of the restatement of the first and second quarters of 2018, due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

Third Quarter 2018 versus Second Quarter 2018

Revenue in the third quarter of 2018 increased by $2.9 million to $302.0 million, from $299.1 million in the second quarter of 2018. Revenue was impacted by higher activity levels in North America, partially offset by lower volumes in Asia Pacific, EMAR and Latin America:

- North America revenue increased by $30.5 million, or 15%, as a result of an increase in large diameter pipe coating revenue in the USA and Canada, improved flexible composite pipe volumes and higher activity levels in pipe weld inspection services and engineering services.

- Revenue in Latin America decreased by $10.9 million, or 39%, primarily as a result of the substantial completion of the load out activity for the Sur de Texas – Tuxpan project by the second quarter of 2018.

- In EMAR, revenue decreased by $3.6 million, or 8%, primarily due to decreased pipe weld services activity in the region and lower activity levels at the Leith, Scotland facility. This was partially offset by higher activity levels at the Company's Ras Al Khaimah, UAE ("RAK") and Italian facilities.

- Asia Pacific revenue decreased by $13.0 million, or 51%, primarily due to lower pipe coating project activity at the Kabil, Indonesia and Kuantan, Malaysia facilities.

In the third quarter of 2018, operating income was $12.3 million compared to $8.4 million in the second quarter of 2018, an increase of $3.9 million. Operating income was positively impacted by lower amortization of property, plant and equipment and a decrease in SG&A expenses in the second quarter of 2018, as explained in *Section 4.1* This was partly offset by an $8.8 million decrease in gross profit due to a 3.2 percentage point decrease in gross margin, partially offset by the higher revenue, as explained above. The decrease in gross margin percentage was primarily due to product and project mix and lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads.

Third Quarter 2018 versus Third Quarter 2017

Revenue in the third quarter of 2018 was $302.0 million, a decrease of $43.9 million, or 13%, from $345.9 million in the comparable period of 2017. This is primarily due to lower large project activity in Latin America and lower volumes in Asia Pacific, partially offset by higher revenue in North America and EMAR:

- In North America, revenue increased by $73.8 million, or 47%, primarily due to higher volumes of large diameter pipe coating in the USA and Canada and small diameter pipe coating in the USA, improved flexible composite pipe volumes and increased activity levels in pipe weld inspection and engineering services.

- Revenue in Latin America decreased by $107.0 million, or 86%, primarily as a result of the substantial completion of the load out activity for the Sur de Texas – Tuxpan project by the second quarter of 2018, partially offset by higher activity levels at the Company's Argentina facilities.

- EMAR revenue increased by $4.8 million, or 13%, primarily due to higher activity levels at the Company's RAK and Italian facilities. This was partially offset by lower volume at the Leith, Scotland facility.

- Revenue in Asia Pacific decreased by $15.5 million, or 55%, mainly due to lower pipe coating project activity at the Kabil, Indonesia and Kuantan, Malaysia facilities.

In the third quarter of 2018, operating income was $12.3 million compared to $36.7 million in the third quarter of 2017, a decrease of $24.4 million. The decrease in operating income was primarily due to the $45.5 million decrease in gross profit resulting from the decrease in revenue, as explained above, and a 9.4 percentage point decrease in gross margin. The decrease in gross margin percentage was primarily due to lower large project activity in Latin America, lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads. This was partially offset by the lower SG&A expenses and lower amortization of property, plant and equipment, as explained in *Section 4.1* above.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

Revenue in the Pipeline and Pipe Services segment for the nine month period ended September 30, 2018 was $901.4 million, a decrease of $88.6 million, from $990.0 million in the comparable period in the prior year. Segment revenue was adversely affected by the impact on translation of foreign operations, as noted in S*ection 2.2* above, and by lower activity levels in Latin America, EMAR and Asia Pacific, partially offset by higher revenue in North America:

- North America revenue increased by $144.8 million, or 32%, primarily due to increased revenue from flexible composite pipe sales, pipe weld inspection services, large diameter pipe coating in Canada, small diameter pipe coating in the USA and engineering services. This was partially offset by lower activity levels in large diameter pipe coating in the USA and small diameter pipe coating in Canada.

- In Latin America, revenue was lower by $169.7 million, or 67%, mainly due to lower large project activity related to Sur de Texas-Tuxpan project, partially offset by higher volumes at the Company's Argentina facilities.

- Revenue in EMAR decreased by $8.0 million, or 5%, primarily due to decreased pipe coating activity levels in the Orkanger, Norway and Leith, Scotland facilities, fewer field joint coating projects in the region and the absence of the Shah Deniz project work in the Caspian. This was partially offset by higher volumes at the RAK and the Italian facilities.

- Asia Pacific revenue decreased by $55.7 million, or 43%, mainly due to lower pipe coating project activity at the Kabil, Indonesia and Kuantan, Malaysia facilities.

Operating income for the nine month period ended September 30, 2018 was $28.9 million compared to $88.6 million for the nine month period ended September 30, 2017, a decrease of $59.7 million. The decrease in operating income is primarily due to a $88.7 million decrease in gross profit as a result of the decrease in revenue, as explained above, and a 6.1 percentage point decrease in gross margin. The decrease in gross margin percentage was primarily due to lower large project activity in Latin America, lower utilization in EMAR and Asia Pacific facilities and the related impact on the absorption of manufacturing overheads. This was partially offset by decreases in amortization of property, plant and equipment and SG&A expenses, as explained in *Section 4.1* above.

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:

(in thousands of Canadian dollars, except percentages)	Three Months Ended **September 30, 2018**	Three Months Ended June 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended **September 30, 2018**	Nine Months Ended September 30, 2017
North America	**$ 27,653**	$ 31,819	$ 29,477	**$ 87,717**	$ 89,204
EMAR	**18,600**	19,959	16,867	**58,435**	51,317
Asia Pacific	**2,757**	2,834	3,057	**8,477**	9,325
Total revenue	**$ 49,010**	$ 54,612	$ 49,401	**$ 154,629**	$ 149,846
Operating income	**$ 7,888**	$ 8,736	$ 8,891	**$ 25,492**	$ 26,483
Operating margin[(a)]	**16.1%**	16.0%	18.0%	**16.5%**	17.7%

(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.*

Third Quarter 2018 versus Second Quarter 2018

In the third quarter of 2018, revenue decreased by $5.6 million, or 10%, to $49.0 million, compared to the second quarter of 2018, primarily due to decreased shipments of wire and cable products in North America related to the supply chain challenges for drawn wire and copper rods and heat shrink tubing products, particularly in the automotive sector.

Operating income of $7.9 million in the third quarter of 2018 was $0.9 million, or 10%, lower than in the second quarter of 2018. The decrease in operating income was primarily due to a decrease in gross profit of $1.6 million resulting from the decreased revenue, as explained above. This was partially offset by lower SG&A expenses, as explained in *Section 4.1* above.

Third Quarter 2018 versus Third Quarter 2017

Revenue in the third quarter of 2018 decreased by $0.4 million, or 1%, compared to the third quarter of 2017. Revenue was negatively impacted by decreased shipments of wire and cable products in North America related to the supply chain challenges for drawn wire and copper rods, partially offset by higher activity levels for heat shrink tubing products, particularly in the automotive sector.

Operating income in the third quarter of 2018 was $7.9 million compared to $8.9 million in the third quarter of 2017, a decrease of $1.0 million, or 11%. The decrease in operating income was primarily due to a decrease in gross profit of $0.8 million resulting from the decrease in revenue, as explained above, and a 1.4 percentage point decrease in gross margin. The decrease in gross margin was primarily due to unfavourable product mix and the supply chain challenges for drawn wire and copper rods.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

Revenue increased in the nine months ended September 30, 2018 by $4.8 million, or 3%, to $154.7 million compared to the comparable period in 2017, due to increased shipments of heat shrink products in EMAR and North America, partially offset by lower activity levels for wire and cable products in North America.

Operating income decreased $1.0 million for the nine months ended September 30, 2018 to $25.5 million compared to the nine months ended September 30, 2017. Gross profit was lower by $0.6 million as a result of a decrease of 1.3 percentage point in gross margin, partially offset by the increase in revenue, as explained above. The decrease in gross margin was due to unfavourable product mix and the supply chain challenges for drawn wire from copper rods.

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			**Nine Months Ended**	
(in thousands of Canadian dollars)	**September 30, 2018**	June 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
Financial and corporate expenses	**$ (5,326)**	**$** (8,191)	$ (9,210)	**$ (20,672)**	$ (21,273)

Third Quarter 2018 versus Second Quarter 2018

Financial and corporate costs decreased by $2.9 million from $8.2 million during the second quarter of 2018 to $5.3 million in the third quarter of 2018. The decrease was primarily due to decreases of $1.4 million in compensation and other related personnel costs, $0.5 million in professional consulting and legal fees and $1.0 million in management information systems and other costs.

Third Quarter 2018 versus Third Quarter 2017

Financial and corporate costs decreased by $3.9 million from the third quarter of 2017 to $5.3 million in the third quarter of 2018. The decrease was primarily due to decreases of $1.6 million in compensation and other related personnel costs, $1.0 million in professional consulting and legal fees and $1.3 million in management information systems and other costs.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

Financial and corporate costs decreased by $0.6 million from the nine month period ended September 30, 2017 to $20.7 million for the nine month period ended September 30, 2018. The decrease was primarily due to a $1.1 million decrease in professional consulting and legal fees, partially offset by increases of $0.6 million in building and management information system 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:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands of Canadian dollars)	**2018**	2017[(a)]	**2018[(b)]**	2017[(a)]
Net Income	**$ 10,575**	$ 19,493	**$ 22,083**	$ 50,515
Non-cash items	**25,291**	46,194	**68,328**	94,901
Settlement of decommissioning liabilities	**–**	(197)	**–**	(680)
Settlement of other provisions	**(1,393)**	(588)	**(7,551)**	(2,148)
Net change in future employee benefits	**122**	204	**(71)**	948
Net change in non-cash working capital and foreign exchange	**(54,626)**	650	**(103,567)**	(61,384)
Cash (used in) provided by operating activities	**(20,031)**	65,756	**(20,778)**	82,152
Cash used in investing activities	**(17,055)**	(4,109)	**(50,771)**	(23,889)
Cash used in financing activities	**(10,467)**	(10,972)	**(30,589)**	(34,152)
Effect of foreign exchange on cash and cash equivalents and net monetary loss on Argentina hyperinflation restatement	**(4,014)**	(6,374)	**3,324**	(7,557)
Net Change in Cash and Cash Equivalents	**(51,567)**	44,301	**(98,814)**	16,554
Cash and cash equivalents at beginning of period	**241,818**	167,077	**289,065**	194,824
Cash and Cash Equivalents at End of Period	**$ 190,251**	$ 211,378	**$ 190,251**	$ 211,378

(a) Restated due to the adoption of IFRS 15 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.

(b) Includes the impact of the restatement of the first and second quarters of 2018, due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

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

5.1 Cash Provided By Operating Activities

Third Quarter 2018 versus Third Quarter 2017

Cash used in operating activities was $20.0 million in the third quarter of 2018, a net change of $85.8 million compared to $65.8 million of cash provided by operating activities in the third quarter of 2017. The change was primarily due to decreases of $8.9 million in net income, $55.3 million in net change in non-cash working capital and foreign exchange and $20.9 million in non-cash items.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

Cash used in operating activities was $20.8 million during the nine month period ended September 30, 2018, a net change of $102.9 million compared to $82.2 million of cash provided by operating activities in the comparable period in 2017. The net change was primarily due to decreases of $28.4 million in net income, $42.2 million in net change in non-cash working capital and foreign exchange, $26.6 million in non-cash items and $5.4 million increase in settlement of other provisions.

5.2 Cash Used in Investing Activities

Third Quarter 2018 versus Third Quarter 2017

Cash used in investing activities increased by $13.0 million, from $4.1 million in the third quarter of 2017 to $17.1 million in the third quarter of 2018. This was primarily due to an increase of $10.3 million in the purchase of property, plant and equipment, and a $3.2 million reduction in loans receivable in the third quarter of 2017.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

Cash used in investing activities increased by $26.9 million, from $23.9 million during the nine month period ended September 30, 2017 to $50.8 million during the nine month period ended September 30, 2018. This was mainly due to increases of $18.3 million in the purchase of property, plant and equipment and $3.3 million in other assets, a $2.9 million decrease from proceeds on disposals of property, plant and equipment, and a $2.3 million reduction in loans receivable in the prior year.

5.3 Cash Used in Financing Activities

Third Quarter 2018 versus Third Quarter 2017

Cash used in financing activities decreased by $0.5 million, from $11.0 million in the third quarter of 2017 to $10.5 million in the third quarter of 2018. This was mainly due to a $0.3 million decrease in the value of shares issued related to executive compensation in the third quarter of 2018.

Nine Months Ended September 30, 2018 versus Nine Months Ended September 30, 2017

Cash used in financing activities decreased by $3.6 million, from $34.2 million during the nine month period ended September 30, 2017 to $30.6 million during the nine month period ended September 30, 2018. This was mainly due to a $2.5 million bank indebtedness payment made in the first quarter of 2017 and a $1.0 million increase in the value of shares issued related to executive compensation in the first nine months 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)		**September 30, 2018**		December 31, 2017		Change
Average trade accounts receivable	**$**	**209,673**	$	208,104	$	1,569
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 $1.6 million, from $208.1 million as at December 31, 2017, to $209.7 million as at September 30, 2018, as a result of 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)		**September 30, 2018**		December 31, 2017[a]		Change
Inventories	**$**	**138,146**	$	115,018	$	23,128

(a) Restated due to the adoption of IFRS 15 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 $23.1 million, from $115.0 million as at December 31, 2017 to $138.1 million as at September 30, 2018, primarily as a result of increases of $6.6 million in raw materials and supplies and $17.1 million in finished goods to reflect higher activity levels.

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)		**September 30, 2018**		December 31, 2017		Change
Average accounts payable and accrued liabilities	**$**	**198,465**	$	203,497	$	(5,032)
DPO[a]		**72**		69		3

(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 decreased by $5.0 million, from $203.5 million as at December 31, 2017, to $198.5 million as at September 30, 2018. DPO increased by 3 days from 2017 levels, due to the timing of purchases and payments in the third quarter of 2018 compared with the fourth quarter of 2017.

5.5 Credit Facilities

(in thousands of Canadian dollars)		September 30, 2018		December 31, 2017
Standard letters of credit for performance, bid and surety bonds	**$**	**31,325**	$	71,175
Total utilized credit facilities		**31,325**		71,175
Total available credit facilities[(a)]		**474,926**		460,251
Unutilized Credit Facilities	**$**	**443,601**	$	389,076

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

The Company pays a floating interest rate on these credit facilities 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 these facilities is US$50 million.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the Credit Facilities. Specifically, the Company is required to maintain an Interest Coverage Ratio (defined as EBITDA plus rental payments divided by interest expense plus rental payments) of more than 2.50 to 1.00 and a Leverage Ratio (defined as 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 September 30, 2018.

5.6 Long-Term Debt

The total long-term debt balance as at September 30, 2018 was $254.1 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 September 30, 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	$ 62,740	$ 11,281	$ 733	$ 13	$ 13	$ 26	$ 74,806
Accounts payable	94,611	–	–	–	–	–	94,611
Long-term debt	–	–	79,551	–	–	175,237	254,788
Finance costs on long-term debt	3,021	9,040	7,258	6,669	6,669	13,749	46,406
Obligations under finance leases	258	1,414	1,410	1,398	1,392	8,357	14,229
Operating leases	7,406	21,253	18,412	14,349	12,358	32,999	106,777
Total contractual obligations	$ 168,036	$ 42,988	$ 107,364	$ 22,429	$ 20,432	$ 230,368	$ 591,617

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 $31.3 million as at September 30, 2018 (December 31, 2017 – $71.2 million) for support of its bonds. In addition, as at September 30, 2018, the Company had $64.2 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 reflect the Company’s assumptions with respect to how market participants would price an asset or liability. These two inputs which are used to measure fair value fall into the following three different levels of the fair value hierarchy:

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

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

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

The hierarchy requires the use of observable market data when available.
The following table presents the fair value of financial assets and liabilities in the fair value hierarchy as at September 30, 2018:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	**$ 190,251**	**$ 190,251**	**$ –**	**$ –**
Loans receivable	**3,462**	**–**	**3,462**	**–**
Derivative financial instruments	**921**	**–**	**921**	**–**
Deposit guarantee	**250**	**–**	**250**	**–**
	$ 194,884	**$ 190,251**	**$ 4,633**	**$ –**
Liabilities				
Derivative financial instruments	**$ 396**	**$ –**	**$ 396**	**$ –**
Long-term debt	**234,062**	**–**	**234,062**	**–**
	$ 234,458	**$ –**	**$ 234,458**	**$ –**

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 September 30, 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 nine month period ended September 30, 2018 by approximately $34.5 million, $(0.1) million and $(0.1) million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by approximately $57.4 million, $12.0 million and $45.4 million, respectively, as at September 30, 2018. Please also refer to *Section 11.0 – Financial Reporting in Hyperinflationary Economies*, for the impact of adopting IAS 29 for Argentina.

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 September 30, 2018:

(in thousands, except weighted average rate amounts)	
US dollars sold for Euros	
Less than one year	**US$ 24,800**
Weighted average rate	**0.85**
Euros sold for US dollars	
Less than one year	**€ 17,679**
Weighted average rate	**1.22**
Norwegian Kroners sold for US dollars	
Less than one year	**NOK 48,820**
Weighted average rate	**0.12**

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

As at September 30, 2018, the Company had notional amounts of $66.4 million of foreign exchange forward contracts outstanding (December 31, 2017 – $83.8 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totalling $0.5 million (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 nine month period ended September 30, 2018, a loss of $7.9 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 nine month period ended September 30, 2018.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at September 30, 2018:

(in thousands of Canadian dollars)	Non-Interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial assets				
Cash equivalents	$ –	$ –	$ 83,106	$ 83,106
Loans receivable	31	3,431	–	3,462
	$ 31	$ 3,431	$ 83,106	$ 86,568
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	$ 31,325	$ –	$ –	$ 31,325
Long-term debt	–	–	254,059	254,059
	$ 31,325	$ –	$ 254,059	$ 285,384

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 nine month period ended September 30, 2018, there was no customer who generated more than 10% of total consolidated revenue (nine month period ended September 30, 2017 – one customer generated approximately 17.7% of total consolidated revenue). As at September 30, 2018, no customer accounted for more than 10% of the Company's total trade accounts receivable (as at December 31, 2017 – one customer 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 September 30, 2018, the Company had cash and cash equivalents totaling $190.3 million (December 31, 2017 – $289.1 million) and had unutilized lines of credit available to use of $443.6 million (December 31, 2017 – $389.1 million).

5.9 Outstanding Share Capital

As at November 2, 2018, the Company had 70,092,460 common shares outstanding and stock options and share units outstanding to purchase up to 2,287,312 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 September 30, 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 in the first nine months of 2018. All related party transactions were in the normal course of business.

6.0 Critical Accounting Judgements, Estimates and Accounting Policy Developments

6.1 Critical Judgements

The following are critical judgements management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the 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 judgements and assumptions are made in compiling the purchase price allocation for acquired companies. Management has exercised professional judgement in determining the total consideration paid in an acquisition, including any contingent consideration, and in determining the assets and liabilities that should be part of the purchase price accounting. Management has also exercised judgement in identifying intangible assets and in choosing the appropriate valuation models and techniques to determine their fair values. Management has also exercised professional judgement in characterizing the composition of any residual goodwill.

Provisions and Contingent Liabilities

As at September 30, 2018, the Company had $60.2 million of provisions; of this amount $24.0 million was included in current liabilities and $36.2 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 judgement 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 September 30, 2018, the Company had $913.4 million of long-lived assets and goodwill. The Company evaluates the carrying values of the CGUs' goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions and estimates.

Employee Future Benefit Obligations

As at September 30, 2018, the Company had $18.3 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 September 30, 2018, the Company had decommissioning liabilities in the amount of $29.7 million; of this amount $5.2 million was included in the current provisions account and $24.5 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 the recognition of the right-of-use ("ROU") leased assets and their corresponding lease obligations on the balance sheet. The Company has approved its implementation plan and completed the scoping exercise process for reviewing its lease contracts. A new software subscription system has been obtained which will assist the Company to compile the lease information and calculate the related accounting impacts to comply with the requirements of the standard. The Company has commenced the lease data validation process which will continue throughout 2018. On initial adoption, the Company plans to apply the standard using the modified retrospective approach which does not require a restatement of prior period financial information as it recognizes the cumulative effect of applying the standard to prior periods as an adjustment to opening retained earnings. The actual impact of applying the standard will depend on future economic events, including the Company's incremental borrowing rate at January 1, 2019, the composition of the Company's lease agreements at the date of adoption, the assessment of lease renewal options and the extent the Company applies the practical expedients available. The Company has not yet determined the detailed 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 these amendments 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 judgement 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 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 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 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 unfulfilled, or partially unfulfilled 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 interim 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 EPS was as follows:

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

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

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 are 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. Contract liabilities as at September 30, 2018 were $28.9 million (December 31, 2017 – Deferred revenue of $44.8 million), of which $62.0 million was deducted and recognized as revenue during the nine months ended September 30, 2018, and $46.1 million was added during the nine months ended September 30, 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 the Company's fiscal 2018 consolidated statement 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 (Loss) 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 the Company's fiscal 2018 consolidated balance sheet 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 that the continued momentum in oil and gas markets will allow us to deliver positive performance on our base business in 2018, particularly in North America. The Adjusted EBITDA[1] results for the third quarter of 2018 were in line with our expectations. The Company's diversified portfolio delivered this solid performance despite headwinds in the quarter from a temporary construction stoppage of a US transmission line by a government agency, unexpected challenges in the supply chain of drawn copper rod for our wire and cable business and the continued low pipe coating activity in the international and offshore markets. Due to its expanded base business, the Company continues to expect the full year Adjusted EBITDA[1] results will be at a similar level as the annualized results in the fourth quarter of 2016. This expectation reflects an anticipated step down in the fourth quarter results due to the typical seasonal slowdown experienced in several of our businesses, and the negative impact arising from pipe coating activity reaching its expected low point and higher costs to maintain idle assets, reactivate plants and pursue large projects.

Several years of absent investment or short cycle investment prioritization in the industry is coming to an end as key reservoirs are no longer able to sustain peak production levels, high decline rate shale production contributions increase and geopolitical challenges are affecting several important producing regions. This, coupled with steady demand growth for oil & gas, presents a strong case that large projects will need to be sanctioned over the next several years to bring on replacement and growth production. Similar to others in the industry, the Company is seeing strength in North America land markets and an increased level of activity in the international and offshore markets, as evidenced in its current bids outstanding. The Company remains well positioned to capitalize on this continuing positive trend in project activity through its global footprint, technology portfolio and execution history.

The Company continued its strategic efforts to position itself as the partner of choice in the pursuit of several large projects, which are characterized as greater than $100 million in revenue. During the third quarter, the Company announced an award of approximately $110 million of work related to the Liza I and II deep water development projects located offshore Guyana. The Company commenced work on Liza I in the first quarter of 2018 and the Liza II work is conditional on a Final Investment Decision ("FID") by the pipeline operator. A second $100 million plus project that the Company is pursuing and expected to be sanctioned in 2018 has now been delayed and likely will not be sanctioned until 2019. Although the exact timing of when large projects are sanctioned is difficult to predict, the Company believes that there is still a strong likelihood that some of these projects will be sanctioned in 2019 and beyond because they are not directly linked to oil and gas commodity prices as they involve energy security or reservoir access considerations. Based on this, the Company believes that its diversified base business and higher activity in pipe coating in 2019 will deliver improved results. However, higher growth in earnings will require a backlog build in 2019 to achieve stronger results in 2020.

The Company continues to have increased confidence on future growth based on its expanding base business, growing prospects in international and offshore markets and strong balance sheet. Based on this confidence, Shawcor continues to execute on its long term growth strategy which involves both organic and inorganic initiatives. Organic investments include expanding our composite product offerings to capture the continuing trend in the conversion from steel pipeline infrastructure, deployment of next generation inspection technology in our integrity management service portfolio and capacity expansion in our growing automotive heat shrink business. The Company remains active in evaluating inorganic opportunities that have stable earnings profiles and/or can expand our existing competencies in material science, digital enablement and sensors technology.

[1] *EBITDA and Adjusted EBITDA are Non-GAAP measures and 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 for further details and a reconciliation of EBITDA and Adjusted EBITDA.*

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 completions and the build out of new and the repair/replacement of old transmission pipeline infrastructure. These activities drive the demand for pipe coating and joint protection, composite pipe for gathering line applications, OCTG pipe inspection and refurbishment and gathering and transmission line girth weld inspection and associated services. It is expected that North American well completion related activity will continue in line with rig counts and wells completed, particularly in the United States; however, activity will moderate over the next several quarters as take-away capacity constraints in the Permian are addressed through the commissioning of several new transmission pipeline projects. The Company's efforts to diversify its portfolio and expand its addressable market through multiple brands are expected to offset these headwinds as growth is expected in transmission line related activities. In addition, the Company continues to experience strong demand for its pipe coating capabilities from increased activity in the Gulf of Mexico.

Pipeline and Pipe Services Segment - Latin America

The Company continues to expect lower revenues in Latin America for the remainder of 2018 after the substantial completion of coating work in 2017 on the Sur de Texas – Tuxpan project and the related load out in the first half of 2018. On the positive side, the Company is experiencing increased activity on smaller projects throughout Latin America which will improve plant utilization. In the fourth quarter, work is expected to commence in the recently reactivated facilities in Mexico and Brazil related to the continued activity in the Gulf of Mexico and smaller offshore Brazilian projects already awarded. In addition, the Company will begin the upgrade of the Veracruz facility in preparation for the anticipated FID on the Liza II project.

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

Shawcor's EMAR Pipeline region remains negatively impacted by reduced capital spending by national and international companies. On a positive note, the Company has started work on the contract previously awarded for anti-corrosion and concrete weight coatings related to an offshore Qatar pipeline that is progressing on schedule. We have also seen an increase in bidding activity, particularly in the offshore. In addition, the region is benefiting in 2018 from the increasing acceptance of the Company's composite products in the Middle East and the execution of secured work in 2018 on both the TurkStream and Nord Stream 2 pipeline projects related to girth weld inspection, pipeline joint protection and pipe end preservation.

Pipeline and Pipe Services Segment - Asia Pacific

The Asia Pacific Pipeline region will continue to be depressed due to the lack of offshore project investments. The Company's activity will be limited largely to the PTT 5th Transmission pipeline project which commenced in the fourth quarter of 2017 and remains on schedule for completion in early 2019. Beyond 2018, the Company is actively pursuing several large projects that are related to the development of gas reservoirs. In addition, there are onshore opportunities being pursued for our composite product offerings in Australia and several other countries in the region as composites are gaining further acceptance.

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; however, the segment is well positioned to capture the growing automotive electrification trend with highly specified sealing, water blocking and insulating systems for Tier I Automotive wire harness suppliers. Our ability to supply wire and cable products will constrain business results in the fourth quarter due to the continued supply chain challenges for drawn wire.

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 $395 million as at September 30, 2018 was below the $447 million order backlog as at June 30, 2018. The current quarter backlog excludes the award of the Liza II project since the work is conditional on FID. If it was included, the current backlog would increase by $26 million while the remainder of the award would fall beyond the twelve month period. The decrease quarter over quarter reflects revenue generated in the quarter from backlog orders which was partially offset by new orders on the base business and other project wins moving from bid to backlog.

In addition to the backlog, the Company closely monitors its bidding activity and the value of outstanding firm bids remains strong at $900 million. This is lower than the $1 billion reported in the second quarter of 2018 primarily due to project wins moving to backlog in the quarter. The Company is also working with customers on a number of projects and has provided budgetary estimates in aggregate values of in excess of $1.8 billion, higher than the budgetary estimates provided to customers by the end of the second quarter of 2018. Although the timing of these projects remains uncertain, the Company's bid and budgetary figures represent a diverse portfolio of opportunities to sustain and build the backlog through 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 nine month period ended September 30, 2018.

9.0 Environmental Matters

As at September 30, 2018, the provisions on the consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $29.7 million. The Company believes these provisions to be sufficient to fully satisfy all liabilities related to known environmental matters.

The total undiscounted cash flows estimated to settle all decommissioning liabilities is $43.2 million as at September 30, 2018. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.8% 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)		**September 30, 2018**
2018	**$**	**5,190**
2019		**3,327**
2020		**5,605**
2021		**4,754**
2022		**504**
More than five years		**23,834**
	$	**43,214**

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.

(in thousands of Canadian dollars)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017[b]	Nine Months Ended September 30, 2018[c]	Nine Months Ended September 30, 2017[b]
Net income	**$ 10,575**	$ 19,493	**$ 22,083**	$ 50,515
Add:				
Income tax	**3,237**	14,474	**9,262**	23,887
Finance costs, net	**2,845**	2,844	**8,496**	13,255
Amortization of property, plant, equipment and intangible assets	**17,186**	25,750	**63,417**	71,568
EBITDA[a]	**$ 33,843**	$ 62,561	**$ 103,258**	$ 159,225
Gain on sale of land	**–**	–	**–**	(311)
Hyperinflation adjustment for Argentina[c]	**4,446**	–	**7,390**	**–**
ADJUSTED EBITDA[a]	**$ 38,289**	$ 62,561	**$ 110,648**	$ 158,914

(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 IFRS 15 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.

(c) Includes the impact of the restatement of the first and second quarters of 2018, due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*

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)	**September 30, 2018**	December 31, 2017[a]
Revenue for the quarter	**$ 350,589**	$ 426,816
Average trade accounts receivable	**$ 209,673**	$ 208,104
DSO	**54**	44

(a) Restated due to the adoption of IFRS 15 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)		**September 30, 2018**		December 31, 2017[(a)]
Cost of goods sold and services rendered for the quarter	**$**	**247,090**	$	264,959
Average accounts payable and accrued liabilities	**$**	**198,465**	$	203,497
DPO		**72**		69

(a) Restated due to the adoption of IFRS 15 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 Financial Reporting in Hyperinflationary Economies

In July 2018, the Argentine three-year cumulative rate of inflation for consumer prices and wholesale prices reached a level in excess of 100%. As a result, in accordance with IAS 29, *Financial Reporting in Hyperinflationary Economies*, Argentina was required to be considered a hyperinflationary economy, effective January 1, 2018. Accordingly, the presentation of IFRS financial statements includes adjustments and reclassifications for the changes in the general purchasing power of the Argentine peso.

On the application of IAS 29, the Company used the conversion coefficient derived from the consumer price index ("CPI") in the Greater Buenos Aires area published by the National Statistics and Census Institution in Argentina. The CPIs for the current and the prior year and the corresponding conversion coefficient since the year when the Argentine subsidiary was acquired were as follows:

Year	**Index**	**Conversion coefficient**	**CAD/ARS exchange rate**
2012	117.67	5.2396	0.211471
2017	483.30	1.2757	0.067396
2018- March	514.58	1.1982	0.063925
2018- June	562.37	1,0963	0.045528
2018- September	616.55	1.0000	0.031353

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at September 30, 2018. Non-monetary assets, liabilities and equity (items that are not already expressed in terms of the monetary unit as at September 30, 2018) are restated by applying the relevant index. The effect of inflation on the Argentina subsidiary's net monetary position is included in the interim consolidated statements of income as net monetary loss.

The application of IAS 29 results in the adjustment for the loss of purchasing power of the Argentine peso recorded in the interim consolidated statements of income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss/gain is derived as the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the interim consolidated statements of comprehensive income.

As per IAS 21, *The Effects of Changes in Foreign Exchange Rates*, all amounts (i.e. assets, liabilities, equity items, income and expenses) are translated at the closing rate at the date of the most recent statement of financial position, except that comparative amounts are not adjusted for subsequent changes in the price level or subsequent changes in exchange rates. Similarly, in the period during which the functional currency of a foreign subsidiary becomes hyperinflationary and applies IAS29 for the first time, the parent's consolidated financial statement for the comparative period is not restated for the effects of hyperinflation.

The opening equity adjustment of $4.3 million relates to the hyperinflation restatement of non-monetary assets, liabilities and equity items for the opening consolidated balance sheet as at January 1, 2018. This is as a result of an increase to total assets of $4.8 million, and an increase to total liabilities of $0.5 million.

The impact of IAS 29 for selected items on our consolidated statements of income for the current, prior quarters and year to date results was as follows:

(in thousands of Canadian dollars, except per share amounts)	**Three months ended March 31, 2018**	**Three months ended June 30, 2018**	**Three months ended September 30, 2018**	**Nine months ended September 30, 2018**
	$	$	$	**$**
Revenue	248	(4,519)	(7,053)	**(11,324)**
Gross profit (loss)	66	(1,164)	(2,102)	**(3,200)**
Foreign exchange (gain) loss	(20)	1,206	2,772	**3,958**
Loss from operations	(672)	(2,217)	(3,670)	**(6,559)**
Net monetary loss	(475)	(748)	(852)	**(2,075)**
Loss before income taxes	(1,147)	(2,966)	(4,514)	**(8,627)**
Income tax expense (recovery)	234	(360)	(1,151)	**(1,277)**
Net Loss	(1,381)	(2,606)	(3,363)	**(7,350)**
Earnings per Share				
Basic	(0.02)	(0.04)	(0.05)	**(0.10)**
Diluted	(0.02)	(0.04)	(0.05)	**(0.10)**

12.0 Summary of Quarterly Results

The following is a summary of selected financial information for the eleven 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	350,767[b]	353,368[b]	**350,589**	**–**	**–**
2017 [c]	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 [b]	10,765[b]	13,465[b]	**17,057**	**–**	**–**
2017 [c]	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 [b]	3,829[b]	7,308[b]	**10,373**	**–**	**–**
2017 [c]	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	0.15[b]	0.19[b]	**0.24**	**–**	**–**
2017 [c]	0.37	0.40	0.56	0.49	1.83
2016	0.25	(0.63)	(2.60)	0.33	(2.64)
Diluted					
2018	0.15[b]	0.19[b]	**0.24**	–	–
2017 [c]	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	0.05[b]	0.10[b]	**0.15**	**–**	**–**
2017 [c]	0.22	0.23	0.28	0.29	1.02
2016	0.12	(0.65)	(2.69)	0.42	(2.80)
Diluted					
2018	0.05[b]	0.10[b]	**0.15**	**–**	**–**
2017 [c]	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 (loss) attributable to shareholders of the Company.
(b) Restated due to the adoption of IAS 29, *Financial Reporting in Hyperinflationary Economies* for Argentina effective July 1, 2018 but implemented retrospectively to January 1, 2018. See *Section 11.0 - Financial Reporting in Hyperinflationary Economies.*
(c) Restated due to the adoption of IFRS 15 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 September 30, 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.

13.0 Forward-Looking Information

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward looking information in the Outlook Section and elsewhere in respect of, among other things, the establishment of a manufacturing facility in the Middle East by the Flexpipe Systems division, the level of investment therein, its impact on production capacity and the timing thereof, the achievement of key performance objectives, the timing to complete the Liza I project, the timing of Final Investment Decisions on Liza II and additional large projects, , the sanctioning of large projects in 2019 and the impact thereof on the Company's business, the level of Adjusted EBITDA in 2018 and the growth in future earnings, the effect of the Company's diversified portfolio of products on revenue and operating income, 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, as well as an increase in demand in the international and offshore markets of that segment, 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 continuing demand for oil and gas and prior years' absence of investments in larger projects on the level of industry investment in oil and gas infrastructure, the impact of global oil and gas commodity prices, 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 , 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, increases in rail and transportation costs, the availability of personnel resources sufficient for the Company to operate its businesses, the short term supply challenges of drawn copper rod for the Company's wire and cable business, 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.

Shawcor will be hosting a Shareholder and Analyst Conference Call and Webcast on Wednesday November 7th, 2018 at 10:00AM ET, which will discuss the Company's Third Quarter 2018 Financial Results.

To participate via telephone, please dial 1-877-776-4039 or 1-315-625-6955. Conference Call ID:9482768; alternatively, please go to the following website address to participate via webcast:
https://edge.media-server.com/m6/p/5fryj2s7

14.0 Additional Information

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

November 6, 2018