November 6th, 2018

SHAWCOR LTD.
(TSX: SCL)

PRESS RELEASE

SHAWCOR LTD. ANNOUNCES THIRD QUARTER 2018 RESULTS

- Third quarter 2018 revenue was $351 million, a decrease of 1% from the $353 million reported in the second quarter[1] of 2018 and 11% lower than the $395 million reported in the third quarter of 2017.
- Adjusted EBITDA[2] in the third quarter of 2018 was $38 million, an increase of 3% from the $37 million reported in the second quarter[1] of 2018 and 39% lower compared to $63 million reported in the third quarter of 2017.
- Net income (attributable to shareholders of the Company) in the third quarter of 2018 was $10.4 million (or earnings per share of $0.15 diluted) compared with net income of $7.3 million[1] (or $0.10 per share diluted[1]) in the second quarter[1] of 2018 and a net income of $19.5 million (or $0.28 per share diluted) in the third quarter of 2017.
- The Company's order backlog was $395 million at September 30, 2018, down compared to the backlog at June 30, 2018 of $447 million.

Mr. Steve Orr, Chief Executive Officer of Shawcor Ltd. remarked "Third quarter revenue and Adjusted EBITDA[2] were in line with what we delivered in the first and second quarter of 2018 despite unexpected negative supply chain and regulatory environment influences. The solid EBITDA[2] performance was supported by our expanded portfolio that continued to offset the negative impact of lower activity and the investments being made in our late cycle international pipe coating reliant businesses."

Mr. Orr added "With a demonstrated base business, the award of Liza II and line of sight of multiple international and offshore projects we are now confident that 2018 will be a pivotal year for the company. Growth in future earnings will be enabled by both a diversified base business and an increase in backlog. Supported by the company's diversified market, position in the offshore capex cycle, long-term industry fundamentals and multiple attractive investment opportunities, Shawcor is executing actions that will drive future profitable growth."

[1] *Restated due to the impact of 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 7.0 - Financial Reporting in Hyperinflationary Economies.*

[2] *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 6.0 – Reconciliation of Non-GAAP Measures for further details and a reconciliation of EBITDA and Adjusted EBITDA*

Selected Financial Highlights

(in thousands of Canadian dollars, except per share amounts and percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017[c]	**2018[d]**	2017[c]
Revenue	**$ 350,589**	$ 395,052	**$ 1,054,724**	$ 1,138,683
Gross profit	**103,496**	149,796	**334,289**	423,621
Gross profit %	**29.5%**	37.9%	**31.7%**	37.2%
Adjusted EBITDA[a]	**38,289**	62,561	**110,648**	158,914
Income from Operations	**17,057**	39,368	**41,287**	93,529
Net Income for the period[b]	**$ 10,373**	$ 19,540	**$ 21,510**	$ 50,810
Earnings per share:				
Basic	**$ 0.15**	$ 0.28	**$ 0.31**	$ 0.73
Fully diluted	**$ 0.15**	$ 0.28	**$ 0.31**	$ 0.73

(a) Adjusted EBITDA is a non-GAAP measure calculated by adding back to net income the sum of net finance costs, income taxes, amortization of property, plant, equipment and intangible assets, gains from sale of land and hyperinflationary adjustments. Adjusted EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. See *Section 6.0 – Reconciliation of Non GAAP Measures*.

(b) Attributable to shareholders of the Company.

(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.

(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 7.0 - Financial Reporting in Hyperinflationary Economies.*

1.0 KEY 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.

1.1 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 6.0 – 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.

2.0 CONSOLIDATED INFORMATION AND RESULTS FROM OPERATIONS

2.1 Revenue

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

(in thousands of Canadian dollars)	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]
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.
(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 7.0 - 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 7.0 - 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 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 7.0 – Financial Reporting in Hyperinflationary Economies*. See *Section 3.1 – 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 3.2 – 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 7.0 – Financial Reporting in Hyperinflationary Economies*. See *Section 3.1 – 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 3.2 – 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 7.0 – Financial Reporting in Hyperinflationary Economies*. See *Section 3.1 – 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 3.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

2.2 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 6.0 – 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.

(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 7.0 - 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 7.0 - 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 7.0 – 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 7.0 – 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 7.0 – 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.

2.3 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 7.0 - 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 7.0 - 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.

2.4 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.

(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 7.0 - 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 7.0 - 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 7.0 – Financial Reporting in Hyperinflationary Economies*, partially offset by improved results in jurisdictions where the Company is benefiting from previously unrecognized deferred tax assets.

2.5 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**	$	**(32,01**
Income from operations	$	**659**	$	**1,226**	$	**(13,01**
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.

2.6 Net Income (attributable to shareholders of the Company)

Third Quarter 2018 versus Second Quarter 2018

Net income increased by $3.1 million, from $7.3 million during the second quarter of 2018 to $10.4 million during the third quarter of 2018. This was mainly due to the $3.6 million increase in operating income, as explained in *Section 2.2* above, a $0.2 million increase in net gain from investment in associates and a $0.1 million decrease in net finance cost. This was partially offset by a $0.8 million increase in income tax expense.

Third Quarter 2018 versus Third Quarter 2017

Net income decreased by $9.2 million, from $19.5 million during the third quarter of 2017 to $10.4 million during the third quarter of 2018. This was mainly due to the $22.3 million decrease in operating income, as explained in *Section 2.2* above, and a $0.9 million increase in net monetary loss from hyperinflationary accounting. This was partially offset by a decrease of $11.2 million in income tax expense and a $3.0 million increase in net gain from investment in associates.

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

Net income decreased by $29.3 million, from $50.8 million during the nine-month period ended September 30, 2017 to $21.5 million during the nine-month period ended September 30, 2018, mainly due to the $52.2 million decrease in operating income, as explained in *Section 2.2* above, and a $2.1 million increase in net monetary loss from hyperinflationary accounting. This was partially offset by a $14.6 million decrease in income tax expense, a $6.5 million increase in net gain from investments in associates and a $4.8 million decrease in finance costs.

3.0 SEGMENT INFORMATION

3.1 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 6.0 - 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.
(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 7.0 - 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 7.0 - 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 2.2* 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 2.2* 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 2.5* 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 2.2* above.

3.2 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**	 June 30, 2018	 September 30, 2017	Nine Months Ended **September 30, 2018**	 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 6.0 - 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 2.2* 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.

3.3 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.

4.0 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

5.0 Additional Information

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

Please visit our website at www.shawcor.com for further details.

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Shawcor Ltd.

Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)		**September 30, 2018[(b)]**		December 31, 2017[(a)]
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**190,251**	$	289,065
Loans receivable		**2,284**		2,448
Accounts receivable		**251,238**		194,439
Contract assets		**44,358**		65,413
Income taxes receivable		**24,255**		20,205
Inventories		**138,146**		115,018
Prepaid expenses		**28,668**		21,931
Derivative financial instruments		**921**		382
Total current assets		**680,121**		708,901
Non-current Assets				
Loans receivable		**1,178**		2,283
Property, plant and equipment		**426,025**		417,781
Intangible assets		**152,110**		164,872
Investments in associates		**30,714**		20,188
Deferred income tax assets		**32,948**		33,979
Other assets		**7,997**		20,606
Goodwill		**335,294**		329,391
Total non-current assets		**986,266**		989,100
TOTAL ASSETS	**$**	**1,666,387**	$	1,698,001
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**200,979**	$	201,017
Provisions		**23,998**		27,361
Income taxes payable		**33,210**		42,904
Derivative financial instruments		**396**		1,915
Contract liabilities		**28,901**		44,826
Obligations under finance lease		**186**		1,111
Other liabilities		**9,212**		11,848
Total current liabilities		**296,882**		330,982
Non-current Liabilities				
Long-term debt		**254,059**		246,175
Obligations under finance lease		**10,869**		10,840
Provisions		**36,197**		36,555
Employee future benefits		**18,289**		18,552
Deferred income tax liabilities		**3,568**		6,448
Other liabilities		**7,625**		3,665
Total non-current liabilities		**330,607**		322,235
Total Liabilities		**627,489**		653,217
Equity				
Share capital		**708,512**		704,956
Contributed surplus		**29,363**		27,651
Retained earnings		**277,566**		302,206
Non-controlling interests		**4,733**		5,848
Accumulated other comprehensive income		**18,724**		4,123
Total Equity		**1,038,898**		1,044,784
TOTAL LIABILITIES AND EQUITY	**$**	**1,666,387**	$	1,698,001

(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.

(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 7.0 - Financial Reporting in Hyperinflationary Economies.*

Shawcor Ltd.

Interim Consolidated Statements of Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands of Canadian dollars, except per share amounts)	**2018**	2017[(a)]	**2018[(b)]**	2017[(a)]
Revenue				
Sale of products	**$ 154,206**	$ 128,678	**$ 468,242**	$ 381,100
Rendering of services	**196,383**	266,374	**586,482**	757,583
	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
Earnings per Share ("EPS")				
Basic	**$ 0.15**	$ 0.28	**$ 0.31**	$ 0.73
Diluted	**$ 0.15**	$ 0.28	**$ 0.31**	$ 0.73
Weighted Average Number of Shares Outstanding (000s)				
Basic	**70,075**	69,935	**70,050**	69,922
Diluted	**70,199**	70,235	**70,197**	70,063

(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.

(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 7.0 - Financial Reporting in Hyperinflationary Economies.*

Shawcor Ltd.

Interim Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands of Canadian dollars)	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)]
Net Income for the Period	**$ 10,575**	$ 19,493	**$ 22,083**	$ 50,515
Other Comprehensive (Loss) Income to be Reclassified to Net Income in Subsequent Periods				
Exchange differences on translation of foreign operations	**(19,898)**	(26,193)	**13,373**	(36,185)
Other comprehensive income (loss) attributable to investments in associates	**22**	(105)	**(103)**	(287)
Net Other Comprehensive (Loss) Income to be Reclassified to Net Income in Subsequent Periods	**(19,876)**	(26,298)	**13,270**	(36,472)
Other Comprehensive (Loss) Income not to be Reclassified to Net Income in Subsequent Periods				
Actuarial (loss) gain on defined benefit plan	**(11)**	(17)	**15**	(30)
Income tax expense (recovery)	**3**	5	**(3)**	8
Net Other Comprehensive (Loss) Income not to be Reclassified to Net Income in Subsequent Periods	**(8)**	(12)	**12**	(22)
Other Comprehensive (Loss) Income, Net of Income Tax	**(19,884)**	(26,310)	**13,282**	(36,494)
Total (Loss) Comprehensive Income	**$ (9,309)**	$ (6,817)	**$ 35,365**	$ 14,021
Comprehensive (Loss) Income Attributable to:				
Shareholders of the Company	**$ (8,911)**	$ (6,569)	**$ 36,111**	$ 14,097
Non-controlling interests	**(398)**	(248)	**(746)**	(76)
Total Comprehensive (Loss) Income	**$ (9,309)**	$ (6,817)	**$ 35,365**	$ 14,021

(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.

(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 7.0 - Financial Reporting in Hyperinflationary Economies.*

Shawcor Ltd.

Interim Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings[(a) (b)]	Non-controlling Interests[(b)]	Accumulated Other Comprehensive Income[(b)]	Total Equity[(a) (b)]
	$	$	$	$	$	$
Balance - December 31, 2017	704,956	27,651	302,206	5,848	4,123	1,044,784
Hyperinflation adjustments for Argentina[(b)]	–	–	(14,624)	(369)	19,307	4,314
Adjusted Balance – January 1, 2018	**704,956**	**27,651**	**287,582**	**5,479**	**23,430**	**1,049,098**
Net income	**–**	**–**	**21,510**	**573**	**–**	**22,083**
Other comprehensive (loss) income	**–**	**–**	**–**	**(1,319)**	**(4,706)**	**(6,025)**
Comprehensive income (loss)	**–**	**–**	**21,510**	**(746)**	**(4,706)**	**16,058**
Issued on exercise of stock options	**1,792**	**–**	**–**	**–**	**–**	**1,792**
Compensation cost on exercised options	**694**	**(694)**	**–**	**–**	**–**	**–**
Compensation cost on exercised Restricted Share Units	**1,070**	**(1,070)**	**–**	**–**	**–**	**–**
Share-based compensation expense	**–**	**3,476**	**–**	**–**	**–**	**3,476**
Dividends declared and paid to shareholders	**–**	**–**	**(31,526)**	**–**	**–**	**(31,526)**
Balance - September 30, 2018	**708,512**	**29,363**	**277,566**	**4,733**	**18,724**	**1,038,898**
Balance - January 1, 2017	703,316	23,379	272,997	5,892	37,408	1,042,992
Net income (loss)[(a)]	–	–	50,810	(295)	–	50,515
Other comprehensive income (loss)	–	–	–	219	(36,713)	(36,494)
Comprehensive income (loss)	–	–	50,810	(76)	(36,713)	14,021
Issued on exercise of stock options	761	–	–	–	–	761
Compensation cost on exercised stock options	278	(278)	–	–	–	–
Compensation cost on exercised Restricted Share Units	472	(472)	–	–	–	–
Share-based compensation expense	–	4,022	–	–	–	4,022
Dividends declared and paid to shareholders	–	–	(31,454)	–	–	(31,454)
Balance – September 30, 2017	704,827	26,651	292,353	5,816	695	1,030,342

(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.

(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 7.0 - Financial Reporting in Hyperinflationary Economies.*

Shawcor Ltd.

Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	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)]
Operating Activities				
Net income	**$ 10,575**	$ 19,493	**$ 22,083**	$ 50,515
Add (deduct) items not affecting cash				
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
Amortization of long-term prepaid expenses	**45**	168	**136**	999
Decommissioning liabilities expenses	**130**	126	**340**	339
Other provision expenses	**3,955**	7,713	**3,722**	8,647
Share-based compensation and incentive-based compensation	**2,816**	3,357	**9,429**	5,556
Gain on disposal of property, plant and equipment	**(479)**	(100)	**(290)**	(1,800)
Gain on sale of land	**–**	–	**–**	(311)
Unrealized loss (gain) on derivative financial instruments	**1,264**	3,207	**(2,058)**	6,359
(Gain) loss from investments in associates	**(452)**	2,557	**(629)**	5,872
Deferred income taxes	**826**	3,165	**(1,627)**	(2,328)
Other	**–**	251	**(4,112)**	–
Settlement of decommissioning liabilities	–	(197)	–	(680)
Settlement of other provisions	**(1,393)**	(588)	**(7,551)**	(2,148)
Net change in employee future benefits	**122**	204	**(71)**	948
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
Investing Activities				
Decrease in loans receivable	**579**	3,783	**1,420**	3,756
Decrease in short-term investments	**–**	66	**–**	122
Purchase of property, plant and equipment	**(18,775)**	(8,437)	**(50,990)**	(32,714)
Purchase of intangible assets	**–**	(66)	**–**	(66)
Proceeds on disposal of property, plant and equipment	**841**	–	**1,490**	4,400
Decrease in other assets	**300**	545	**(2,691)**	613
Cash Used in Investing Activities	**$ (17,055)**	$ (4,109)	**$ (50,771)**	$ (23,889)
Financing Activities				
Decrease in bank indebtedness	**–**	–	**–**	(2,463)
Repayment of obligations under finance lease	**(309)**	(262)	**(855)**	(774)
Other liabilities – non current	**–**	(222)	**–**	(222)
Issuance of shares	**352**	2	**1,792**	761
Dividends paid to shareholders	**(10,510)**	(10,490)	**(31,526)**	(31,454)
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	**(4,014)**	(6,374)	**3,324**	(7,557)
Net (Decrease) Increase in Cash and Cash Equivalents	**(51,567)**	44,301	**(98,814)**	16,554
Cash and Cash Equivalents - Beginning of Period	**241,818**	167,077	**289,065**	194,824
Cash and Cash Equivalents - 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.

(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 7.0 - Financial Reporting in Hyperinflationary Economies.*

6.0 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.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands of Canadian dollars)	**2018**	2017[(b)]	**2018[(c)]**	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.
(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 7.0 - 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.

7.0 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 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)**