2014 Annual Report

SHAWCOR'S MISSION

To be the market leader and technology innovator with a primary focus on the global pipeline industry and to use this base as a platform to build an international energy services company while achieving ShawCor's performance objectives.

FINANCIAL SUMMARY

Year ended December 31 (in thousands of Canadian dollars)	2014	2013
Operating Results		
Revenue	$ 1,890,029	$ 1,847,549
Adjusted EBITDA[a]	336,701	391,223
Income from operations	148,676	323,457
Net income[b]	$ 94,861	$ 219,862
Earnings per share – basic	$ 1.55	$ 3.55
Earnings per share – diluted	$ 1.53	$ 3.51
Cash Flow		
Cash provided by operating activities	$ 187,985	$ 32,264
Financial Position		
Working capital	$ 378,733	$ 267,489
Total assets	$ 1,939,970	$ 1,651,928
Equity per share	$ 15.20	$ 10.98

(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/losses from assets held for sale, gain on sale of land, impairment of assets and joint ventures and non-controlling interest. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools.

(b) Attributable to shareholders of the Company.

SHAWCOR 2014 REVENUE IN EXCESS OF

›$1.8B

LEADING MARKET POSITIONS IN AVAILABLE MARKET

›$30B

PLATFORM OF FIVE FOCUSED BUSINESSES, EACH

›$100M

All above amounts in Canadian dollars.

CORPORATE PROFILE

ShawCor Ltd. is a global energy services company specializing in technology based products and services for the pipeline and pipe services and the petrochemical and industrial markets. The Company operates nine business units with more than 105 manufacturing and service facilities employing over 8,000 people around the world.

On the Cover: Newly acquired Desert NDT is a leader in non-destructive testing and integrity management services.
Opposite: A Shaw Pipeline Services Automated Ultrasonic Testing process in action on the EMAS spool base in Ingleside, Texas.

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BUILDING AN INTEGRATED ENERGY SERVICES LEADER

Over the past 45 years, ShawCor has evolved into the world's largest provider of advanced pipeline coating systems, with a growing range of complementary energy services companies. Today we are focused on tapping the shared potential of these businesses as never before. This annual report sets out our plans for *building an integrated energy services leader.*

STRONG FOUNDATIONS

The five growth platforms we are building provide the foundation to transform ShawCor into a truly integrated energy services leader and hold the potential to double ShawCor's revenue over the next decade. The markets we are targeting represent an estimated $30 billion in business opportunities and we believe that ShawCor is uniquely positioned to take advantage of them.

As the events of the past year have demonstrated, the global energy industry is still highly cyclical, with exploration and production activity highly correlated to the price of oil and gas. In 2014, WTI and Brent Crude prices declined approximately 44% and 49% respectively, and natural gas prices decreased by about 26%. As a result, many energy producers had begun to reduce planned capital expenditures by the end of last year.

Within this environment, ShawCor posted strong financial performance in 2014. Revenue reached a record $1.89 billion as top line growth in several of our divisions and the mid-year acquisition of Desert NDT offset lower large pipe coating project activity following completion of the Inpex Ichthys project early in the year. Adjusted EBITDA continued at a strong level of $337 million, down 14% from the record 2013 level, reflecting lower average margins compared to 2013. Net earnings per share (diluted), however, fell 56.4% to $1.53, impacted by after tax impairment charges of approximately $99 million relating primarily to the goodwill and intangible assets of pipe coating facilities in Brazil and the Gulf of Mexico and the carrying value of Socotherm's 50% joint venture interest in Venezuela, plus the issuance of approximately 4.2 million shares pursuant to the Company's public share offering in the fall of 2014.

In 2015, ShawCor will certainly be impacted by the current downturn in the energy sector, particularly in the Company's North American businesses that are directly associated with upstream well construction and completion activity. Representing approximately 25% of the Company's revenue, these businesses will see a reduction in activity as the number of wells drilled and completed declines in 2015. The remaining 75% of ShawCor's revenue is not directly linked to the fluctuations in commodity prices. Most of this revenue is derived from customer expenditures on long-term energy infrastructure, much of which is related to natural gas transportation. These projects take years to develop and are based on both long-term commodity price assumptions and fundamental gaps between sources of supply and areas of energy demand growth. The Company's expectations for strong large project activity in 2015 are supported by the current booked order backlog, which stood at $766 million as of the start of the year. Beyond 2015, the combination of demand growth, projected to be 37% between now and 2040, and increasing depletion rates for existing sources of oil and gas are expected to create attractive long-term fundamentals for our business and support continued growth.

ShawCor's success has always come from focusing on long-term fundamentals and continuously building upon our core strengths. These strengths include a global reach from a network of permanent locations in 18 countries and seven rapidly deployable mobile plants. We also enjoy the benefit of strong customer relationships and brand recognition with virtually all of the leading global energy players. Our reputation for excellence is based on a long track record of successful project execution and an unwavering commitment to quality and continuous improvement.

Also supporting ShawCor's success is a strong foundation of technological leadership and innovation. Today, we hold more than 280 issued patents covering 57 unique technologies with another 164 patents pending. The Company's advanced technologies are built from core competencies in material science and related disciplines and have allowed us to consistently deliver cost reduction,

STRONG LEADERSHIP

(from left to right): Gary Love, Chief Financial Officer and Vice President Finance; Steve Orr, Chief Executive Officer; and John Tikkanen, Executive Vice President, Strategic Planning.

improved reliability and enhanced return on investment to our customers.

When we consider these core strengths in the context of today's evolving energy industry, we are encouraged by three trends that bode well for the future. Chief among them is the increasing role that shale and deepwater resources will play in replacing the depletion of conventional land production. At the same time, the world's aging pipeline infrastructure is creating a growing market for integrity and rehabilitation services. Finally, the geographic gap between where energy is sourced and the growing economies that need it will require investments in extensive new pipeline and LNG infrastructure.

Against this backdrop, ShawCor is *building a global integrated energy services leader* based on five platforms for growth – Pipeline Performance, Composite Production Systems, Integrity Management, Oilfield Asset Management and Connectivity. Each of these platforms directly reflects the evolution of the energy industry and draws upon the collective resources of our nine business divisions. While each division enjoys solid growth prospects within its respective market, we are determined to harness their shared potential by linking many of the discrete products and services they deliver into complete value-added systems and solutions that address the major industry challenges within each of our five targeted growth platforms. By doing this, we will also be increasing the proportion of total revenues tied to our customers' ongoing operating expenditures and thus mitigating some of the fluctuation in our results over time. You can learn more about our plans on pages 10 to 18 of this report.

During the year ahead, our focus will remain on four key priorities designed to deliver strong performance to our shareholders. First, we will sustain our leadership in the pipe coating business by leveraging our industry-leading technology, customer relationships, and reputation for quality and performance, to capture a major share of upcoming major pipe coating projects. Second, as we have done in Pozzallo, Italy, we will bring all Socotherm pipe coating facilities up to standard by completing our profit improvement program. Third, we will continue to develop the technology required to extend our leadership in discrete products and services and to integrate them into complete systems that meet our customers' major challenges. Finally, we will continue to expand the products and services we deliver to the global pipeline industry by targeting acquisitions that provide access to technology enabling blocks, facilitate geographic and/or portfolio expansion, or furnish the foundation needed for new platforms.

Meanwhile, our long-term goals will not change. These include a commitment to maintaining a return on invested capital of 15% and earnings per share growth of 15% per year over the full business cycle, with consistent and proportionate growth in our dividend. To ensure stability throughout the cycle, we are committed to maintaining a strong balance sheet with net debt to capital and EBITDA of less than 45% and 1.5 times, respectively. Fundamental to achieving these goals, and reflecting our commitment to act with integrity in everything we do, is ShawCor's unwavering focus on the health and safety of our people.

In closing, I would like to extend my appreciation to the many employees, business partners, customers, and communities who have contributed to ShawCor's growth success. I would also like to thank former CEO Bill Buckley and the rest of the Board for their advice and guidance during what has been another challenging and successful year for ShawCor. With your continued support, we look forward to reporting on our progress.

STEVE ORR
Chief Executive Officer

INDUSTRY LEADERSHIP

ShawCor is the world's largest provider of advanced pipeline coating systems and related energy services. An unrivalled network of 105 global locations in 20 countries places us in the heart of every important energy-producing region and at the forefront of the fastest-growing segments in the industry.

PIPELINE AND PIPE SERVICES

	Bredero Shaw/ Socotherm	Canusa-CPS	Flexpipe Systems	Shaw Pipeline Services
BUSINESS DESCRIPTION	The global leaders in pipe coating solutions for corrosion protection, flow assurance, thermal insulation, field joints, custom coating and concrete weight coating applications for onshore and offshore pipelines.	The market leader in field applied pipeline coatings and insulation systems for onshore and offshore corrosion, mechanical and thermal protection applications in the global oil, gas, water, and insulated pipeline markets.	Leading manufacturer of flexible composite pipe systems used for oil and gas gathering, water transportation, CO_2 injection and other corrosive applications that benefit from the product's pressure and corrosion resistance capabilities.	A leader in specialized NDT inspection with a primary focus on both the upstream and downstream oil and gas industry where the division is the premier global provider of girth weld inspection services for land and offshore pipelines.
KEY CUSTOMER SEGMENTS	• Pipeline owners • Oil and gas producers • EPC contractors • Pipe mills and distributors	• Pipeline owners • Oil and gas producers • Pipeline contractors • District heating and cooling systems • Water and wastewater pipeline	• Oil and gas producers • Pipeline owners • Gas distributors	• Lay barge operators • Spool bases • Pipeline owners and contractors
HIGH GROWTH MARKETS	• Deepwater/Offshore • Onshore/Oil Sands • LNG/Enhanced Recovery • Rehabilitation/ Shale Plays	• Deepwater/Offshore • Onshore/Oil Sands • LNG/Enhanced Recovery • Potable Water/ District Heating	• Oil and Gas Gathering • Enhanced Recovery • CO_2 Injection • Water Transportation	• Deepwater/Offshore • Onshore • Ultrasonic Inspection • Real Time Radiography

PETROCHEMICAL AND INDUSTRIAL

Desert NDT

Leading US provider of inspection and integrity services for gathering lines and midstream infrastructure. Services to ensure safe operations extend the entire asset lifecycle. Data management allows clients to confidently affirm the safety and compliance of their systems.

- Oil and gas producers
- Pipeline owners
- Pipeline contractors

- Onshore / shale
- Oil and gas gathering

Guardian

Leading North American provider of a complete range of tubular management solutions including integrated inspection, threading, refurbishment and inventory management.

- Drilling contractors
- Oil and gas producers
- Tubular rental companies

- OCTG Manufacturers and Suppliers
- Onshore/Shale
- Offshore Oil and Gas
- Onshore/Oil Sands (SAGD)

DSG-Canusa

Leading global manufacturer of heat shrinkable tubing, sleeves and moulded products as well as heat shrink accessories and equipment with a manufacturing presence in three key markets: Americas, Europe and Asia/Pacific.

- Automotive
- Electrical/Utility
- Communications
- Aerospace/Defence/ Mass Transit
- Industrial

- Automotive
- Communications
- Aerospace/Defence/ Mass Transit

ShawFlex

World-class manufacturer of specialty wire and cable products for use in severe service industrial environments.

- Petrochemical
- Power generation
- Pulp and paper
- Mining
- Automation

- Petrochemical/Power Generation/Nuclear
- Control & Automation/ Robotics
- Light Rail/Rapid Transit

2014 KEY HIGHLIGHTS

105+
GLOBAL LOCATIONS

9
MOBILE COATING PLANTS

>8,000
EMPLOYEES WORLDWIDE

20
COUNTRIES ACROSS THE WORLD

STRONG LONG-TERM FUNDAMENTALS

Despite recent volatility in energy prices and slower economic growth in most of the developed world, ShawCor's prospects are supported by the strong, long-term fundamentals. Between now and 2040, the world's primary energy demand is expected to grow by up to 2.0% per year, led by the fast-growing economies of Asia Pacific and other developing regions. Meanwhile, the depletion rate for existing hydrocarbon reserves is running between 6.0% and 7.5% per year.

To bridge this gap, the world's leading energy producers are exploring and developing new energy deposits in increasingly remote and challenging environments. From the high Arctic to the deep oceans, to the shale plays and oil sands, the growth frontiers of oil and gas production are driving the need for new pipeline investment and innovative technological solutions.

What's more, the cost of finding and developing new hydrocarbon deposits is steadily increasing. During the 10-year period from 1995 to 2004, global capital expenditures on the development of new oil and gas resources exceeded US$2 trillion and resulted in a net increase in oil production of about 12 million barrels per day. Over the six-year period from 2005 to 2010, the energy industry invested about the same amount of capital without a corresponding increase in production. This trend is expected to keep driving the demand for advanced technological solutions that reduce risk and minimize recovery costs.

Meanwhile, expenditures on the maintenance and rehabilitation of existing land pipelines are expected to grow substantially. More than 60% of the North American pipeline infrastructure is older than 20 years, and 50% of all pipelines are approaching their original design life expectancy. Increasing public awareness and tightening government regulation will continue to drive growth in expenditures on the inspection, repair and replacement of aging infrastructure.

For all of these reasons, global spending on energy infrastructure is expected to remain strong in the decades ahead. As the world's market and technological leader in advanced pipeline coating systems and a diversified energy services company active in all of the industry's high-growth segments, ShawCor will continue to benefit from these trends.

ADDITIONAL INFORMATION

You can learn more about the market dynamics of the global energy industry, including detailed projections of supply and demand, by visiting the U.S. Energy Information Administration at: www.eia.gov

FOUR KEY OPPORTUNITIES FOR SHAWCOR

Growth in Unconventionals

- Large regional plays (i.e. Bakken, Eagle Ford, Vaca Muerta)
- Factory approach to achieve economics

Growth in Deepwater Reserves

- Technical extremes
- Component and system reliability
- Execution critical

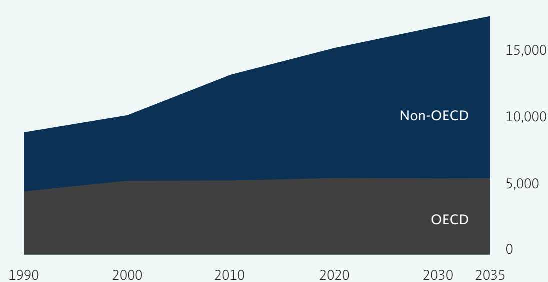
Transportation for Mismatch of Supply – Demand

- Operational continuity and effectiveness
- Recurring revenues from pipeline operating expenditures

Aging Infrastructure and Increasing Public Scrutiny

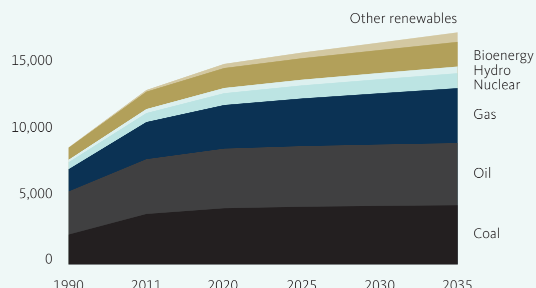
- Gas mobility through pipeline and LNG
- Production infrastructure to feed exports

1 GLOBAL ENERGY DEMAND BY REGION
(millions of tonnes of oil equivalent)



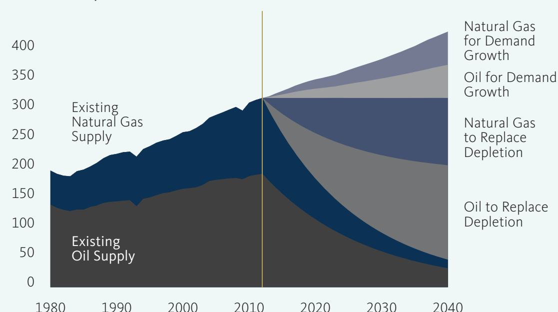
Energy demand is expected to increase more than one third between 2011 and 2035, driven by strong growth in the world's emerging economies.
(Source: IEA)

2 GLOBAL ENERGY DEMAND BY FUEL
(millions of tonnes of oil equivalent)



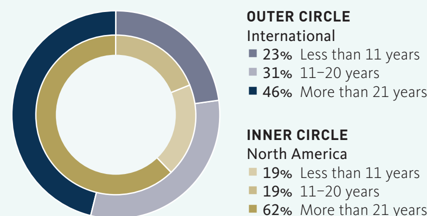
While oil demand rises by 0.5% between 2011 and 2035, demand for natural gas rises at a compound average annual growth rate of 1.6% per year, an increase of 50% during the period.
(Source: IEA)

3 CHALLENGE TO MEET GLOBAL DEMAND
(quadrillion BTU)



Rising global energy demand and increasing depletion rates require new sources of oil and gas including: deepwater, shale plays, frontier gas, LNG and oil sands.
(Source: EIA, IEA)

4 AGING GLOBAL PIPELINE INFRASTRUCTURE
(%)



Aging pipeline systems are creating growing demand for pipeline rehabilitation products and services.
(Source: Douglas-Westwood)

BUILDING AN INTEGRATED ENERGY SERVICES LEADER

ShawCor is the world's largest provider of advanced pipeline coating systems and a leading provider of related energy services. Today, we are working to harness the shared potential of our businesses by systematically linking their market-leading products and services into fully integrated customer solutions that address the energy industry's most important challenges. Over the next few years we are determined to create a global, integrated energy services company built on five platforms of growth – Pipeline Performance, Composite Production Systems, Integrity Management, Oilfield Asset Management and Connectivity.

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1

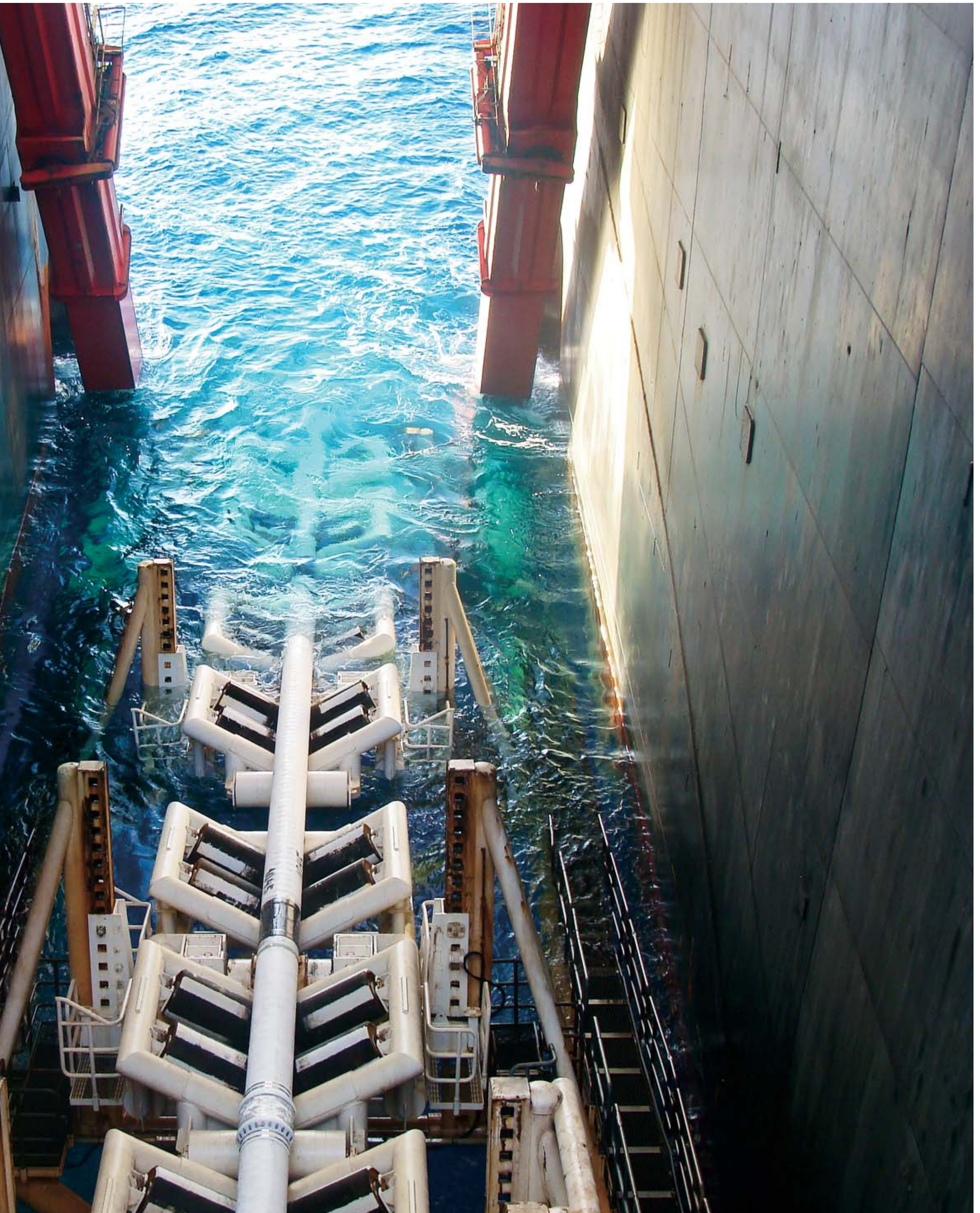
PIPELINE PERFORMANCE

▸ ShawCor is the industry leader in advanced pipeline coating systems for extreme environments. Here, finished pipeline will be fed into the ocean depths through a lay barge stringer.

Through our Bredero Shaw, Canusa CPS and Socotherm divisions, ShawCor is the industry's leading provider of advanced pipeline coatings, with a network of 43 state-of-the art facilities worldwide. Today we are leveraging this dominant position to create innovative solutions that extend the life, and expand the operating envelope, of our customers' critical pipeline assets.

While pipeline coating systems typically represent less than five percent of the total installed cost of major infrastructure projects, they are critical to ensuring the uninterrupted operation of these multi-billion dollar assets. Our advanced coatings ensure that pipelines can be operated at the optimal flow rate over the maximum period for which they are designed. By developing next generation anti-corrosion coatings such as High Performance Powder Coating (HPPC) and Sure-bond™, we are creating solutions that reduce risk, meet the increasingly stringent demands of regulators for pipeline integrity, and enhance the reliability, working life and economic return of operators' pipeline assets. Adding value through coatings and bundling the system with advanced integrity management services further distinguishes ShawCor as a trusted, full-service solutions provider and strengthens our leadership in the development of advanced pipeline coating systems.

We are also advancing our efforts to gain market share by expanding the operating capability of pipelines through the development of new flow assurance technologies. As energy producers move into increasingly extreme environments to replace conventional reserves, ShawCor has been answering the need for a new generation of high-performance thermal coating systems. Over the past few years, we have continuously pushed the boundaries of high-temperature resistant insulation coatings that are critical to the exploitation of deep and ultra-deep marine hydrocarbon reservoirs.



▸ FlexPipe System's advanced polymer-based pipe product line continues to expand owing to faster installation time and lower cost of ownership than traditional steel pipe systems.

COMPOSITE PRODUCTION SYSTEMS

The second of ShawCor's five growth platforms, Composite Production Systems, represents one of the most promising segments in the energy services industry. Advanced polymer-based pipe, fittings and associated components continue to displace steel pipeline systems and ShawCor's fastest growing division, Flexpipe Systems, is at the forefront of this trend.

Flexpipe Systems is a leading manufacturer of flexible composite pipe systems used for oil and gas gathering, water transportation, CO_2 injection and other applications that require advanced pressure and corrosion resistance capabilities.

Compared to conventional steel pipes, flexible composites are much easier to install and maintain. This translates into accelerated production and reduced cost of ownership for the pipeline owner and makes the industry's shift from steel to flexible composite pipe inevitable. ShawCor is ideally positioned to lead this transition given our global distribution network, extensive industry relationships and technological leadership in advanced pipeline materials. Today, Flexpipe continues to expand the potential size of its addressable composite market through new product development.

So far, Flexpipe's participation in the composite revolution has been limited to small diameter spoolable pipe. Over the past year, however, Flexpipe has advanced the product testing and manufacturing process for a new family of proprietary discrete length larger diameter composite pipe. Several full-scale field trials with leading customers were successfully completed during 2014 and full commercialization will take place later this year. Initially, this product will be available in 6-inch and 8-inch diameters, both with 750 and 1500psi pressure ratings and a service life of 20 years. By gradually expanding its sights to other geographic regions and extending the product line to include up to 12-inch diameter pipe, Flexpipe intends to secure a leading position in a global market that will grow to reach $10 billion in annual sales.

INTEGRITY MANAGEMENT

There are an estimated 2.5 million miles of energy pipelines in North America, 60% of which are more than 20 years old. ShawCor is executing a strategy to deliver the inspection, maintenance and rehabilitation services required for these aging systems and lead industry efforts to improve the quality and reliability of new pipeline installations.

Shaw Pipeline Services is a leading global provider of girth weld inspection services for land and offshore pipelines and a leader in non-destructive testing (NDT) through the development of proprietary real-time radiography (RTR) and ultrasonic inspection technologies. Its prospects will continue to be supported by aging North American pipelines and increasing public and regulatory scrutiny of both old and new installations.

To expand our presence in this $3 billion market, in 2014, ShawCor acquired Desert NDT – a leading U.S. provider of NDT, integrity management and inspection services for gathering pipelines and midstream infrastructure. Desert NDT has given ShawCor an immediate presence in major U.S. oil and gas basins and provided a critical source of skilled NDT technicians to deploy the Company's advanced RTR and ultrasonic inspection technologies.

Looking ahead, we are already working on what customers will ultimately want – continuous, system-wide monitoring and high resolution leak detection that doesn't require shutting down or reducing the operation of the pipeline. To get there, we are leveraging our resources through multi-disciplinary technology communities that draw on technical and business expertise from all divisions, and results-focused research agreements with leading universities. We have also partnered with industry innovators to develop remote data monitoring through Zedi Inc. and asset tracking technology through Vintri Technologies. In 2015, we expect to field trial solutions that incorporate electronic sensor technology to continuously report pipeline integrity data to operators, with the goal of identifying potential leaks before they occur.

▸ The acquisition of Desert NDT has enhanced the geographic presence and technological leadership in advanced RTR and ultrasonic inspection.

▸ Guardian's Mobile EMI desk allows for real-time magnetic analysis of tubular products in the field.

OILFIELD ASSET MANAGEMENT

4

The advent of horizontal drilling and completion technologies has opened up the huge potential of unconventional shale oil and gas production. With these technologies has come the need for a factory approach to energy production where the oilfield operator's return on investment depends on sustaining peak operating performance and high rates of asset utilization.

ShawCor is readily positioned to meet this challenge. Our Guardian division is an industry leader in oilfield tubular management, with a focus on production tubing, casing and drill pipe. As an integrated oilfield asset company, Guardian offers a wide range of services including: in-plant and mobile inspection, refurbishment, machining, manufacturing and web-based inventory systems.

Guardian helps its customers operate at peak efficiency by: minimizing customer equipment costs and downhole failures during drilling operations and well production; providing high-quality (ISO 9001:2008 Certified) in-plant and mobile service and faster turnaround time; and maximizing inventory turnover with advanced web-based systems that allow customers to track the location, condition and history of their tubular assets. In 2015, this tracking capability will be expanded to provide field deployed real-time inventory access.

The Company has a strong presence in key oilfield markets throughout North America, yet our share of this highly fragmented market is approximately 5%. With ShawCor's well-established management system for drill pipe, and our strong market position in Canada, we see abundant potential to grow our oilfield management business in the U.S. and Mexico and to add new categories, such as the high pressure tubulars used in the "fracing" process (frac and flow iron) to our one-stop branch service model.

As in our other growth platforms, we will acquire, integrate and generate synergies from complementary companies that add important technology, expand our geographic footprint and improve our capacity to deliver timely, value-added product and service solutions to our customers.

5

CONNECTIVITY

Energy producers recognize the need for improved control and instrumentation to reduce installation time, eliminate complexity, increase oil and gas recovery and generally enhance the reliability and efficiency of their operations. ShawCor is ready to earn a growing share of the oilfield connectivity market by leveraging the strengths of our Petrochemical and Industrial divisions.

As oilfield operations become increasingly complex, more advanced devices are needed ‘downhole’ to control the activities associated with completions and enhanced reservoir recovery. These devices are controlled from the surface but the connection in between is often the weakest link in oilfield operations. Producers know that better connectivity leads to gains in recovery rates, lower operating costs, earlier production and improved system reliability.

ShawCor has the foundation required to serve this growing market through its two well-established Petrochemical and Industrial divisions. DSG-Canusa is a leading global manufacturer of heat shrink products, accessories and equipment that insulate, protect and environmentally seal critical control systems in a variety of electrical, electronic and mechanical applications. ShawFlex is a world-class manufacturer of instrumentation, thermocouple, control, power, marine and robotics cables. Their products are used primarily in the petrochemical, power generation, pulp and paper, primary metals, automation, robotics and automotive industries.

These businesses have a long track record of providing sealed specialty-cable solutions for harsh operating environments to a wide range of customers around the world, including a few energy companies. However, there is much more we can do to extend the industry-leading technologies of our Petrochemical and Industrial divisions to the oilfield. For example, by adding recognized oilfield brands to established sales channels in both the Pipeline and Pipe Services and Petrochemical and Industrial segments of our business, we stand to capitalize on an opportunity to provide complete connectivity solutions in a highly fragmented market that is conservatively estimated to exceed $10 billion per year.

▸ DSG-Canusa’s investments in world-class facilities have strengthened the division’s technological leadership and customer service capabilities.

Orientated
subsea 7
26227
26470

FINANCIAL REVIEW

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), is a discussion of the consolidated financial position and results of operations of ShawCor Ltd. ("ShawCor" or "the Company") for the years ended December 31, 2014 and 2013 and should be read together with ShawCor's audited consolidated financial statements and accompanying notes for the same periods. All dollar amounts in this MD&A are in thousands of Canadian dollars except per share amounts or unless otherwise stated.

This MD&A and the audited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, 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. With the completion of the Desert NDT acquisition on July 8, 2014, the Company now operates nine divisions with over ninety manufacturing, sales and service facilities located around the world. The Company is publicly-traded on the Toronto Stock Exchange.

1.1 Core Businesses

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

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

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

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

As at December 31, 2014, the Company operated its nine 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 91% of consolidated revenue for the year ended December 31, 2014. This segment includes the Bredero Shaw, Canusa-CPS, Shaw Pipeline Services, Flexpipe Systems, Guardian, Socotherm and Desert NDT divisions.

- Bredero Shaw's product offerings include specialized internal anticorrosion 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.
- Canusa-CPS manufactures heat-shrinkable sleeves, adhesives, sealants and liquid coatings for corrosion protection on onshore and offshore pipelines.
- Shaw Pipeline Services provides ultrasonic and radiographic pipeline girth weld inspection services to pipeline operators and construction contractors worldwide for both onshore and offshore pipelines.

- Flexpipe Systems manufactures spoolable composite pipe systems used for oil and gas gathering, water disposal, carbon dioxide injection pipelines and other applications requiring corrosion resistance and high pressure capabilities.
- Guardian provides a complete range of tubular management services including inventory management systems, mobile inspection, in-plant inspection and the refurbishment and rethreading of drill pipe, production tubing and casing.
- Socotherm provides specialized thermal insulation coatings, anticorrosion coatings, internal coatings, and concrete weight coatings for onshore and offshore pipelines.
- Desert NDT provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services.

Petrochemical and Industrial

The Petrochemical and Industrial segment, which includes the DSG-Canusa and ShawFlex divisions, accounted for 9% of consolidated revenue for the year ended December 31, 2014. 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.

- DSG-Canusa 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.
- ShawFlex is a manufacturer of wire and cable for control, instrumentation, thermocouple, power, marine and robotics applications.

1.2 Vision and Objectives

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

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

1.3 Key Performance Drivers

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

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

1.4 Key Performance Indicators

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

Certain of the following key performance indicators used by ShawCor are not measurements in accordance with GAAP, should not be considered as an alternative to net income or any other measure of performance under GAAP and may not necessarily be comparable to similarly titled measures of other entities. Refer to *Section 12.0 – Reconciliation of Non-GAAP Measures*, for additional information with respect to non-GAAP measures used by the Company.

Net Income Growth

As part of its performance objectives, the Company has set a goal for average annual net income growth of 15% over the full business cycle, as described in *Section 1.2 – Vision and Objectives*. Net income (attributable to shareholders of the Company) decreased by $125.0 million, or 57%, from $219.9 million for the year ended December 31, 2013 to $94.9 million for the year ended December 31, 2014. The decrease was mainly due to the impairment charges of $120.4 million recorded in the third and fourth quarters of 2014, lower Adjusted Operating Income (a non-GAAP measure defined as Operating Income excluding impairment charges), as explained in section 4.1 below, the increase in loss from investment in joint ventures of $18.5 million, driven mainly by the Venezuela impairment, and a net increase in finance cost of $3.5 million. This was partially offset by lower income tax expense of $57.4 million, higher net gain on assets held for sales of $10.1 million and the impact of changes in non controlling interest of $3.4 million.

Return on Invested Capital ("ROIC")

ROIC, a non-GAAP measure, is defined as net income for the year adjusted for after tax interest expense divided by average invested capital for the most recently completed year. ROIC is used by the Company to assess the efficiency of generating profits from each unit of invested capital. As part of its performance objectives, the Company has set a ROIC target of 15%, as described in *Section 1.2 – Vision and Objectives*. The Company's ROIC for the years ended December 31, 2014 and 2013 was 8.5% and 23.5%, respectively. The decrease of 15 percentage points was primarily due to a decrease of $122.7 million in net income for the year, adjusted for after-tax interest expense combined with an increase in average invested capital of $289.9 million.

Safety and Environmental Stewardship
The Company maintains a comprehensive HSE management system in place within each of its nine operating divisions and is committed to being an IIF workplace with no damage to the environment. For the years ended December 31, 2014 and December 31, 2013, the Company had recordable injuries per million person hours worked of 7.0 and 5.9, respectively. During 2014, the Company completed 20 HSE audits at manufacturing and service locations across all nine divisions and developed action plans to correct any deficiencies identified in the audits.

1.5 Capability to Deliver Results

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

Capital expenditures increased by $0.9 million from $76.7 million for the year ended December 31, 2013 to $77.6 million for the year ended December 31, 2014. The Company believes it has sufficient available resources and capacity to meet the market demand for its products and services in the markets where the Company operates. The Company may, however, incur new capital expenditures to facilitate growth in new markets.

The current level of working capital investment is expected to be sufficient to support the level of business activity projected in 2015; however, unexpected increases in business activity or specific pipe coating project requirements may result in higher working capital requirements. Any such increase in requirements will be financed from the Company's cash balances and available committed credit facilities. The Company had cash and cash equivalents and short term investments of $117.1 million and $86.0 million as at December 31, 2014 and 2013, respectively, and had unutilized lines of credit available of $381.0 million and $209.5 million, as at December 31, 2014 and 2013, respectively.

The current financial position of the Company is strong and the Company does not foresee any difficulties in maintaining a sufficient level of financial capacity to execute the Company's growth strategy.

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

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

On an ongoing basis, the Company monitors its succession planning program in order to mitigate the impact of planned or unplanned departures of key personnel. As at December 31, 2014, the Company believes it has sufficient human resources to operate its businesses at an optimal level and execute its strategic plan.

Systems and Processes
Management regularly reviews the Company's operational systems and processes and develops new ones as required. Key operational programs utilized by the Company during the year ended December 31, 2014 included systems and controls over project bidding, capital expenditures, internal controls over financial reporting, product development, HSE management and human resource development. In addition, the ShawCor Manufacturing System ("SMS") program has been implemented to increase operating efficiency and achieve significant cost savings in each of the Company's nine divisions.

As at December 31, 2014, the Company believes it has sufficient systems and processes in place to operate its businesses at an optimal level and execute its strategic plan.

2.0 FINANCIAL HIGHLIGHTS

2.1 Selected Financial Information

(in thousands of Canadian dollars)	2014	2013	2012
	Twelve Months Ended December 31,		
			(restated)
Revenue	$ 1,890,029	$ 1,847,549	$ 1,469,187
Cost of Goods Sold and Services Rendered	1,166,319	1,058,946	895,004
Gross Profit	723,710	788,603	574,183
Selling, general and administrative expenses	375,153	382,755	306,108
Research and development expenses	13,053	15,687	12,242
Foreign exchange gains	(3,747)	(4,936)	(109)
Amortization of property, plant and equipment	55,219	66,484	44,985
Amortization of intangible assets	15,587	10,312	7,319
Gain on sale of land	(609)	(5,156)	(12,101)
Impairment[(a)]	120,378	–	4,686
Income from Operations	148,676	323,457	211,053
Accounting gain on acquisition	–	–	413
Gain (loss) on assets held for sale	6,427	(3,683)	–
Income from investment in associates	877	–	8,694
(Loss) income from investment in joint ventures	(22,375)	(3,874)	618
Finance (costs) income, net	(18,401)	(14,912)	1,360
Income before Income Taxes	115,204	300,988	222,138
Income taxes	21,010	78,402	43,783
Non-controlling interests	(667)	2,724	45
Net Income (attributable to shareholders of the Company)	$ 94,861	$ 219,862	$ 178,310
Net Income (attributable to shareholders of the Company)	$ 94,861	$ 219,862	$ 178,310
Add:			
Income taxes	21,010	78,402	43,783
Accounting gain on acquisition	–	–	(413)
Finance costs, net	18,401	14,912	(1,360)
Amortization of property, plant, equipment and intangible assets	70,806	76,796	52,304
Gain on sale of land and others	(609)	(5,156)	(12,101)
Impairment[(a)]	120,378	–	4,686
Impairment of investments in joint ventures	18,948	–	–
EBITDA[(b)]	$ 343,795	$ 384,816	$ 265,209
Non-controlling interests	(667)	2,724	45
(Gain) loss on assets held for sale	(6,427)	3,683	–
ADJUSTED EBITDA[(b)]	$ 336,701	$ 391,223	$ 265,254
Per Share Information:			
Net Income			
Basic	$ 1.55	$ 3.55	$ 2.53
Diluted	$ 1.53	$ 3.51	$ 2.50
Cash Dividend per Share:			
Common Shares	$ 0.575	$ 1.375	$ –
Class A	–	0.100	0.380
Class B	$ –	$ 0.091	$ 0.345

(a) Relates mainly to the Bredero Shaw Brasil, Socotherm Gulf of Mexico and Bridgen plant impairments; refer to section 3.0 for additional details.
(b) Earnings before interest, income taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA are non-GAAP measures and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP measures do not have standardized meanings under IFRS. The Company's method of calculating these measures may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. Refer to *Section 12.0 – Reconciliation of Non-GAAP Measures*, for additional information with respect to other non-GAAP measures used by the Company.

(in thousands of Canadian dollars)	December 31, 2014	December 31, 2013
Total Assets	$ 1,939,970	$ 1,651,928
Total Non-current Liabilities	$ 524,462	$ 542,278

Revenue

Consolidated revenue increased by $42.4 million, or 2%, from $1,847.6 million for the year ended December 31, 2013, to $1,890.0 million for the year ended December 31, 2014, due to an increase of $29.0 million in the Pipeline and Pipe Services segment and an increase of $14.6 million in the Petrochemical and Industrial segment. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 below.

Consolidated revenue increased by 26%, or $378.4 million, from $1,469.2 million for the year ended December 31, 2012 to $1,847.6 million for the year ended December 31, 2013, due to increases of $363.5 million in the Pipeline and Pipe Services segment and $15.4 million in the Petrochemical and Industrial segment.

Income from Operations

During 2014, the Company recorded impairment charges of $120.4 million. Excluding these charges, Adjusted Operating Income (refer to *Section 12.0 – Reconciliation of Non-GAAP Measures*) decreased by $54.4 million, from the year ended December 31, 2013 to $269.1 million during the comparable period in 2014. Adjusted Operating Income was impacted by a year over year decrease in gross

profit of $64.9 million, a decrease in net foreign exchange gains of $1.2 million and a lower gain on sale of land of $4.5 million. These reductions were partially offset by decreases in SG&A expenses of $7.6 million, in research and development expenses of $2.6 million and in amortization of property, plant, equipment and intangible assets of $6.0 million.

Income from operations increased by $112.4 million from the year ended December 31, 2012 to $323.5 million during the comparable period in 2013. Operating Income benefited from a year over year increase in gross profit of $214.4 million, an increase in net foreign exchange gain of $4.8 million and an impairment charge of $4.7 million incurred in 2012. This was partially offset by increases in SG&A expenses of $76.6 million, research and development expenses of $3.4 million, amortization of property, plant, equipment and intangible assets of $24.5 million and a lower gain on sale of land of $6.9 million.

Net Income (attributable to shareholders of the Company)

Net income decreased by $125.0 million, from $219.9 million during the twelve-month ended December 31, 2013 to $94.9 million during the twelve-month period ended December 31, 2014. This decrease was mainly due to the impairment charges of $120.4 million recorded in the third and fourth quarters of 2014, lower Adjusted Operating Income, as explained above, the increase in loss from investment in joint ventures of $18.5 million, driven mainly by the Venezuela impairment, and a net increase in finance cost of $3.5 million. This was partially offset by lower income tax expense of $57.4 million, higher net gain on assets held for sale of $10.1 million and the impact of changes in non controlling interest of $3.4 million.

Net income increased by $41.6 million, from $178.3 million during the twelve-month ended December 31, 2012 to $219.9 million during the twelve-month period ended December 31, 2013, mainly due to higher Operating Income of $112.4 million in 2013 as explained above. This was partially offset by increases in net finance costs of $16.3 million, income tax expense of $34.6 million and income on investment in associate of $8.7 million recorded in 2012.

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:

	Year Ended December 31	
	2014	2013
US Dollar	**1.1064**	1.0324
Euro	**1.4638**	1.3734
British Pound	**1.8178**	1.6204

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

(in thousands of Canadian dollars)	**Year Ended December 31, 2014**
Revenue	**$ 50,166**
Income from operations	**12,349**
Net income (attributable to shareholders of the Company)	**14,623**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $3.7 million in 2014, compared to a gain of $4.9 million for the comparable period in the prior year, as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities.

3.0 BUSINESS DEVELOPMENTS

Equity Investment in ZEDI Inc.

On February 20, 2014, ShawCor completed an equity investment in Zedi Inc. ("Zedi"), a Calgary, Alberta based company engaged in end-to-end solutions for production operations management in the oil and gas industry. Zedi has successfully developed and deployed remote field monitoring and related data management solutions for the optimization of oil and gas well production. Zedi also completed a management led buyout through an Alberta court and shareholder approved plan of arrangement. ShawCor's equity investment in Zedi consists of an approximately 25% common share interest plus convertible preferred shares for a total investment of approximately $24 million, which was accounted for using the equity method of accounting.

Moho Nord Subsea Project in Congo

On February 25, 2014, ShawCor, through its Socotherm pipe coating division, received a contract with a value in excess of US$40 million from Tenaris S.A. to provide pipeline coatings for the Moho Nord Oil Pipeline project. The Moho Nord project is located in water depths of 650 to 1,150 metres approximately 75 kilometers off the Congo coast in West Africa. The contract was executed primarily at the Socotherm pipe coating facility in Pozzallo, Italy with additional work completed at Socotherm's facilities in Adria, Italy and Escobar, Argentina.

South Stream Offshore Pipeline Project

On February 26, 2014, ShawCor, through its Bredero Shaw pipe coating division, received a contract with a value of approximately US$50 million from EUROPIPE GmbH for the concrete weight coating of Line 1 of the South Stream Offshore Pipeline. The South Stream Offshore Pipeline system is comprised of 4 pipelines that will cross the Black Sea and transport gas from Russia to Bulgaria and on to Central and Southern Europe. The contract will be executed at the Bredero Shaw pipe coating facility in Leith, Scotland. This contract involves coating approximately 148 km of 32" pipe with concrete weight coating.

On June 30, 2014, the Company announced its Bredero Shaw pipe coating division, had received a contract with a value of approximately US$50 million from Marubeni Sumitomo Consortium for coating services for Line 2 of the South Stream Offshore Pipeline. The contract will be executed at a pipe coating facility in Bredero Shaw's Europe, Middle East, Africa and Russia ("EMAR") region. This contract involves coating approximately 342 km of 32" pipe with 3-Layer Polypropylene and internal flow coating.

On July 3, 2014, the Company announced that its field-applied pipeline coatings and services division, Canusa-CPS, had received a contract with a value of approximately Cdn $30 million from Saipem SpA to provide field joint coating services for Line 1 of the South Stream Offshore Pipeline. This contract involves the manufacture of 3-layer polypropylene

heat shrink sleeves, and their application on each pipe weld of the 900 km 32" offshore pipeline utilizing the Canusa-CPS patented IntelliCOAT™ automated system.

On December 18, 2014, the Company announced the majority of the work associated with its South Stream contracts had been suspended pursuant to suspension notices received from each customer. The suspensions received are applicable for a limited period of time and none of these contracts has been terminated to date. At this time, there can be no assurance as to whether these projects will be reactivated or subsequently terminated.

Shah Deniz Project in Azerbaijan

On May 22, 2014, the Company announced its Bredero Shaw pipe coating division, had received a contract with a value of approximately US$70 million from BP Exploration (Shah Deniz) Ltd. for and on behalf of the South Caucasus Pipeline Company Ltd. for coating services for the South Caucasus Pipeline Expansion ("SCPX") project. The objective of the SCPX Project is to expand the capacity of the existing South Caucasus Pipeline system to accommodate additional gas throughput from the Shah Deniz Stage 2 development in the Azerbaijan sector of the Caspian Sea.

This contract involves coating approximately 491 km of predominately 48" pipe with 3-Layer Polyethylene and internal flow coating. Coating commenced in 2014 and is expected to be completed in late 2015.

On November 18, 2014, the Company announced that its Bredero Shaw pipe coating division had received a second contract with a value of approximately US$200 million from BP Exploration (Shah Deniz) Limited for pipeline coating for the Shah Deniz Stage 2 development project. The contract is scheduled to be executed at the Caspian Pipe Coatings (CPC) plant in Baku, Azerbaijan.

The contract awarded involves the application of anti-corrosion and concrete weight coatings and upgrades to the CPC plant in Baku to enable the facility to meet the project's requirements for anti-corrosion and concrete weight coating.

Coating is expected to commence in 2015 with completion planned for October 2015.

Together with the previously awarded contracts relating to the Shah Deniz Stage 2 and the related South Caucasus Pipeline projects, Bredero Shaw has now secured contracts totaling over US$500 million on these projects.

Retirement of Bill Buckley and Appointment of Steve Orr as CEO

On May 1, 2014, Bill Buckley retired as Chief Executive Officer of ShawCor at the Company's Annual Meeting, where he was also re-elected as a director of the Company. Steve Orr, the President of ShawCor at that time, succeeded him as CEO on that date and was also elected as a director at the meeting.

Acquisition of Scotia Automated Inspection Service

On April 23, 2014, the Company acquired the assets and business of Scotia Automated Inspection Service ("SAIS"), a provider of Non Destructive Testing ("NDT") services based in the North of Scotland (Inverness). SAIS currently markets its services into the North Sea region – UK, Norway and Netherlands.

SAIS' current offerings include traditional NDT services such as film radiography, manual ultrasonic, magnetic particle and liquid penetrate inspections. The acquisition of the SAIS business will allow the Company's Shaw Pipeline Services ("SPS") division to expand its global offshore pipeline inspection market position by providing SAIS with advanced NDT technologies that further enhance SAIS' relationships with current and new customers.

Acquisition of Desert NDT LLC

On July 8, 2014, the Company completed the acquisition of all of the outstanding shares of Desert NDT LLC ("Desert"), for a total consideration of US$263.9 million. Desert is a Houston-based provider of non-destructive testing ("NDT") services for new oil and gas gathering pipelines and infrastructure integrity management services. Desert operates through 18 branches located in major U.S. oil and gas basins.

The acquisition was funded with cash and through available revolving credit facilities.

Completion of Sale of Brazilian Joint Venture Interest

On September 4, 2014 the Company completed the sale of its Socotherm division's joint venture interest in Socotherm Brasil, first announced in December 2013, to its joint venture partner, Tenaris. Socotherm Brasil operates a pipe coating facility which is managed by Tenaris and which is located at the Confab welded pipe mill in Pindamonhangaba, Brazil.

From the sale, ShawCor realized net proceeds of approximately US$29.7 million.

The sale of Socotherm's joint venture interest in Socotherm Brasil is consistent with ShawCor's strategy to focus its pipe coating investments on operations it manages and controls. Following the sale, ShawCor will continue to serve Tenaris' global pipe coating needs and the Brazilian pipe coating market from its global pipe coating plant network.

Completion of Approximately $230 million Bought Public Offering

On September 19, 2014, the Company closed its bought public offering of 3,650,000 common shares (the "Shares") at a price of $54.85 per Share (the "Issue Price") for gross proceeds of $200.2 million (the "Offering").

The Offering was underwritten by a syndicate led by TD Securities Inc. and included Cormark Securities Inc., RBC Dominion Securities Inc., AltaCorp Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and Scotia Capital Inc. (collectively, the "Underwriters").

On October 3, 2014, the Underwriters exercised in full an over-allotment option and purchased an additional 547,500 common shares of the Company at a price of $54.85 per common share. The closing of the over-allotment option increased the total gross proceeds of the Offering to $230.2 million.

The Company used the net proceeds from the Offering for general corporate purposes, including to repay a portion of its outstanding revolving debt in the normal course in order to create debt availability to fund future corporate investments, which may potentially include future acquisitions.

Impairment Charges

The Company incurred an impairment charge of $41.4 million ($29.4 million net of tax) in the third quarter of 2014, relating primarily to goodwill and intangible assets that arose from the 2010 purchase of the Company's joint venture partners in Thermotite do Brasil Ltda. The write-down was calculated based on a variety of factors, including anticipated Brazilian market developments, and represents a non-cash charge that will not impact the Company's ability to generate revenue or income from its operations in Brazil. The Company is committed to continuing to serve the Brazil market for deep water pipe coatings.

On December 22, 2014, the Company announced that it expected to incur an after tax impairment charge of up to approximately $80 million. The final amount of the impairment charges of $97.9 million ($70.0 million net of tax) was recorded by the Company in the fourth quarter of 2014. The impairment charges recorded related to goodwill and intangible assets of the Socotherm Gulf of Mexico coating facility in Channelview, Texas, property, plant and equipment of other company assets in the Gulf of Mexico, and the carrying value of Socotherm's 50% joint venture interest in Venezuela. The charge results from recently conducted annual impairment testing under IFRS of the carrying value of ShawCor's long lived assets.

The write-down of goodwill and intangible assets associated with the Socotherm Gulf of Mexico facility was based primarily on two factors: (i) anticipated market developments in the Gulf of Mexico including the likelihood of project delays as a result of the recent global decline in oil prices, and (ii) the Company's intention to shift non-Gulf of Mexico production from the Channelview, Texas operations to Pozzallo, Italy following the successful launch of production at the Pozzallo facility which is better positioned logistically to service project activity in Europe, the Middle East and Africa. The write down of the joint venture interest in Venezuela was primarily the result of the accelerating devaluation of the local currency in Venezuela.

The write-down is a non-cash charge that will not impact the Company's ability to generate revenue from its operations in the Gulf of Mexico or Venezuela.

Acquisition of Dhatec B.V.

On January 5, 2015, the Company announced that it had completed the acquisition of Dhatec B.V. ("Dhatec"). Dhatec is a Netherlands based company which designs, assembles and markets engineered pipe logistics products and services which mitigate damage and enhance safety and efficiency in the manufacturing, coating, handling, transportation, preservation and storage of pipe. Dhatec's revenue in 2014 was approximately US$25 million.

4.0 RESULTS FROM OPERATIONS

4.1 Consolidated Information

Revenue

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

(in thousands of Canadian dollars)	**2014**	2013	Change
Pipeline and Pipe Services	**$ 1,716,789**	$ 1,687,768	$ 29,021
Petrochemical and Industrial	**177,033**	162,449	14,584
Elimination	**(3,793)**	(2,668)	(1,125)
Consolidated	**$ 1,890,029**	$ 1,847,549	$ 42,480

Consolidated revenue increased by $42.4 million, or 2%, from $1,847.6 million for the year ended December 31, 2013 to $1,890.0 million for the year ended December 31, 2014, due to an increase of $29.0 million in the Pipeline and Pipe Services segment and an increase of $14.6 million in the Petrochemical and Industrial segment. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above.

Revenue for the Pipeline and Pipe Services segment in 2014 was $1,716.8 million, or $29.0 million higher than in 2013, primarily due to higher activity levels in North America, Latin America and EMAR, partially offset by decreased revenue in Asia Pacific. See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment increased by $14.6 million in 2014 compared to 2013, primarily due to higher activity levels in all three regions. 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

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

(in thousands of Canadian dollars)	**2014**	2013	Change
Income from Operations	**$ 148,676**	$ 323,457	$ (174,781)
Adjusted Operating Income[(a)]	**269,054**	323,457	(54,403)
Adjusted Operating Margin[(b)]	**14.2%**	17.5%	(3.3%)

(a) Adjusted Operating Income is Operating Income excluding impairment charges and is a non-GAAP measure. Please refer to *Section 12.0 – Reconciliation of Non-GAAP Measures* to GAAP measures.
(b) Adjusted Operating Margin is defined as Adjusted Operating Income divided by revenue and is a non-GAAP measure.

Adjusted Operating Income decreased by $54.4 million from the year ended December 31, 2013 to $269.1 million in the year ended December 31, 2014. Adjusted Operating Income was impacted by a year over year decrease in gross profit of $64.9 million, a decrease in net foreign exchange gains of $1.2 million and a lower gain on sale of land of $4.5 million. These reductions were partially offset by decreases in SG&A expenses of $7.6 million, in research and development expenses of $2.6 million and in amortization of property, plant, equipment and intangible assets of $6.0 million.

The decrease in gross profit resulted from a 4.4 percentage point decrease in gross margin, attributable to changes in product and project mix compared to the prior year, particularly in the Pipeline and Pipe Services segment's Asia Pacific and Latin America regions which had benefitted from high gross margins on several large concrete weight coating projects in 2013. This was partially offset by the higher revenue in 2014, as explained above.

SG&A expenses decreased by $7.6 million in 2014 compared to 2013. The reduction in SG&A expenses was the result of one time costs of $7.6 million incurred to complete the Company's Plan of Arrangement on March 20, 2013 and related expenses associated with amended executive retirement arrangements of $ 5.0 million incurred in the first quarter of 2013 and higher bad debts and warranty provisions recorded in 2013 of $6.4 million, combined with lower management incentive compensation expenses of $24.3 million in 2014. These reductions in SG&A expenses were partially offset by increases over the prior year of $18.7 million in personnel related costs, $9.5 million from the acquisition of Desert NDT and $9.0 million of rental and building costs primarily associated with pipe storage and increased activity in EMAR.

Finance Costs, Net

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

(in thousands of Canadian dollars)	**2014**	2013	Change
Interest income on short-term deposits	**$ (1,229)**	$ (1,156)	$ (73)
Interest expense, other	**6,210**	5,949	261
Interest expense on long term debt	**13,420**	10,119	3,301
Finance costs – net	**$ 18,401**	$ 14,912	$ 3,489

In 2014, net finance cost was $18.4 million, compared to a net finance cost of $14.9 million in 2013. The increase in net finance cost was primarily a result of higher interest on long-term debt that was issued on March 20, 2013.

Income Taxes

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

(in thousands of Canadian dollars)	**2014**	2013	Change
Income tax expense	**$ 21,010**	$ 78,402	$ (57,392)

The Company recorded an income tax expense of $21.0 million in 2014 compared to an income tax expense of $78.4 million in 2013. Excluding the impact of impairment charges ($139.3 million, deferred tax of $39.9 million), the Company recorded an income tax expense of $60.9 million (24% of income before income taxes) in 2014 compared to an income tax expense of $78.4 million (26% of income before income taxes) in 2013. The Company's tax rate for the twelve month period ended December 30, 2014 was lower than expected income tax rate of 27% due to a portion of the Company's taxable income being earned in the Trinidad Free Zone, Asia Pacific, the Middle East and other jurisdictions where the tax rate is 25% or less.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

The following table sets forth the revenue by geographic location, Adjusted Operating Income and Adjusted Operating Margin for the Pipeline and Pipe Services segment for the following periods:

(in thousands of Canadian dollars, except Adjusted Operating Margin)	**2014**	2013	Change
North America	**$ 787,809**	$ 671,317	$ 116,492
Latin America	**185,057**	161,627	23,430
EMAR	**400,480**	191,814	208,666
Asia Pacific	**343,443**	663,010	(319,567)
Total Revenue	**$ 1,716,789**	$ 1,687,768	$ 29,021
Adjusted Operating Income[(a)]	**$ 279,859**	$ 368,805	$ (88,946)
Adjusted Operating Margin[(b)]	**16.3%**	21.9%	(5.6%)

(a) Adjusted Operating Income is Operating Income excluding impairment charges and is a non-GAAP measure. Please refer to *Section 12.0 – Reconciliation of Non-GAAP Measures* to GAAP measures..

(b) Adjusted Operating Margin is defined as Adjusted Operating Income divided by revenue and is a non-GAAP measure.

Revenue in the Pipeline and Pipe Services segment for the year ended December 31, 2014 was $1,716.8 million, an increase of $29.0 million, from $1,687.8 million for the year ended December 31, 2013. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above, combined with higher revenue in North America, EMAR and Latin America, offset by lower activity levels in Asia Pacific:

- In North America, revenue increased by $116.5 million, or 17%, primarily due to the addition of approximately $61.0 million in revenue from the acquisition of Desert NDT in the third quarter of 2014, increased flexible composite pipe volume in the US, higher revenues from tubular management services and higher volumes at the Socotherm Gulf of Mexico facility. This was partially offset by lower activity levels in small diameter pipe coatings in the US.
- Latin America revenue was higher by $23.4 million, or 14%, due to increased large project activity in Mexico at both the Veracruz and Coatzacoalcos facilities and higher activity levels in Brazil for the Sapinhoa project. This was partially offset by lower revenue on the Technip project in Trinidad, which was completed in 2013.
- EMAR revenue increased by $208.6 million, or 109%, due to higher activity levels at the Socotherm facilities in Italy, increased pipe coating activity levels at the Leith, Scotland and RAK facilities and the Shah Deniz II project in the Caspian, and higher revenue from pipe weld inspection services due to the acquisition of SAIS in the first quarter of 2014.
- Revenue in Asia Pacific decreased by $319.6 million, or 48%, primarily due to the lower volumes associated with the completion of large projects like Inpex Ichthys, Chevron Wheatstone and Apache Julimar at both Kabil, Indonesia and Kuantan, Malaysia.

Adjusted Operating Income for the year ended December 31, 2014 was $279.9 million compared to $368.8 million for the year ended December 31, 2013, a decrease of $88.9 million, or 24% due to the following factors:

- Lower gross profit of $66.9 million driven by a 4.6 percentage point decrease in gross margin due to less favourable project mix, particularly in the Asia Pacific and Latin America regions which had benefitted from high gross margins on several large concrete weight coating projects in 2013, partially offset by higher revenue of $29.0 million, as explained above.
- Higher SG&A expenses, primarily due to the inclusion of $9.5 million of SG&A expenses from the newly acquired Desert NDT business and higher rental and building costs, mainly due to higher activity in the EMAR region.
- A $5.2 million gain on sale of land recorded in the fourth quarter of 2013.

4.2.2 Petrochemical and Industrial Segment

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

(in thousands of Canadian dollars, except Operating Margin)	**2014**	2013	Change
North America	**$ 107,338**	$ 101,117	$ 6,221
EMAR	**62,629**	55,457	7,172
Asia Pacific	**7,066**	5,875	1,191
Total Revenue	**$ 177,033**	$ 162,449	$ 14,584
Operating Income	**$ 26,750**	$ 20,576	$ 6,174
Operating Margin	**15.1%**	12.7%	2.4%

In the year ended December 31, 2014, revenue increased by $14.6 million, or 9%, to $177.0 million compared to the year ended December 31, 2013, due to increased shipments of wire and cable products to North American electrical utilities, combined with increased heat shrinkable product shipments in all three regions and the impact of foreign exchange on revenue, as noted in section 2.2 above.

Operating Income for the year ended December 31, 2014 was $26.8 million compared to $20.6 million for the year ended December 31, 2013, an increase of $6.2 million, or 30%. The increase was primarily due to lower SG&A expenses of $4.1 million in 2014 compared to 2013, primarily due to restructuring charges of $3.2 million recorded in the fourth quarter of 2013. In addition, gross profit was higher by $2.0 million as a result of the increase in revenue of $14.6 million, as explained above, partially offset by a 1.0 percentage point decrease in the gross margin due to unfavourable product mix.

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 period:

(in thousands of Canadian dollars)	**2014**	2013	Change
Financial and corporate expenses	**$ (41,302)**	$ (70,860)	$ (29,558)

Financial and corporate costs decreased by $29.6 million from the twelve month period ended December 31, 2013 to $41.3 million for the twelve month period ended December 31, 2014, primarily as a result of higher one time costs of $7.6 million incurred to complete the Company's Plan of Arrangement on March 20, 2013 and related expenses associated with amended executive retirement arrangements of $5.0 million incurred in the first quarter of 2013. In addition, management incentive compensation expenses were lower by $16.0 million and restructuring costs reduced by $2.6 million in 2014 compared to 2013.

5.0 LIQUIDITY AND CAPITALIZATION

The following table sets forth the Company's cash flows by activity and cash balances for the following periods:

(in thousands of Canadian dollars)	**2014**	2013
Net Income	**$ 94,194**	$ 222,586
Non-cash items	**194,540**	115,603
Settlement of decommissioning obligations	**(215)**	(817)
Settlement of other provisions	**(16,824)**	(19,449)
Net change in non-current deferred revenue	**–**	(64,392)
Net change in employee future benefits	**33**	(20,994)
Net change in non-cash working capital and foreign exchange	**(83,743)**	(200,273)
Cash provided by operating activities	**187,985**	32,264
Cash used in investing activities	**(347,806)**	(38,066)
Cash provided by (used in) financing activities	**190,463**	(215,734)
Foreign exchange impact on cash and cash equivalents	**6,519**	15,950
Net Change in Cash and Cash Equivalents	**37,161**	(205,586)
Cash and cash equivalents at beginning of year	**79,395**	284,981
Cash and Cash Equivalents at End of Year	**$ 116,556**	$ 79,395

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. The Company expects that working capital investment will be required to support revenue growth consistent with historical working capital measures as noted in Section 5.4. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

5.1 Cash Provided by Operating Activities

Cash provided by operating activities was $188.0 million in 2014, an improvement of $155.7 million compared to 2013. The improvement was due to a change in the movement of non-cash working capital and foreign exchange of $116.5 million, an increase in non-cash items of $78.9 million and a net reduction in the movement of non-current deferred revenue of $64.4 million in 2014 compared to the prior year. This was partially offset by a decrease in net income of $128.4 million. The change in the movement of non-cash working capital and foreign exchange reflected a net decrease in the current portion of deferred revenue of $310.3 million in 2014 compared to 2013. This was partially offset by net increases in accounts receivable of $88.0 million and in income tax payable, inventories and prepaid expenses totaling $110.1 million in 2014 compared to 2013. Net income decreased due to the reasons as discussed in Section 2.1.

5.2 Cash Used in Investing Activities

Cash used in investing activities increased by $309.7 million from $38.1 million during 2013 to $347.8 million during 2014. The increase was due to an increase in the business acquisition activities of $250.8 million, primarily due to the Desert NDT acquisition, a net decrease of $65.3 million in the redemption of short term investments, an increase in investment in associate of $18.0 million, and an increase in other assets of $10.0 million both relating to investments made in Zedi Inc., and the payment of deferred purchase consideration of $18.8 million in 2014. This was partially offset by the proceeds from assets held for sale of $46.4 million during 2014.

5.3 Cash Provided by (Used in) Financing Activities

Cash provided by financing activities was $190.5 million for 2014 compared to cash used in financing activities of $215.7 million for 2013, a net increase of $406.2 million. This was partially due to the increase in the issue of new shares of $208.1 million. In addition in 2013, the Company purchased the Class B shares under the Company's Plan of Arrangement in the amount of $503.1 million in the second quarter of 2013, and paid a higher dividend of $53.2 million in 2013 compared to 2014 as a result of the 2013 special dividend. These 2013 uses of cash were partially offset by the proceeds from the issuance of long term debt of $356.3 million during the second quarter of 2013.

5.4 Liquidity and Capital Resource Measures

Accounts Receivables

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

(in thousands of Canadian dollars, except DSO)	**2014**	2013	Change
Average trade accounts receivable	**$ 341,218**	$ 248,944	$ 92,274
DSO[(a)]	**61**	55	6

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

Average trade accounts receivables increased by $92.3 million from $248.9 million as at December 31, 2013 to $341.2 million as at December 31, 2014 as a result of increased revenue in the fourth quarter of 2014 compared with the fourth quarter a year ago. DSO increased by 6 days from 55 during the fourth quarter of 2013 to 61 during the fourth quarter of 2014, primarily due to the timing of sales and collection of receivables in the fourth quarter of 2014 compared to the fourth quarter of 2013 and due to the larger drawdown in deferred revenue in the fourth quarter of 2013.

Inventories

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

(in thousands of Canadian dollars)	2014	2013	Change
Inventories	$ 194,732	$ 180,876	$ 13,856

Inventories increased by $13.8 million from $180.9 million as at December 31, 2013 to $194.7 million as at December 31, 2014, as a reduction in raw materials of $7.5 million was more than offset by increases in work-in-process and finished goods inventory.

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)	2014	2013	Change
Average accounts payable and accrued liabilities	$ 261,088	$ 240,639	$ 20,449
DPO[(a)]	73	88	(15)

(a) DPO, a non-GAAP measure, is 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. The Company's method of calculating this measure may differ from other entities and as a result may not necessarily be comparable to measures used by other entities. See *Section 12.0 – Reconciliation of Non-GAAP Measures*, for additional information with respect to DPO.

Average accounts payable and accrued liabilities increased by $20.5 million from $240.6 million for the year ended December 31, 2013, to $261.1 million for the year ended December 31, 2014. DPO decreased by 15 days from 2013 levels, due to changes in the timing of purchases in the fourth quarter of 2014 compared with the prior year.

5.5 Unsecured Credit Facilities

(in thousands of Canadian dollars)	2014	2013
Bank indebtedness	$ 4,685	$ 5,229
Standard letters of credit for performance, bid and surety bonds	137,667	106,206
Total utilized credit facilities	142,352	111,435
Total available credit facilities[(a)]	523,305	320,910
Unutilized credit facilities	$ 380,953	$ 209,475

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

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

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of its Credit Facility. Specifically, the Company is required to maintain an Interest Coverage Ratio (EBITDA) plus rental payments divided by interest expense plus rental payments) of more than 2.5 to 1 and a debt to total EBITDA ratio of less than 3.00 to 1. The Company was in compliance with these covenants as at December 31, 2014 and December 31, 2013.

These debt covenants are non-GAAP measures and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP measures do not have standardized meanings prescribed by IFRS and are not necessarily comparable to similarly titled measures of other entities. See *Section 12.0 – Reconciliation of Non-GAAP Measures*, for additional information with respect to these debt covenants.

5.6 Long-Term Debt

In March 2013, the Company issued Senior Notes for gross proceeds of US$350 million, bearing interest at rates between 2.98% and 4.07% and having maturities ranging from 7 to 15 years. The total long-term debt balance as at December 31, 2014 is $406.9 million (U.S. $350.0 million) {December 31, 2013 – $374.4 million (U.S. $350.0 million)}. The long-term debt has been designated as a hedge of the Company's net investment in a U.S. dollar functional currency subsidiary as described in Section 5.8 below.

Financial Ratios

The Company has undertaken to maintain certain covenants in respect of the long-term debt that are consistent with the debt covenants described for the Company's Credit Facility above.

The Company was in compliance with these covenants as at December 31, 2014 and December 31, 2013.

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)	2015	2016	2017	2018	2019	After 2019	Total
Purchase commitments	$ 71,363	$ –	$ –	$ –	$ –	$ –	$ 71,363
Bank indebtedness	4,685	–	–	–	–	–	4,685
Loan payable	58	63	–	–	–	–	121
Accounts payable	89,077	–	–	–	–	–	89,077
Deferred purchase consideration	4,873	–	–	–	–	–	4,873
Long-term debt	–	–	–	–	–	406,926	406,926
Finance costs – long-term debt	13,835	13,835	13,835	13,835	13,835	72,076	141,251
Obligations under finance leases	1,891	1,378	1,357	1,336	1,336	11,640	18,938
Operating leases	20,711	15,423	8,917	6,077	4,710	9,969	65,807
Total contractual obligations	$ 206,493	$ 30,699	$ 24,109	$ 21,248	$ 19,881	$ 500,611	$ 803,041

The following table sets forth the Company's future minimum finance lease payments:

(in thousands of Canadian dollars)	2014
Total future minimum lease payments	$ 18,938
Less: imputed interest	(5,443)
Balance of obligations under finance leases	13,495
Less: current portion	(1,222)
Non-current obligations under finance leases	$ 12,273

As at December 31, 2014, the Company has not entered into any material commitments for capital expenditures.

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's utilizes its credit facilities to support the Company's bonds. The Company had utilized credit facilities of $142.4 million as at December 31, 2014 (December 31, 2013 – $111.4 million) for support of its bonds.

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 which reflect market data obtained from independent sources, while unobservable inputs reflects the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

- Level 1 — Quoted prices in active markets for identical instruments that are observable.
- Level 2 — Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

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

The following table presents the fair value hierarchy levels for the financial assets and liabilities that are measured at fair value on a recurring basis as at December 31, 2014 and for financial assets and liabilities where fair values are disclosed as at December 31, 2014:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 116,556	$ 116,556	$ –	$ –
Short-term investments	550	550	–	–
Derivative financial instruments	5,578	–	5,578	–
Convertible preferred shares	10,000	–	–	10,000
Deposit guarantee	893	–	893	–
	$ 133,577	$ 117,106	$ 6,471	$ 10,000
Liabilities				
Bank indebtedness	$ 4,685	$ 4,685	$ –	$ –
Deferred purchase consideration	4,873	–	4,873	–
Long-term debt	406,926	–	406,926	–
Derivative financial instruments	794	–	794	–
	$ 417,278	$ 4,685	$ 412,593	$ –

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

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of Company management. Material risks are monitored and are regularly reported to the Board of Directors.

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are 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 December 31, 2014, fluctuations of +/− 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the year then ended by approximately $61.7 million, $8.6 million and $6.8 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by $76.3 million, $20.0 million and $56.3 million, respectively.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures associated with the Company's foreign currency-denominated cash streams and the resulting variability of the Company's earnings. The Company utilizes foreign exchange forward contracts to manage this foreign exchange risk. The Company does not enter into foreign exchange contracts for speculative purposes. With the exception of the Company's U.S. 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 Company utilizes financial instruments to manage the risk associated with foreign exchange rates.

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at December 31, 2014:

(in thousands, except weighted average rate amounts)	
Canadian dollars sold for U.S. dollars	
Less than one year	CAD$14,025
Weighted average rate	1.13
U.S. dollars sold for Canadian dollars	
Less than one year	US$13,200
Weighted average rate	1.11
U.S. dollars sold for Malaysian Ringgits	
Less than one year	US$2,800
Weighted average rate	3.50
Euros sold for U.S. dollars	
Less than one year	€44,020
Weighted average rate	1.31
British pounds sold for U.S. dollars	
Less than one year	£3,430
Weighted average rate	1.57
Norwegian Kroners sold for U.S. dollars	
Less than one year	NOK 112,697
Weighted average rate	0.13
Australian dollars sold for U.S. dollars	
Less than one year	AUD$1,554
Weighted average rate	0.85
Malaysian Ringgits sold for U.S. dollars	
Less than one year	MYR 32,500
Weighted average rate	0.28

The Company does not apply hedge accounting to account for its foreign exchange forward contracts. As at December 31, 2014, the Company had notional amounts of $130.9 million of forward contracts outstanding

(2013 – $115.2 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totalling $4.7 million (2013 – $1.0 million net benefit).

Net Investment Hedge

The Company's long-term debt (Senior Notes) has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the U.S. dollar as its functional currency. During the year ended December 31, 2014, a loss of $32.5 million on the translation of the Senior Notes was transferred to other comprehensive income to offset the losses on translation of the net investment in the subsidiary. There was no ineffectiveness of this hedge for the year ended December 31, 2014.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at December 31, 2014:

(in thousands of Canadian dollars)	Non-Interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial assets				
Cash equivalents	$ –	$ –	$ 4,104	$ 4,104
Short-term investments	550	–	–	550
Loans receivable	215	4,434	2,372	7,021
Convertible preferred shares	10,000	–	–	10,000
	$ 10,765	$ 4,434	$ 6,476	$ 21,675
Financial liabilities				
Bank indebtedness	$ –	$ 4,685	$ –	$ 4,685
Loans payable	121	–	–	121
Long term debt	–	–	406,926	406,926
	$ 121	$ 4,685	$ 406,926	$ 411,732

The Company's interest rate risk arises primarily from its floating rate bank indebtedness and long-term notes receivable and is not currently considered to be material.

Credit Risk

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

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

For the year ended December 31, 2014, the Company had no customer who generated revenue greater than 10% of total consolidated revenue.

For the year ended December 31, 2013, there was one customer who generated approximately 22% of total consolidated revenue. This revenue resulted primarily from a single contract for which a substantial upfront payment was received in 2012 and which was recorded as deferred revenue at that time.

The carrying value of accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statements of income with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses. As at December 31, 2014, $28.1 million, or 8.3% of trade accounts receivable, were more than 90 days overdue, which is consistent with prior period aging analyses. The Company expects to receive full payment on all accounts receivable that are neither past due nor impaired.

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

(in thousands of Canadian dollars)	2014	2013
Balance – Beginning of year	$ 11,732	$ 9,409
Bad debt expense	748	3,016
Acquisition	693	–
Recovery of previously written-off bad debts	(156)	(24)
Impact of change in foreign exchange rates	(501)	(669)
Balance – End of year	$ 12,516	$ 11,732

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at December 31, 2014, the Company had cash and cash equivalents totalling $116.6 million (December 31, 2013 – $79.4 million) and had unutilized lines of credit available to use of $381.0 million (December 31, 2013 – $209.5 million).

5.9 Outstanding Share Capital

As at February 27, 2015, the Company had 64,497,369 common shares outstanding. In addition, as at February 27, 2015, the Company had stock options and share units outstanding to purchase up to 1,430,558 common shares.

5.10 Transactions with Related Parties

The Company had no material transactions with related parties in the year ended of 2014. All related party transactions were in the normal course of business.

During 2013, 11,716,235 Class B multiple voting shares of the Company's controlling shareholder were acquired by the Company for cash and shares pursuant to the Arrangement which became effective on March 20, 2013. Refer to Note 29 of the audited financial statements for the year ended December 31, 2014, for additional information regarding this transaction. In connection with the closing of the Arrangement, the employment terms of the Company's Chair of the Board of Directors (V. Shaw) and indirect controlling shareholder, and of the Company's Vice Chair of the Board of Directors (L. Hutchinson), were amended to provide that their employment with a Company's subsidiary would terminate and they would receive severance and other benefits of approximately $3.4 million and $3.7 million, respectively.

For additional information regarding these transactions, refer to the section entitled Termination & Change of Control Benefits in the Company's Management Proxy Circular dated March 25, 2013, which is filed on SEDAR at www.sedar.com

6.0 QUARTERLY SELECTED FINANCIAL INFORMATION

The following tables set forth the Company's summary of selected financial information for the four quarters of 2014 and 2013:

(in thousands of Canadian dollars except per share amounts)	Q1-2014	Q2-2014	Q3-2014	**Q4-2014**
Operating Results				
Revenue	$ 479,082	$ 441,386	$ 469,597	**$ 499,964**
Income (loss) from operations	89,419	69,193	10,932	**(20,868)**
Net income (loss) (attributable to shareholders of the Company)	61,947	47,949	5,617	**(20,652)**
Net income (loss) per share				
Basic	$ 1.03	$ 0.80	$ 0.09	**$ (0.32)**
Diluted	1.03	0.79	0.09	**(0.32)**

(in thousands of Canadian dollars except per share amounts)	Q1-2013	Q2-2013	Q3-2013	Q4-2013
Operating Results				
Revenue	$ 454,681	$ 457,261	$ 525,848	$ 409,759
Income from operations	88,622	80,331	106,146	48,358
Net income (attributable to shareholders of the Company)	70,595	53,914	72,956	22,397
Net income per share				
Basic	$ 1.02	$ 0.91	$ 1.22	$ 0.37
Diluted	1.01	0.90	1.21	0.37

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

- The Company's operations in the Pipeline and Pipe Services segment, representing 91% of the Company's consolidated revenue in 2014, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services segment.
- Over 83% of the Company's revenue in 2014 was transacted in currencies other than Canadian dollars, with a majority transacted in US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars. See *Section 2.2 – Foreign Exchange Impact*, for additional information with respect to the effects of foreign exchange fluctuations on the results of the Company.

6.1 Fourth Quarter Highlights

Highlights of the Company's 2014 fourth quarter include:

Fourth Quarter 2014 Versus Fourth Quarter 2013

- **Revenue:** Consolidated revenue increased by $90.2 million, or 22%, from $409.8 million during the fourth quarter of 2013, to $500.0 million during the fourth quarter of 2014, due to an increase of $88.1 million in the Pipeline and Pipe Services segment and an increase of $2.3 million in the Petrochemical and Industrial segment. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above. Pipeline and Pipe Services segment revenue in the fourth quarter of 2014 was $458.6 million, or 24% higher than in the fourth quarter of 2013, due to increased activity in North America, Latin America and EMAR, partially offset by lower revenue in Asia Pacific. See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

  Petrochemical and Industrial segment revenue increased by $2.3 million, or 6%, during the fourth quarter of 2014 compared to the fourth quarter of 2013, due to higher activity levels in all three regions. 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.
- **Operating Income:** During the third and fourth quarters of 2014, the Company recorded impairment charges of $41.4 million and $79.0 million, respectively. Excluding these charges, Adjusted Operating Income increased by $9.8 million, from $48.4 million in the fourth quarter of 2013 to $58.1 million during the fourth quarter of 2014. Adjusted Operating Income benefitted from an increase

in gross profit of $14.6 million, a decrease in SG&A expenses of $2.7 million, lower amortization of property, plant, equipment and intangible assets of $1.0 million and a decrease in research and development expenses of $1.9 million. These gains were partially offset by a decrease in net foreign exchange gains of $5.9 million and lower gain on sale of land of $4.5 million. The increase in gross profit resulted from the increase in revenue of $90.2 million, as explained above, partially offset by a 4.2 percentage point decrease in gross margin, attributable to lower gross margin in the Pipeline and Pipe Services segment's EMAR region as noted above and changes in product and project mix in the Pipeline and Pipe Services segment's Asia Pacific region, which had benefitted from high gross margins on the Inpex Ichthys projects in 2013. SG&A expenses decreased by $2.7 million in the fourth quarter of 2014 compared to the fourth quarter of 2013. The reduction in SG&A expenses was due to the inclusion in the fourth quarter of 2013 of restructuring costs and amended executive retirement arrangements of $10.7 million and, due to a year over year reduction in management incentive compensation of $13.9 million. This was partially offset by increases of $4.7 million from the Desert NDT acquisition, restructuring costs related to personnel reductions and facility closures of $3.5 million, higher personnel related costs of $5.1 million, higher rental and building costs primarily associated with the increased activity in EMAR of $4.4 million and higher legal, professional consulting and licensing fees of $2.4 million.

- **Finance Costs:** In the fourth quarter of 2014, net finance cost was $3.8 million, compared to a net finance cost of $5.4 million during the fourth quarter of 2013. The decrease in net finance cost was primarily a result of lower interest expenses on bank loans and overdrafts, due to the repayment of bank loans and overdrafts from the proceeds of common shares issued in September and October of 2014, partially offset by higher interest on long term debt due to the strengthening of the US dollar.
- **Income Taxes:** The Company recorded an income tax recovery of $22.3 million in the fourth quarter of 2014 compared to an income tax expense of $10.3 million in the fourth quarter of 2013. Excluding the impact of impairment charges ($97.9 million, deferred tax of $27.9 million), the Company recorded an income tax expense of $5.7 million (11% of income before income taxes) in the fourth quarter of 2014 compared to an income tax expense of $10.3 million (28% of income before income taxes) in the fourth quarter of 2013. This effective tax rate in the fourth quarter of 2014 was lower than the Company's expected effective income tax rate of 27%, primarily due to a portion of the Company's taxable income being earned in the Middle East and other jurisdictions where the tax rate is 25% or less combined with tax losses in certain jurisdictions where the tax rate is higher than 35%.
- **Net Income:** Net income decreased by $43.0 million, from $22.4 million during the fourth quarter of 2013 to a net loss of $20.7 million during the fourth quarter of 2014. This decrease was mainly due to the impairment charges recorded in the fourth quarter of 2014 of $79.0 million and the increase in loss from investment in joint ventures of $13.5 million, driven mainly by the Venezuela impairment. This was partially offset by the higher Adjusted Operating Income in the fourth quarter of 2014, as explained in section 4.1 above, lower net finance costs of $1.6 million, lower income tax expense of $32.5 million and the impact of changes in non controlling interest of $4.6 million.

Fourth Quarter 2014 Versus Third Quarter 2014

- **Revenue:** Consolidated revenue increased 6%, or $30.4 million, from $469.6 million during the third quarter of 2014 to $500.0 million during the fourth quarter of 2014, due to increases of $33.9 million in the Pipeline and Pipe Services segment, partially offset by a decrease of $3.5 million in the Petrochemical and Industrial segment. Consolidated revenue benefitted from the impact on translation of foreign operations from the weakening Canadian dollar as noted in section 2.2 above. Pipeline and Pipe Services segment revenue increased by 8%, or $33.9 million, from $424.7 million in the third quarter of 2014 to $458.6 million in the fourth quarter of 2014, due to higher activity levels in EMAR, partially offset by decreased activity in Asia Pacific, North America and Latin America. See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment. Petrochemical and Industrial segment revenue was lower by $3.5 million, or 8%, in the fourth quarter of 2014, compared to the third quarter of 2014, mainly due to lower revenues of $2.5 million in North America and $1.3 million in EMAR, partially offset by higher activity in the Asia Pacific region. See *Section 4.2.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.
- **Operating Income:** During the third and fourth quarters of 2014, the Company recorded impairment charges of $41.4 million and $79.0 million, respectively. Excluding these charges, Adjusted Operating Income increased by $5.8 million, from $52.3 million during the third quarter of 2014 to $58.1 million in the fourth quarter of 2014. Adjusted Operating Income benefitted from an increase in gross profit of $8.3 million, a decrease in research and development expenses of $0.8 million, lower amortization of property, plant, equipment and intangible assets of $0.7 million and a gain on sale of land of $0.6 million, but was impacted by an increase in SG&A expenses of $3.8 million and a decrease in net foreign exchange gains of $0.8 million. The increase in gross profit resulted from the increase in revenue of $30.4 million, as explained above, partially offset by a 0.5 percentage point decrease in the gross margin from the third quarter of 2014. The decrease in the gross margin percentage was primarily due to lower gross margin in the Pipeline and Pipe Services segment's EMAR region as a result of project launch costs and revenue earned under a cost recovery contract from BP to upgrade a facility in Azerbaijan for the execution in 2015 of the $200 million Shah Deniz project described in *Section 3.0 – Business Developments.* SG&A expenses increased by $3.8 million, from $96.5 million in the third quarter of 2014 to $100.3 million in the fourth quarter of 2014, due in part to higher rental and building costs related to the new facilities in the Caspian of $2.2 million, an increase in legal, professional consulting, advertisement and communication expenses of $2.7 million and higher travel, inventory obsolescence, customs and other expenses of $4.2 million. In addition, in the third quarter of 2014, recoveries were recorded for deferred consideration, research tax credits and other items of $2.1 million. These sources of SG&A increases were partially offset by lower long term management incentive compensation of $7.0 million.

- **Finance Costs:** In the fourth quarter of 2014, net finance cost was $3.8 million, compared to a net finance cost of $6.2 million during the third quarter of 2014. The decrease in net finance cost was primarily a result of lower interest expenses on bank loans and overdrafts, due to the repayment of bank loans and overdrafts from the proceeds of common shares issued in September and October of 2014 and higher interest income on short term deposits.
- **Income Taxes:** The Company recorded an income tax recovery of $22.3 million in the fourth quarter of 2014 compared to an income tax expense of $2.7 million in the third quarter of 2014. Excluding the impact of impairment charges ($97.9 million, deferred tax of $27.9 million in the fourth quarter of 2014 compared to $41.4 million, deferred tax of $12.0 million in the third quarter of 2014), the Company recorded an income tax expense of $5.7 million (11% of income before income taxes) compared to an income tax expense of $14.7 million (29% of income before income taxes) in the third quarter of 2014. This effective tax rate in the fourth quarter of 2014 was lower than the Company's expected effective income tax rate of 27%, primarily due to a portion of the Company's taxable income being earned in the Middle East and other jurisdictions where the tax rate is 25% or less combined with tax losses in certain jurisdictions where the tax rate is higher than 35%.
- **Net Income:** Net income decreased by $26.3 million, from $5.6 million during the third quarter of 2014 to a net loss of $20.7 million during the fourth quarter of 2014. This decrease was mainly due to the higher impairment charges recorded in the fourth quarter of $37.6 million, the increase in loss from investment in joint ventures pertaining to the Venezuela impairment of $18.9 million and the higher net loss on assets held for sale of $5.1 million. This was partially offset by the higher Adjusted Operating Income, as explained in section 4.1 above, lower net finance costs of $2.4 million and lower income tax expense of $25.0 million.

7.0 DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with the management of the Company, have evaluated the effectiveness of the Company's Disclosure Controls and Procedures ("DC&Ps") (as defined in the rules of the Canadian Securities Administrators) and the effectiveness of Internal Controls over Financial Reporting ("ICFRs"). Based on that evaluation, they have concluded that the Company's DC&Ps were effective as at December 31, 2014. Furthermore, they have concluded that the Company's ICFRs were effective as at December 31, 2014. There were no material changes in either the Company's DC&Ps or its ICFRs during 2014.

8.0 CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

8.1 Critical Accounting Estimates

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

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

As at December 31, 2014, the Company had $1,034 million of long-lived assets and goodwill. The Company evaluates the carrying values of the Cash Generating Units' ("CGU") 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.

Employee Future Benefit Obligations

As at December 31, 2014, the Company had $26.0 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 accrued benefit obligations recognized in the consolidated financial statements includes a number of assumptions regarding discount rates, long-term rates of return on pension plan assets, 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.

Provisions and Contingent Liabilities

As at December 31, 2014, the Company had $52.3 million of provisions; of this amount $15.0 million was included in current liabilities and $37.3 million was included in non-current liabilities. Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably measured. The timing of recognition and measurement of the provision requires the application of judgment 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 account of changing facts and circumstances. The Company is required to determine whether a loss is probable based on judgment 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 statement 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

As at December 31, 2014, the Company had decommissioning liabilities in the amount of $24.1 million; of this amount $3.6 million was included in the current provisions account and $20.5 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 annual 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. A corresponding asset equal to the present value of the initial estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning liability and the related long-lived asset. The amount capitalized in property, plant and equipment is depreciated on a straight line basis over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of income.

Actual expenditures incurred are charged against the accumulated decommissioning liability.

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 judgment 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, earnings and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. 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 tax income and expense already recorded. The Company establishes provisions, 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 provisions 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 respective domicile of the respective companies.

8.2 Accounting Standards Issued but Not Yet Applied

IFRS 9, Financial Instruments

IFRS 9, as issued, by the International Accounting Standards Board ("IASB") replaces *IAS 39* regarding the recognition and measurement of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15*, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. *IFRS 15* is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangibles

In May 2014, the IASB issued amendments to *IAS 16* and *IAS 38*, prohibiting the use of revenue based depreciation for property, plant and equipment and significantly limiting the use of revenue based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company is in the process of reviewing the amendments to determine the impact on the consolidated financial statements.

8.3 New Accounting Standards Adopted

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. *IFRIC 21* is effective for annual periods beginning on or after January 1, 2014. The Company's adoption of *IFRIC 21* did not have a material financial impact on the Company's consolidated financial statements.

9.0 OUTLOOK

Following the record revenue achieved in 2014, the decline in global oil prices that started in the fourth quarter of 2014 will cause a decline in drilling and well completions in 2015 which will likely cause ShawCor's revenue to decline on a year over year basis. The impact of the downturn will be primarily focused on the Company's activity in North America as described more fully below. Outside of North America, the Company's performance will largely be determined by its execution of the projects that are in the order backlog. ShawCor enters 2015 with a very strong backlog at $766 million, which provides support for 2015 activity levels, particularly in the Company's EMAR region which accounts for over 60% of the current order backlog. The growth in revenue in this region will help reduce the impact on revenue of the North American oilfield downturn. However, on a year over year basis, there is risk that income from operations could decrease at a greater rate than revenue. Any decrease in North American small diameter pipe coating, composite pipe, or gathering line weld inspection revenue would be expected to have an overall dilutive effect on consolidated operating margins given

prevailing margin levels in these businesses and due to the negative effects of facility and crew utilization on the absorption of fixed costs. To mitigate this effect as much as possible, the Company will monitor activity levels and undertake further measures to reduce its cost structure in these businesses as activity levels decline.

Beyond 2015, the Company continues to believe that global oil and gas infrastructure investment will increase to bridge the increasing gap between global energy supply and growing energy demand in developing economies. Further support for global energy infrastructure investment will emerge as existing infrastructure ages. Finally, the curtailment in investment as a result of the global oil price decline will reverse as the inevitable impact of hydrocarbon reservoir depletion reduces the current excess of global supply over demand. In this environment, the Company's businesses that are impacted by the downturn in 2015 should recover. This expected recovery, coupled with the continued flow of large pipe coating project activity and execution of the Company's strategy to expand its pipeline products and services offering, should create the conditions for the Company's long term growth in revenue and shareholder returns to continue.

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

In 2014, ShawCor's North American Pipeline segment businesses generated solid revenue growth over 2013 levels. Much of this growth was attributable to growth in businesses that are closely related to the completion of new oil and gas wells. These businesses include Canadian and US small diameter pipe coating and joint protection, Flexpipe composite pipe, Guardian OCTG pipe inspection and refurbishment and the Desert NDT gathering line girth weld inspection service. Desert NDT was acquired in early July 2014. If its revenue was considered on a full year basis, then ShawCor's activities that are leveraged to well completions would have contributed approximately $500 million in annualized revenue. A decrease in the number of wells completed can be expected to have an impact on this revenue level and with the number of drilling rigs active in North America projected to decrease by up to 50%, we must expect that our North American Pipeline segment will be impacted significantly. Also affecting North America Pipeline segment revenue will be a decrease in activity at the Company's Channelview Gulf of Mexico deepwater insulation coating plant, which is currently completing several large projects, and the likelihood that activity in 2015 and 2016 will be limited to smaller tie-back projects as energy companies defer larger greenfield projects pending more certainty on oil prices.

The one area of North American activity that is expected to show continued strength is the build out of large diameter transmission pipeline infrastructure and the increasing investment on the refurbishment of existing infrastructure. The Company's pipe coating and pipeline integrity management businesses are well positioned to benefit from this trend.

Pipeline and Pipe Services Segment – Latin America

During 2014, the Company's Latin America region benefited from increased offshore and large diameter gas transmission pipeline projects in Mexico, over $20 million in revenue from the execution of the Sapinhoa deepwater insulation coating project in Brazil, and increased shipments of Flexpipe composite pipe to Latin America. In 2015, these sources of revenue are expected to weaken modestly, although the impact on overall region revenue will be partially mitigated by growth in Argentina expected from the execution of a series of large diameter pipe coating projects that are expected to contribute up to $40 million in revenue.

Pipeline and Pipe Services Segment – EMAR

The Company expects that its EMAR region will produce strong revenue and operating earnings growth in 2015 over 2014 levels, with revenue potentially reaching the $500 million level. Primary drivers of growth will be the large pipe coating projects that have been booked for BP's Shah Deniz gas field development in Azerbaijan combined with pipe coating and joint protection projects for the two South Stream gas pipelines in the Black Sea. The Shah Deniz projects are expected to provide over US$500 million in pipe coating revenue to ShawCor with revenue of over $280 million planned for execution in 2015 and over $200 million planned for execution in 2016 and beyond. Expected revenue in 2015 from the South Stream pipeline projects is approximately $114 million. This work is presently under suspension pursuant to the contract terms. The timing of the execution of this work is subject to significant risk, including the risk that the project may be cancelled.

Pipeline and Pipe Services Segment – Asia Pacific

With the completion in 2014 of the Inpex Ichthys flowlines project, the Company has now completed all pipe coating activity associated with the large Ichthys and Wheatstone Australian LNG projects that produced over $640 million in revenue, including over $130 million in 2014. With this work now largely complete, the Company expects that until new large projects develop, the Asia Pacific region will revert to historical levels of revenue in the annual range of $200 million. Although the Company has visibility on a number of large projects in the region, these projects are not expected to become production opportunities in 2015 and thus we can expect a decline in revenue versus 2014 levels for 2015 and possibly 2016.

Petrochemical and Industrial Segment

ShawCor's Petrochemical and Industrial segment businesses are significantly exposed to demand in the North American and European automotive, industrial and nuclear refurbishment markets. The Company expects that demand in the global industrial markets served by the Petrochemical and Industrial segment businesses will enable the Company to achieve modest growth in both revenue and operating income in 2015 compared with 2014 as a result of growth in global automotive and industrial markets offsetting weakness in Western Canadian wire and cable shipments for oil sands developments.

Order Backlog

The Company's order backlog consists of firm customer orders only and represents the revenue the Company expects to realize on booked orders over the succeeding twelve months. The Company reports the twelve month billable backlog because it provides a leading indicator of significant changes in consolidated revenue. The order backlog at

December 31, 2014 increased to $766 million from $739 million at September 30, 2014 and from $617 million at the beginning of the year. In addition to the backlog, the Company currently holds booked orders of approximately $232 million for execution beyond twelve months and thus excluded from the backlog. The majority of these orders relate to the flow assurance pipe coating scope of work for the Shah Deniz project. Note that the backlog includes booked orders relating to pipe coating and joint protection for the South Stream pipelines that are currently under suspension. The value of these orders included in the backlog is approximately $114 million and the risk exists that the orders could be cancelled or that project execution could be delayed beyond 2015.

In addition to the backlog, the Company closely monitors its bidding activity with the value of outstanding firm bids currently in excess of $800 million. Although the Company continues to work with customers on projects with aggregate values exceeding $2 billion, the amount of firm bids outstanding has declined modestly from the start of the quarter as infrastructure projects globally are increasingly being reassessed by global energy companies who are seeking to reduce capital costs and project execution risks. The Company remains optimistic that the additional time being invested to ensure project success will ultimately enable these projects to proceed with a corresponding positive impact on ShawCor's large project activity beyond 2015.

10.0 RISKS AND UNCERTAINTIES

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

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

10.1 Economic Risks

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

The Company's business is materially dependent on the level of global drilling activity, which, in turn depends on global oil and gas demand, prices and production depletion rates. Lower drilling activity decreases demand for the Company's products and services, including small diameter pipe coating, composite pipe, gathering line weld inspection and tubular inspection and inventory management services. These business activities represented approximately 25% of 2014 revenues.

Cancellation of South Stream Offshore Pipeline Project

During the year ended December 31, 2014, ShawCor was awarded several contracts in connection with the South Stream Offshore Pipeline Project. Expected revenue from the South Stream pipeline projects is approximately $125 million. This work is presently under suspension pursuant to the contract terms. The timing of the execution of this work is subject to significant risk and the contracts could be cancelled.

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

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

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

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

Revenue generated by the Company's Pipeline and Pipe Services segment accounted for 91% of consolidated sales in 2014. With this proportion expected to continue, the Company's revenue is materially dependent on the global Pipeline and Pipe Services industry. Any reduction in the anticipated growth in pipeline market activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

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

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

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

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

Economic Risk Mitigation

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

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

10.2 Litigation and Legal Risks

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

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

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

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

Litigation and Legal Risk Mitigation

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

10.3 HSE Risks

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

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

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

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

HSE Risk Mitigation

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

10.4 Political and Regulatory Risks

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

During 2014, the Company derived over 34% of its total revenue from its facilities outside Canada, the US and Western Europe. In addition, part of the Company's sales from its locations in Canada and the US were for use in other countries. The Company's operations in certain international locations are subject to various political and economic conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- currency restrictions and limitations on repatriation of profits;
- political instability and civil unrest;
- hostile or terrorist activities; and
- restrictions on foreign operations.

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

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

Any material currency fluctuations or devaluations or political unrest that may disrupt oil and gas exploration and production or the movement of funds and assets could materially adversely affect the Company's projections, business, results of operations and financial condition.

The Company's North American operations could be affected by regulatory approval processes that could delay or prevent the construction of new pipeline infrastructure.

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

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

Political and Regulatory Risk Mitigation

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

11.0 ENVIRONMENTAL MATTERS

As at December 31, 2014, the provisions on the annual consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $24.1 million. The Company believes these provisions to be sufficient to fully satisfy all liabilities related to known environmental matters.

The total undiscounted cash flows estimated to settle all decommissioning liabilities is $42.0 million as at December 31, 2014. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.45% and 9.95%. 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 on the next five years and thereafter for decommissioning liabilities.

(in thousands of Canadian dollars)	December 31, 2014
2015	$ 3,627
2016	4,573
2017	907
2018	4,464
2019	1,165
More than five years	27,232
	$ 41,968

12.0 RECONCILIATION OF NON-GAAP MEASURES

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage the capital structure. Non-GAAP measures do not have standardized meanings prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. The following is a reconciliation of the non-GAAP measures reported by the Company.

EBITDA, Adjusted EBITDA and Adjusted Net Income, Adjusted EPS and Adjusted Operating Income

	Three Months Ended December 31,		Year Ended December 31,	
(in thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Net (loss) income for the period[b]	**$ (20,652)**	$ 22,397	**$ 94,861**	$ 219,862
Add:				
Income taxes (recovery) expense	**(22,253)**	10,278	**21,010**	78,402
Finance costs, net	**3,813**	5,387	**18,401**	14,912
Amortization of property, plant, equipment and intangible assets	**18,389**	19,354	**70,806**	76,796
Gain on sale of land	**(609)**	(5,156)	**(609)**	(5,156)
Impairment	**78,999**	–	**120,378**	–
Impairment of investments in joint ventures	**18,948**	–	**18,948**	–
EBITDA[a]	**$ 76,635**	$ 52,260	**$ 343,795**	$ 384,816
Non-controlling interests	**(849)**	3,757	**(667)**	2,724
Loss (gain) on assets held for sale	**593**	1,122	**(6,427)**	3,683
ADJUSTED EBITDA[a]	**$ 76,379**	$ 57,139	**$ 336,701**	$ 391,223
Net (loss) income for the period[b]	**$ (20,652)**	$ 22,397	**$ 94,861**	$ 219,862
Add:				
Impairment	**78,999**	–	**120,378**	–
Impairment of investment in joint ventures	**18,948**	–	**18,948**	–
Deduct:				
Deferred Tax Recovery	**(27,931)**	–	**(39,925)**	–
Adjusted Net Income	**$ 49,364**	$ 22,397	**$ 194,262**	$ 219,862
Adjusted EPS (Diluted)[c]	**$ 0.76**	$ 0.37	**$ 3.14**	$ 3.51

(a) Adjusted EBITDA and EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools.
(b) Attributable to shareholders of the Company.
(c) Adjusted EPS is Adjusted Net Income divided by the weighted average number of shares outstanding (diluted).

EBITDA and ADJUSTED EBITDA

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

Adjusted Operating Income

	Three Months Ended December 31,		Year Ended December 31,	
(in thousands of Canadian dollars)	**2014**	2013	**2014**	2013
(Loss) Income from Operations	**$ (20,868)**	$ 48,358	**$ 148,676**	$ 323,457
Add:				
Impairment	**78,999**	–	**120,378**	–
Adjusted Operating Income	**$ 58,131**	$ 48,358	**$ 269,054**	$ 323,457

Return on Invested Capital ("ROIC")

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

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

(in thousands of Canadian dollars)	**2014**	2013
Net income for the year adjusted for after-tax interest expense	**$ 109,093**	$ 231,752
Average invested capital	**$ 1,277,684**	$ 987,819
ROIC	**8.5%**	23.5%

Days Sales Outstanding ("DSO")

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

(in thousands of Canadian dollars, except DSO)	2014	2013
Revenue for the fourth quarter	$ 499,964	$ 409,759
Average trade accounts receivable	$ 341,218	$ 248,944
DSO	61	55

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. The following table sets forth the calculation for the Company's DPO as at:

(in thousands of Canadian dollars, except DPO)	2014	2013
Cost of goods sold for the fourth quarter	$ 322,725	$ 247,114
Average accounts payable and accrued liabilities	$ 261,088	$ 240,639
DPO	73	88

Working Capital Ratio

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

(in thousands of Canadian dollars)	2014	2013
Current assets	$ 813,628	$ 718,558
Current liabilities	$ 434,895	$ 451,069
Working capital ratio	1.87	1.59

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 timing of major project activity, the sufficiency of resources, capacity and capital to meet market demand, to meet contractual obligations and to execute the Company's development and growth strategy, the sufficiency of the Company's human resources, systems and processes to operate its business and execute its strategic plan, the impact of the existing order backlog and other factors on the Company's revenue and Operating Income in 2015, the impact of any potential cancellation of contracts included in the order backlog, and in the longer term, the impact of global economic activity on the demand for the Company's products, the impact of the decline in global oil and gas commodity prices on the level of industry investment in oil and gas infrastructure, the impact of the SAIS acquisition on the market position of the SPS division, the impact of the Desert acquisition on future earnings per share, 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 impact of instability in Argentina, Azerbaijan, and Venezuela and the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation matters and other claims generally, the level of payments under the Company's performance bonds, the outlook for revenue and Operating Income and the expected development in the Company's order backlog.

Forward looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward looking information. We caution readers not to place undue reliance on forward looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward looking information. Significant risks facing the Company include, but are not limited to: the impact on the Company of reduced demand for its products and services as a result of lower investment in global oil and gas extraction and transportation activity following the significant decline in the global price of oil and gas in the fourth quarter of 2014 and early 2015, long term changes in global or regional economic activity and changes in energy supply and demand, which impact on the level of global pipeline infrastructure construction; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; fluctuations in foreign exchange rates, as well as other risks and uncertainties, as more fully described under the heading "Risks and Uncertainties" and included in the Company's annual MD&A.

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, global economic recovery, increased investment in global energy infrastructure, the Company's ability to execute projects under contract, the reactivation of the South Stream contracts, the continued supply of and stable pricing for commodities used by the Company, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of

operations in major oil and gas producing regions and the ability of the Company to satisfy all covenants under its credit facilities and the Senior Notes. The Company believes that the expectations reflected in the forward looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward looking information included in this document and the Company can give no assurance that such expectations will be achieved.

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

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

14.0 ADDITIONAL INFORMATION

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

March 4th, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of ShawCor Ltd. included in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. When alternative accounting methods exist, management has selected those it deems to be most appropriate in the circumstances. The consolidated financial statements include estimates based on the experience and judgment of management in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in the annual report is consistent with that in the consolidated financial statements.

The management of the Company and its subsidiaries developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfils its responsibilities for financial reporting and internal control with the assistance of its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are Directors who are not officers or employees of ShawCor Ltd. or any of its subsidiaries. The Committee meets periodically to review quarterly financial reports and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors.

These financial statements have been audited by Ernst & Young LLP, the external auditors, on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

Stephen M. Orr
President and Chief Executive Officer

Gary S. Love
Vice-President, Finance and Chief Financial Officer

March 4, 2015

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SHAWCOR LTD.

We have audited the accompanying consolidated financial statements of ShawCor Ltd., which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ShawCor Ltd. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 4, 2015

CONSOLIDATED BALANCE SHEETS

As at December 31: (in thousands of Canadian dollars)	2014	2013
Assets		
Current Assets		
Cash and cash equivalents (note 8)	$ 116,556	$ 79,395
Short-term investments	550	6,618
Loans receivable (note 9)	–	1,780
Accounts receivable (note 10)	457,610	363,984
Income taxes receivable	11,232	9,919
Inventories (note 11)	194,732	180,876
Prepaid expenses	27,370	19,176
Derivative financial instruments (note 26)	5,578	624
	813,628	662,372
Assets held for sale (note 19)	–	56,186
	813,628	718,558
Non-current Assets		
Loans receivable (note 9)	7,021	7,462
Property, plant and equipment (note 12)	435,311	413,287
Intangible assets (note 13)	202,736	130,216
Investments in joint ventures (note 14)	–	17,276
Investments in associates (note 15)	19,165	–
Deferred income taxes (note 35)	39,019	48,480
Other assets (note 16)	26,889	17,830
Goodwill (note 17)	396,201	298,819
	1,126,342	933,370
	$ 1,939,970	$ 1,651,928
Liabilities and Equity		
Current Liabilities		
Bank indebtedness (note 20)	$ 4,685	$ 5,229
Accounts payable and accrued liabilities (note 21)	252,443	230,974
Provisions (note 22)	14,974	15,971
Income taxes payable	33,944	61,911
Derivative financial instruments (note 26)	794	1,632
Deferred revenue	102,005	84,396
Obligations under finance lease (note 28)	1,222	487
Other current liabilities (note 23)	24,828	33,852
	434,895	434,452
Liabilities directly associated with the assets classified as held for sale (note 19)	–	16,617
	434,895	451,069
Non-current Liabilities		
Long-term debt (note 24)	406,926	374,381
Obligations under finance lease (note 28)	12,273	13,827
Provisions (note 22)	37,350	37,646
Employee future benefits (note 25)	26,008	25,678
Deferred income taxes (note 35)	24,007	68,857
Other non-current liabilities (note 23)	17,898	21,889
	524,462	542,278
	959,357	993,347
Equity		
Share capital (note 29)	533,660	303,327
Contributed surplus	14,625	13,093
Retained earnings	433,177	373,574
Non-controlling interests	7,254	2,419
Accumulated other comprehensive loss	(8,103)	(33,832)
	980,613	658,581
	$ 1,939,970	$ 1,651,928

The accompanying notes are an integral part of these consolidated financial statements.

John F. Petch, Director

Stephen M. Orr, Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31: (in thousands of Canadian dollars, except per share amounts)	2014	2013
Revenue		
Sale of products	$ 613,067	$ 451,833
Rendering of services	1,276,962	1,395,716
	1,890,029	1,847,549
Cost of Goods Sold and Services Rendered	1,166,319	1,058,946
Gross Profit	723,710	788,603
Selling, general and administrative expenses	375,153	382,755
Research and development expenses	13,053	15,687
Foreign exchange gains	(3,747)	(4,936)
Amortization of property, plant and equipment (note 12)	55,219	66,484
Amortization of intangible assets (note 13)	15,587	10,312
Gain on sale of land	(609)	(5,156)
Impairment (note 18)	120,378	–
Income from Operations	148,676	323,457
Gain (loss) on assets held for sale	6,427	(3,683)
Loss from investments in joint ventures (note 14)	(22,375)	(3,874)
Income from investments in associates (note 15)	877	–
Finance costs, net (note 33)	(18,401)	(14,912)
Income Before Income Taxes	115,204	300,988
Income taxes (note 35)	21,010	78,402
Net Income	$ 94,194	$ 222,586
Net Income Attributable to:		
Shareholders of the Company	94,861	219,862
Non-controlling interests	(667)	2,724
Net Income	$ 94,194	$ 222,586
Earnings per Share		
Basic (note 34)	$ 1.55	$ 3.55
Diluted (note 34)	$ 1.53	$ 3.51
Weighted Average Number of Shares Outstanding (000s)		
Basic (note 34)	61,374	61,972
Diluted (note 34)	61,819	62,646

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31: (in thousands of Canadian dollars)	2014	2013
Net Income	$ 94,194	$ 222,586
Other Comprehensive Income		
Other Comprehensive Income to be Reclassified to Net Income in Subsequent Periods		
Exchange differences on translation of foreign operations	22,462	14,819
Other comprehensive income (loss) attributable to investments in joint ventures	3,657	(3,998)
Other comprehensive income attributable to investments in associates	334	–
Loss on cash flow hedge	–	(6,880)
Net Other Comprehensive Income to be Reclassified to Net Income in Subsequent Periods	26,453	3,941
Other Comprehensive (Loss) Income not to be Reclassified to Net Income in Subsequent Periods		
Actuarial (loss) gain on defined employee future benefit plans (note 25)	(633)	16,311
Income tax recovery (expense)	152	(4,103)
Net Other Comprehensive (Loss) Income not to be Reclassified to Net Income in Subsequent Periods	(481)	12,208
Other Comprehensive Income, Net of Income Taxes	25,972	16,149
Total Comprehensive Income	$ 120,166	$ 238,735
Comprehensive Income Attributable to:		
Shareholders of the Company	120,590	235,985
Non-controlling interests	(424)	2,750
Total Comprehensive Income	$ 120,166	$ 238,735

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013: (in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings	Non-controlling Interests	Accumulated Other Comprehensive Loss	Total Equity
Balance – December 31, 2012	$ 221,687	$ 17,525	$ 799,741	$ (331)	$ (49,955)	$ 988,667
Net income	–	–	219,862	2,724	–	222,586
Other comprehensive income	–	–	–	26	16,123	16,149
Comprehensive income	–	–	219,862	2,750	16,123	238,735
Proceeds from exercise of stock options	19,599	–	–	–	–	19,599
Compensation cost on exercised options	7,579	(7,579)	–	–	–	–
Compensation cost on exercised RSUs	24	(24)	–	–	–	–
Stock-based compensation expense	–	3,171	–	–	–	3,171
Cancellation of Class B shares	54,438	–	(553,215)	–	–	(498,777)
Shares cancellation costs (net of income tax benefit of $1.5 million) (note 29)	–	–	(4,312)	–	–	(4,312)
Dividends paid to shareholders (note 29)	–	–	(88,502)	–	–	(88,502)
Balance – December 31, 2013	$ 303,327	$ 13,093	$ 373,574	$ 2,419	$ (33,832)	$ 658,581
Net income (loss)	–	–	94,861	(667)	–	94,194
Other comprehensive income	–	–	–	243	25,729	25,972
Comprehensive income	–	–	94,861	(424)	25,729	120,166
Proceeds from issuance of shares (net of commissions and share issuance costs of $9.7 million) (note 29)	220,524	–	–	–	–	220,524
Proceeds from exercise of stock options	7,167	–	–	–	–	7,167
Compensation cost on exercised options	2,590	(2,590)	–	–	–	–
Compensation cost on exercised RSUs	52	(52)	–	–	–	–
Stock-based compensation expense	–	4,174	–	–	–	4,174
Dividends paid to shareholders (note 29)	–	–	(35,258)	–	–	(35,258)
Disposal of non-controlling interests in subsidiary	–	–	–	5,548	–	5,548
Purchase of non-controlling interests	–	–	–	(289)	–	(289)
Balance – December 31, 2014	**$ 533,660**	**$ 14,625**	**$ 433,177**	**$ 7,254**	**$ (8,103)**	**$ 980,613**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31: (in thousands of Canadian dollars)	2014	2013
Operating Activities		
Net income for the year	$ 94,194	$ 222,586
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment (note 12)	55,219	66,484
Amortization of intangible assets (note 13)	15,587	10,312
Amortization of long-term prepaid expenses	1,319	807
Impairment (note 18)	120,378	–
Decommissioning obligations expense (note 22)	462	395
Other provision expenses (note 22)	14,470	22,136
Stock-based and incentive-based compensation (note 30)	15,487	23,594
Deferred income taxes (note 35)	(37,430)	(14,959)
Loss on disposal of property, plant and equipment	1,018	538
Gain on sale of land	(609)	(5,156)
Unrealized (income) loss on derivative financial instruments	(5,792)	3,070
Loss from investments in joint ventures	22,375	3,874
Income from investments in associates	(877)	–
(Income) loss on assets held for sale (note 19)	(6,427)	3,683
Other	(640)	825
Settlement of decommissioning liabilities (note 22)	(215)	(817)
Settlement of other provisions (note 22)	(16,824)	(19,449)
Decrease in non-current deferred revenue	–	(64,392)
Net change in employee future benefits (note 25)	33	(20,994)
Change in non-cash working capital and foreign exchange	(83,743)	(200,273)
Cash Provided by Operating Activities	$ 187,985	$ 32,264
Investing Activities		
Decrease (increase) in loans receivable (note 9)	2,978	(2,630)
Decrease in short-term investments	6,068	71,332
Purchases of property, plant and equipment (note 12)	(77,645)	(76,729)
Proceeds on disposal of property, plant and equipment	3,462	8,539
Purchases of intangible assets (note 13)	(480)	(522)
Investments in joint ventures (note 14)	–	(7,398)
Proceeds from sale of assets held for sale	46,411	–
Payment of deferred purchase consideration	(18,830)	–
Investments in associates	(18,031)	–
Increase in other assets (note 16)	(10,495)	(495)
Purchase of non-controlling interest	(289)	–
Business acquisitions (note 7)	(280,955)	(30,163)
Cash Used in Investing Activities	$ (347,806)	$ (38,066)
Financing Activities		
Decrease in bank indebtedness (note 20)	(544)	(461)
Decrease in loans payable	(65)	(772)
Payment of obligations under finance lease (note 28)	(1,361)	(900)
Proceeds from long-term debt (note 24)	–	356,280
Proceeds from interest rate swap	–	2,111
Issuance of shares (note 29)	227,691	19,599
Repurchase of shares (note 29)	–	(503,089)
Dividends paid to shareholders (note 29)	(35,258)	(88,502)
Cash Provided by (Used in) Financing Activities	$ 190,463	$ (215,734)
Effect of Foreign Exchange on Cash and Cash Equivalents	6,519	15,950
Net Increase (Decrease) in Cash and Cash Equivalents for the Year	37,161	(205,586)
Cash and Cash Equivalents – Beginning of Year	79,395	284,981
Cash and Cash Equivalents – End of Year	$ 116,556	$ 79,395
Supplemental Information		
Cash interest paid	$ 16,727	$ 10,241
Cash interest received	$ 1,049	$ 1,180
Cash income taxes paid	$ 99,756	$ 59,845

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

ShawCor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange. ShawCor Ltd., together with its wholly owned subsidiaries (collectively referred to as the "Company" or "ShawCor"), is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates nine divisions with over 90 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 6.

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

NOTE 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, applicable to the preparation of financial statements.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2014.

Basis of Presentation and Consolidation

The consolidated financial statements have been prepared on the historical cost basis, except for certain current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3.

The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise stated.

The consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company's equity accounted interests in joint ventures and associates.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The results of the subsidiaries acquired during the period are included in the consolidated financial statements from the date of the acquisition. Adjustments are made, where necessary, to the financial statements of the subsidiaries and joint arrangements and associates to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The audited consolidated financial statements and accompanying notes for the year ended December 31, 2014 were authorized for issue by the Company's Board of Directors on March 4, 2015.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with IFRS. The more significant accounting policies are as follows:

a) Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Company's subsidiaries, joint arrangements and associates are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements of the Company are presented in Canadian dollars, which is the parent company's presentation and functional currency.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign functional currencies are recognized in the consolidated statements of income, except when deferred in other comprehensive income as qualifying net investment hedges.

Translation of Foreign Operations

The results and financial position of all the Company's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- income and expenses for each consolidated statement of income are translated at the average exchange rates for the period.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

b) Business Combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Acquisition transaction costs and any restructuring costs are charged to the consolidated statements of income in the period in which they are incurred.

For an acquisition achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the aggregate consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

c) Interest in Joint Ventures

The Company has interests in joint arrangements, whereby joint control of the respective legal entity has been established by contractual agreements that establish joint control over the economic activities of the entity. The Company accounts for its interests in its joint ventures using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Company's share of profit or loss of a joint venture is shown on the face of the consolidated statements of income and is excluded from income from operations. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. If there is evidence that the investment in the joint venture is impaired, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as "loss from investments in joint ventures" in the consolidated statements of income.

A listing of all joint ventures is presented in note 14.

d) Investments in Associates

The Company accounts for investments in which it has significant influence using the equity method and these investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee, after the date of acquisition.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associates. If there is evidence that the investment in the associate is impaired, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as "loss on investment in associate" in the consolidated statements of income.

A listing of all associates is presented in note 15.

e) 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.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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. Revenue on these contracts is recognized using the percentage-of-completion method using output as a measure of performance. Losses, if any, on these contracts are provided for in full at the time such losses are identified.

Services performed in advance of billings are recorded as unbilled revenue pursuant to the contractual terms. In general, amounts become billable upon the achievement of certain milestones or in accordance with predetermined payment schedules. Changes in the scope of work are not included in net revenue until earned and realization is assured.

f) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with banks and other short-term highly liquid investments with original maturity dates on acquisition of 90 days or less. The amounts presented in the consolidated financial statements approximate the fair value of cash and cash equivalents.

g) Short-term Investments

Short-term investments consist of liquid financial instruments with a maturity date greater than 90 days and less than one year.

h) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis, except in certain project based pipe coating businesses where the average cost basis is employed, and includes direct materials, direct labour and variable and fixed manufacturing overheads. Net realizable value for finished goods, work-in-process and raw materials inventories required for production is the estimated amount that would be realized on eventual sale of completed products, less the estimated costs necessary to complete the sale, while for excess raw materials it is the current market price. Ownership of inbound inventories is recognized at the time title passes to the Company.

i) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost less accumulated amortization and accumulated impairment. Direct costs are included in the asset's carrying amount, such as borrowing costs for long-term construction projects, major inspections and component replacements, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. For component replacements, the carrying amount of the replaced part is derecognized.

All other repair and maintenance costs are recognized in the consolidated statements of income during the financial period in which they are incurred. The expected cost for the decommissioning and remediation of an asset is included in the cost of the respective asset if the recognition criteria are met.

Property, plant and equipment, other than land and project-related facilities and equipment, are amortized over their useful lives commencing when the asset is available for use on a straight-line basis at the following annual rates:

- 100% for land improvements;
- 3% to 10% on buildings;
- 5% to 50% on machinery and equipment; and
- Project related facilities and equipment are amortized over the estimated project life.

An item of property, plant and equipment is derecognized when no further economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds or the net recoverable amount, and the carrying value of the asset) is included in the consolidated statements of income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of amortization are reviewed at the end of each reporting period and adjusted prospectively if appropriate.

j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

k) Intangible Assets

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the consolidated statements of income during the period in which they are incurred.

Intellectual Property and Intangible Assets with Limited Lives

Intellectual property and intangible assets with limited lives are amortized over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is recorded on a straight-line basis over their estimated useful lives of up to 15 years. The amortization period and the amortization method are reviewed at least at each year-end and adjusted prospectively if appropriate.

Intangible Assets with Indefinite Lives

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, or when there is an indication that the asset may be impaired either individually or at the Cash Generating Unit (“CGU”) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable; if not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the consolidated statements of income when the asset is derecognized.

l) Impairment of Non-financial Assets

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment or when there is an indication that the asset may be impaired.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped into CGUs at the lowest levels for which there are separately identifiable independent cash flows. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment whenever reversal indicators exist.

m) Goodwill

Goodwill represents the excess of the purchase price of the Company’s interest in subsidiary entities over the fair value of the underlying net identifiable tangible and intangible assets arising at the date of acquisition.

Goodwill is deemed to have an indefinite life and is tested annually for impairment or when there is an indicator of impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, but are not allocated above the operating segment level at which management monitors the recovery of goodwill.

Gains and losses on the disposal of a CGU or component of a CGU include the carrying amount of goodwill relating to the entity sold.

n) Employee Future Benefits

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The employee future benefits liability recognized on the consolidated balance sheets, in respect of the defined benefit pension plans, represents the deficit position for those defined benefit plans, whose defined benefit obligation exceeds that pension plan’s assets. The Company has included in other assets the net surplus position of those defined benefit plans whose pension plan assets exceed the defined benefit obligation.

The defined benefit obligation is determined by independent actuaries using the projected benefit method pro-rated on service. The defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity matching the terms of the related defined benefit arrangements. Plan assets are valued at quoted market prices at the consolidated balance sheet dates.

Past service costs arising from plan amendments are fully recognized in income when the plan amendment or curtailment occurs, or when related restructuring costs or termination benefits are recognized, whichever comes first.

Actuarial gains and losses resulting from experience adjustments and the effect of changes in actuarial assumptions, and actual returns on plan assets, as compared to returns using interest rates of high quality corporate bonds, are recognized in other comprehensive income in the period in which they arise.

For the Company’s defined contribution plans, costs are determined based on the services provided by the Company’s employees and are recognized in the consolidated statements of income as those services are provided.

o) Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases in which substantially all of the benefits and risks of ownership are not transferred by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statements of income on a straight-line basis over the period of the lease.

p) Trade and Other Receivables

Impairment of trade and other receivables is constantly monitored. Impairments are based on observed customer solvency, the aging of trade and other receivables, historical values and customer specific and industry risks. External credit ratings as well as bank and trade references are reviewed when available.

q) Provisions

A provision is an accrued liability, legal or constructive, resulting from a past event and uncertainty with respect to either the timing or amount. Provisions must be probable and should be measurable to be recognized, and are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance costs in the consolidated statements of income.

r) Financial Instruments

Financial assets recorded at fair value through profit or loss include financial assets held for trading or meeting specified criteria and designated upon initial recognition at fair value through profit or loss as appropriate.

Held-to-maturity financial assets, loans and receivables and other liabilities not held for trading are accounted for at amortized cost.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale by the Company or do not fall into another category. Available-for-sale financial assets are carried on the consolidated balance sheets at fair value with gains or losses from changes in fair value in a period included in other comprehensive income.

Financial assets are recognized initially at fair value.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss, or loans and borrowings.

Financial liabilities classified as fair value through profit or loss includes derivative financial instruments. Any changes in fair value are recognized through the consolidated statements of income.

Loans and borrowings are initially recorded at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are subsequently measured at amortized cost using the effective interest rate method.

The following is a summary of the classes of financial instruments included in the Company's consolidated balance sheets as well as their designation by the Company:

Balance Sheet Item	Designation
Cash and cash equivalents	Fair value through profit or loss
Short-term investments	Held-to-maturity
Trade accounts receivable	Loans and receivables
Loans receivable	Loans and receivables
Convertible preferred shares	Available-for-sale
Guaranteed deposits	Available-for-sale
Derivative financial instruments	Fair value through profit or loss
Bank indebtedness	Loans and borrowings
Loans payable	Loans and borrowings
Accounts payable	Loans and borrowings
Deferred purchase consideration	Loans and borrowings
Long-term debt	Loans and borrowings

Derivative Financial Instruments

The Company's policy is to document its risk management objectives and strategy for undertaking various derivative financial instrument transactions. Derivative financial instruments designated as effective net investment hedges are reflected in the consolidated balance sheets at fair value, with any gains or losses resulting from fair value changes included in other comprehensive income to the extent of hedge effectiveness. Derivative financial instruments not designated as part of a formal hedging relationship are carried at fair value in the consolidated balance sheets, with gains or losses resulting from changes in fair value in a period charged or credited to net income in the consolidated statements of income.

Fair Value

Financial instruments measured or disclosed at fair value are categorized into one of the following three hierarchy levels for disclosure purposes:

- **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.

Derecognition

Financial assets are derecognized where the contractual rights to the receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset.

Financial liabilities are derecognized where the related obligations are either discharged, cancelled, or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in the consolidated statements of income in the period in which it is incurred.

Impairment

Financial assets carried at amortized cost are assessed at each reporting date for any potential impairment. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment and the impairment loss is recognized in the consolidated statements of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of income.

Transaction Costs

Transaction costs associated with financial assets carried at fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

s) Share-based and Other Incentive-based Compensation

The Company has various stock-based compensation plans. The Company recognizes compensation expense in respect of all of its stock-based compensation plans. The compensation expense for equity settled awards is equal to the estimated fair value, based on an appropriate pricing model, of the incentive options, rights or units granted at the grant date, and is amortized over the vesting period of the incentive options, rights or units.

In accordance with IFRS, for each award of stock-based compensation that vests in installments, the fair value is determined on each installment as a separate award. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Company revises its estimates of the number of options, rights or incentive units that are expected to vest based on the non-market vesting conditions.

For options, units or rights that are settled with equity, an amount equal to compensation expense is initially credited to contributed surplus as the expense is recognized and transferred to share capital if and when the option, unit or right is exercised.

Consideration received on the exercise of a stock option, right or unit is credited to share capital, when additional equity instruments are issued. Options, units or rights that are settled with cash are classified as liability instruments in accordance with IFRS, as their terms require that they be settled in cash.

Awards where the employee has the right to choose whether a share-based transaction is settled in cash or by issuing equity are accounted for as liabilities on the consolidated balance sheets.

For cash-settled awards, the fair value of the liability is recalculated at each consolidated balance sheet date until the awards are settled based on the estimated number of awards that are expected to vest, adjusting for market and non-market based performance conditions. During the vesting period, a liability is recognized representing the portion of the vesting period that has expired at the consolidated balance sheet date multiplied by the fair value of the awards at that date. After vesting, the full fair value of the unsettled awards at each balance sheet date is recognized as a liability. Movements in the liability are recognized in the consolidated statements of income. The fair value is recalculated using an option pricing model.

t) Research and Development Costs

In accordance with *IAS 38, Intangible Assets*, research and development costs are charged to the consolidated statements of income, except for development costs, which are capitalized as an intangible asset when the following criteria are met:

- the project is clearly defined and the costs are separately identified and reliably measured;
- the technical feasibility of the project is demonstrated;
- the project will generate future economic benefit;
- resources are available to complete the project; and
- the project is intended to be completed.

The intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset commences when development has been completed and the asset is available for use. It is amortized over the period of expected future benefit, generally between three to ten years. During the periods following completion of development, the asset is tested for impairment annually. All other development costs are charged to the consolidated statements of income.

u) Income Taxes

Income tax expense for the period comprises current and deferred income taxes. Income taxes are recognized in the consolidated statements of income, except to the extent that they relate to items recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet dates in the countries where the Company and its subsidiaries operate and generate taxable income.

The Company accounts for income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current income tax balances on a net basis.

Investment tax credits relating to the acquisition of assets are accounted for using the cost reduction approach, reducing the cost of the asset acquired or amortized into income over the useful life of the asset.

v) Earnings Per Share (“EPS”)

Basic EPS is calculated using the weighted average number of shares outstanding during the period.

Diluted EPS is calculated using the treasury stock method for determining the dilutive effect of outstanding financial instruments issued under the Company’s various stock-based compensation plans. Under this method, the conversion of dilutive financial instruments and related issue of shares is assumed at the beginning of the period (or at the time of award, if later).

The proceeds from the conversion or exercise of dilutive financial instruments plus future period compensation expenses are assumed to be used to purchase common shares at the average market price during the period, and the incremental number of shares (the difference between the number of shares assumed issued and assumed purchased) is included in the denominator of the diluted EPS computation.

w) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (“CODM”). The CODM is responsible for allocating resources and assessing the performance of the operating segments, and has been identified as the Chief Executive Officer of the Company.

x) Use of Estimates

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

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

The Company evaluates the carrying values of the groups of CGUs containing 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, 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.

Employee Future Benefit Obligations

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

Provisions and Contingent 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 judgment 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 account of changing facts and circumstances.

The Company is required to determine whether a loss is probable based on judgment 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

Decommissioning liabilities include legal and constructive obligations related to owned and leased facilities. These have been recorded in the consolidated financial statements based on estimated future amounts required to satisfy these obligations. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a current pre-tax risk free rate. A corresponding asset equal to the present value of the initial estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning liability and the related long-lived asset. The amount capitalized in property, plant and equipment is depreciated on a straight-line basis over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statements of income.

Actual expenditures incurred are charged against the accumulated decommissioning liability.

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, earnings and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. 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 respective domicile of the respective companies.

NOTE 4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 9 – Financial Instruments

IFRS 9, as issued, by the International Accounting Standards Board ("IASB") replaces *IAS 39* regarding the recognition and measurement of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15*, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. *IFRS 15* is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

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

In May 2014, the IASB issued amendments to *IAS 16* and *IAS 38*, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company is in the process of reviewing the amendments to determine the impact on the consolidated financial statements.

NOTE 5. NEW ACCOUNTING STANDARDS ADOPTED

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. *IFRIC 21* is effective for annual periods beginning on or after January 1, 2014. The Company's adoption of *IFRIC 21* did not have a material financial impact on the Company's consolidated financial statements.

NOTE 6. SEGMENT INFORMATION

ShawCor's operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the CODM in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on segment operating income or loss, which is measured differently than income from operations in the consolidated financial statements. Income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at December 31, 2014, the Company had two reportable operating segments: Pipeline and Pipe Services and Petrochemical and Industrial. Inter-segment transactions between Pipeline and Pipe Services and Petrochemical and Industrial are accounted for at negotiated transfer prices. The aggregation of the reportable segments is based on the customer and markets that the Company serves.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment comprises the following business units:

- Bredero Shaw, which provides pipe coating, lining and insulation products;
- Socotherm, which provides pipe coating, lining and insulation products;
- Canusa – CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubular products;
- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction; and
- Desert NDT, which provides non-destructive testing services for new oil and gas gathering pipelines and infrastructure integrity management services.

Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the following business units:

- ShawFlex, which manufactures wire and cable for process instrumentation and control applications; and
- DSG-Canusa, which manufactures heat-shrinkable tubing for automotive, electrical, electronic and utility applications.

Financial and Corporate

The financial and corporate division for ShawCor does not meet the definition of a reportable operating segment as defined in IFRS, as it does not earn revenue.

Segment

The following table sets forth information by segment for the years ended December 31:

(in thousands of Canadian dollars)	**Pipeline and Pipe Services**		**Petrochemical and Industrial**		**Financial and Corporate**		**Eliminations and Adjustments**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Revenue										
External	**$1,713,363**	1,686,381	**$ 176,666**	161,168	**$ –**	–	**$ –**	–	**$1,890,029**	1,847,549
Inter-segment	**3,426**	1,387	**367**	1,281	**–**	–	**(3,793)**	(2,668)	**–**	–
	$1,716,789	1,687,768	**$ 177,033**	162,449	**$ –**	–	**$ (3,793)**	(2,668)	**$1,890,029**	1,847,549
Operating expense	**$1,360,464**	1,238,862	**$ 146,505**	138,085	**$ 34,549**	62,486	**$ (3,793)**	(2,668)	**$1,537,725**	1,436,765
Research and development expenses	**10,794**	12,446	**1,136**	1,452	**1,123**	1,789	**–**	–	**13,053**	15,687
Amortization of property, plant and equipment	**50,085**	62,499	**3,251**	2,336	**1,883**	1,649	**–**	–	**55,219**	66,484
Amortization of intangible assets	**15,587**	10,312	**–**	–	**–**	–	**–**	–	**15,587**	10,312
Gain on sale of land	**–**	(5,156)	**(609)**	–	**–**	–	**–**	–	**(609)**	(5,156)
Income (loss) from operations for CODM	**$ 279,859**	368,805	**$ 26,750**	20,576	**$ (37,555)**	(65,924)	**$ –**	–	**$ 269,054**	323,457
Impairment	**120,378**	–	**–**	–	**–**	–	**–**	–	**120,378**	–
Income (loss) from operations	**$ 159,481**	368,805	**$ 26,750**	20,576	**$ (37,555)**	(65,924)	**$ –**	–	**$ 148,676**	323,457
Gain (loss) on assets held for sale	**6,427**	(3,683)	**–**	–	**–**	–	**–**	–	**6,427**	(3,683)
Loss from investments in joint ventures	**(22,375)**	(3,874)	**–**	–	**–**	–	**–**	–	**(22,375)**	(3,874)
Income from investments in associates	**57**	–	**–**	–	**820**	–	**–**	–	**877**	–
Interest income	**839**	727	**2**	2	**388**	427	**–**	–	**1,229**	1,156
Interest expense and other finance costs	**(3,069)**	(5,355)	**(12)**	(86)	**(16,549)**	(10,627)	**–**	–	**(19,630)**	(16,068)
Income (loss) before income taxes	**141,360**	356,620	**26,740**	20,492	**(52,896)**	(76,124)	**–**	–	**115,204**	300,988
Income tax expense	**–**	–	**–**	–	**(21,010)**	(78,402)	**–**	–	**(21,010)**	(78,402)

(in thousands of Canadian dollars)	**Pipeline and Pipe Services**		**Petrochemical and Industrial**		**Financial and Corporate**		**Eliminations and Adjustments**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Additions to property, plant and equipment, net of disposals	**$ 70,041**	59,688	**$ 1,767**	14,422	**$ 1,966**	2,081	**$ –**	–	**$ 73,774**	76,191
Goodwill	**379,510**	281,431	**16,691**	17,388	**–**	–	**–**	–	**396,201**	298,819
Total assets	**2,267,366**	1,975,028	**158,936**	180,055	**1,177,262**	796,816	**(1,663,594)**	(1,299,971)	**1,939,970**	1,651,928
Total liabilities	**910,030**	960,223	**86,879**	60,299	**460,734**	425,193	**(498,286)**	(452,368)	**959,357**	993,347

Geographical Information

The following table sets forth information by geographical region for the years ended December 31; the geographic region is determined by the country or location of operation.

(in thousands of Canadian dollars)							**2014**
	Canada	**USA**	**Latin America**	**EMAR**	**Asia Pacific**	**Eliminations**	**Total**
Revenue							
External	**$ 590,446**	**$ 302,770**	**$ 183,196**	**$ 463,108**	**$ 350,509**	**$ –**	**$ 1,890,029**
Inter-segment	**1,774**	**157**	**1,861**	**1**	**–**	**(3,793)**	**–**
Total Revenue	**$ 592,220**	**$ 302,927**	**$ 185,057**	**$ 463,109**	**$ 350,509**	**$ (3,793)**	**$ 1,890,029**
Non-current assets[(a)]	**$ 331,559**	**$ 417,246**	**$ 28,253**	**$ 245,524**	**$ 83,267**	**$ (44,133)**	**$ 1,061,716**

							2013
(in thousands of Canadian dollars)	Canada	USA	Latin America	EMAR	Asia Pacific	Eliminations	Total
Revenue							
External	$ 520,920	$ 248,846	$ 161,627	$ 247,271	$ 668,885	$ –	$ 1,847,549
Inter-segment	2,604	64	–	–	–	(2,668)	–
Total Revenue	$ 523,524	$ 248,910	$ 161,627	$ 247,271	$ 668,885	$ (2,668)	$ 1,847,549
Non-current assets[(a)]	$ 316,626	$ 124,982	$ 71,786	$ 257,931	$ 81,365	$ 15,343	$ 868,033

(a) Excluding financial instruments, deferred tax assets and post-employment benefits.

NOTE 7. ACQUISITION

Desert NDT

On July 8, 2014, the Company completed the acquisition of all of the outstanding shares of Desert NDT, LLC ("Desert"), for total consideration of approximately $281.7 million (US$263.9 million), including an adjustment for changes in working capital. Desert is a Houston-based provider of non-destructive testing ("NDT") services for new oil and gas gathering pipelines and infrastructure integrity management services. Desert operates through 18 branches located in major U.S. oil and gas basins. The acquisition was funded with cash and through available revolving credit facilities.

Significant judgments and assumptions made in the purchase price allocation in the course of the acquisition of Desert include the following:

- For intangible assets associated with customer relationships, the Company based its valuation on the expected future cash flows using the multi-period excess earnings approach. This method employed a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased customer relationships using risk adjusted discount rates and revenue forecasts, as appropriate, based upon management's best estimate.
- The goodwill acquired represents the acquired human capital and the benefits that the Company expects to earn from the acquisition due to expected synergies and other intangible assets that do not meet the criteria for recognition as identifiable intangible assets. Approximately $101.8 million (US$95.4 million) of the goodwill recognised at the date of acquisition is expected to be deductible for income tax purposes.

The following table shows the preliminary purchase price allocation for the acquisition of Desert:

(in thousands of Canadian dollars)

Consideration	
Cash (net of cash acquired of $2,429)	**$ 279,266**
Assets acquired at fair value:	
Current assets (excluding cash acquired of $2,429)	**28,114**
Property, plant and equipment	**8,976**
Intangible assets	**126,807**
Current liabilities assumed	**(11,105)**
Deferred income tax liabilities	**(2,193)**
Total identifiable net assets at fair value	**150,599**
Goodwill	**128,667**
	$ 279,266

The Company is currently finalizing the values associated with the current liabilities and deferred income tax assets and liabilities.

From the date of acquisition, Desert contributed approximately $60.7 million of revenue and $8.2 million of income before interest and income tax to the Company. If the acquisition had been from the beginning of the year, the revenue would have been approximately $121.3 million and the income before interest and income tax, net of intangible amortization of $10.6 million, would have been $16.3 million.

Socotherm Gulf of Mexico

On April 15, 2013, the Company completed the acquisition of the remaining 49% of Socotherm S.p.A.'s joint venture in the U.S.A. for total consideration of approximately $23 million, excluding the forgiveness of inter-company debt. The joint venture has a strategically located facility in Channelview, Texas which provides anticorrosion and advanced insulation coatings for global offshore applications, including in the Gulf of Mexico and West African markets.

The carrying value of the Company's investment immediately prior to the acquisition of the remaining 49% approximated its fair value.

On acquisition of the remaining 49% of Socotherm's S.p.A.'s joint venture in the U.S.A., on a 100% level, the approximate value of the tangible assets acquired and tangible liabilities assumed was $34.8 million and $9.1 million, respectively. The approximate value of the intangible assets acquired and intangible liabilities assumed was $68.3 million and $13.2 million, respectively.

NOTE 8. CASH AND CASH EQUIVALENTS

The following table sets forth the Company's cash and cash equivalents as at:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Cash	**$ 112,452**	$ 78,843
Cash equivalents	**4,104**	552
Total	**$ 116,556**	$ 79,395

NOTE 9. LOANS RECEIVABLE

The following table details the long-term loans receivable as at:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Current		
Loan receivable	$ –	$ 1,780
	–	1,780
Non-current		
Notes receivable[(a)]	$ 4,434	$ 4,014
Loan receivable	2,587	3,448
	7,021	7,462
Total	$ 7,021	$ 9,242

(a) Long-term notes receivable relate to an amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia. Interest is payable semi-annually at U.S. prime plus 0.25%, with principal repayments to be made in four semi-annual instalments beginning no later than March 31, 2018, as set out in the loan agreement terms. As at December 31, 2014, the amount of the note receivable was U.S.$3,813 (December 31, 2013 – U.S.$3,752).

NOTE 10. ACCOUNTS RECEIVABLE

The following table sets forth the Company's trade and other receivables as at:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Trade accounts receivables	$ 339,990	$ 249,612
Allowance for doubtful accounts (note 26)	(12,516)	(11,732)
Unbilled revenue and other receivables	130,136	126,104
	$ 457,610	$ 363,984

The following table sets forth the aging of the Company's trade accounts receivable as at:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Current	$ 188,545	$ 122,445
Past due 1 to 30 days	93,123	54,456
Past due 31 to 60 days	21,677	25,952
Past due 61 to 90 days	8,591	16,518
Past due for more than 90 days	28,054	30,241
Total trade accounts receivable	339,990	249,612
Less: allowance for doubtful accounts	(12,516)	(11,732)
Trade accounts receivable – net	$ 327,474	$ 237,880

NOTE 11. INVENTORIES

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

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Raw materials and supplies	$ 126,763	$ 134,216
Work-in-progress	15,003	13,019
Finished goods	72,900	51,498
Inventory obsolescence	(19,934)	(17,857)
	$ 194,732	$ 180,876

During 2014, the Company recorded an increase of $2.1 million (December 31, 2013 – $5.8 million) in the provision for inventory obsolescence, due to the build-up of certain excess raw materials.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

The following table sets forth the Company's property, plant and equipment as at the periods indicated:

(in thousands of Canadian dollars)	Land and Land Improvements	Buildings	Machinery and Equipment	Capital Projects-in-Progress	Total
Cost					
Balance – December 31, 2012	$ 60,178	$ 164,380	$ 581,802	$ 34,981	$ 841,341
Exchange differences	991	15,286	21,637	665	38,579
Additions	2,055	28,069	57,876	(11,271)	76,729
Acquisitions	1,325	7,316	16,238	63	24,942
Assets held for sale	–	96	–	–	96
Decommissioning liabilities and others	(1,344)	(18)	(21)	–	(1,383)
Disposals	(338)	(2,286)	(16,281)	(447)	(19,352)
Balance – December 31, 2013	$ 62,867	$ 212,843	$ 661,251	$ 23,991	$ 960,952
Exchange differences	(3,103)	(2,690)	23,685	(2,437)	15,455
Additions	1,554	4,483	55,368	16,240	77,645
Acquisitions	–	352	10,867	–	11,219
Decommissioning liabilities and others	2,504	122	105	–	2,731
Disposals	–	(1,477)	(8,297)	–	(9,774)
Balance – December 31, 2014	**$ 63,822**	**$ 213,633**	**$ 742,979**	**$ 37,794**	**$ 1,058,228**

(in thousands of Canadian dollars)	Land and Land Improvements	Buildings	Machinery and Equipment	Capital Projects-in-Progress	Total
Accumulated Amortization					
Balance – December 31, 2012	$ (16,928)	$ (79,917)	$ (341,456)	$ –	$ (438,301)
Exchange differences	(243)	(6,024)	(19,625)	–	(25,892)
Amortization expense	(364)	(6,286)	(58,664)	–	(65,314)
Decommissioning liabilities and others	150	(110)	(296)	–	(256)
Eliminated on disposal	71	1,597	11,223	–	12,891
Balance – December 31, 2013	$ (17,314)	$ (90,740)	$ (408,818)	$ –	$ (516,872)
Exchange differences	(147)	2,077	(10,325)	–	(8,395)
Amortization expense	(409)	(5,529)	(49,281)	–	(55,219)
Decommissioning liabilities and others	(653)	(147)	(73)	–	(873)
Eliminated on disposal	–	528	5,374	–	5,902
Balance – December 31, 2014	**$ (18,523)**	**$ (93,811)**	**$ (463,123)**	**$ –**	**$ (575,457)**

(in thousands of Canadian dollars)	Land and Land Improvements	Buildings	Machinery and Equipment	Capital Projects-in-Progress	Total
Accumulated Impairment					
Balance – December 31, 2012	$ (2,496)	$ (7,196)	$ (21,764)	$ –	$ (31,456)
Exchange differences	1	44	(347)	–	(302)
Eliminated on disposal	–	638	327	–	965
Balance – December 31, 2013	$ (2,495)	$ (6,514)	$ (21,784)	$ –	$ (30,793)
Exchange differences	–	125	141	–	266
Impairment	–	(2,664)	(14,269)	–	(16,933)
Balance – December 31, 2014	**$ (2,495)**	**$ (9,053)**	**$ (35,912)**	**$ –**	**$ (47,460)**
Net book value					
As at December 31, 2012	$ 40,754	$ 77,267	$ 218,582	$ 34,981	$ 371,584
As at December 31, 2013	$ 43,058	$ 115,589	$ 230,649	$ 23,991	$ 413,287
As at December 31, 2014	**$ 42,804**	**$ 110,769**	**$ 243,944**	**$ 37,794**	**$ 435,311**

NOTE 13. INTANGIBLE ASSETS

The following table sets forth the Company's intangible assets as at the periods indicated:

(in thousands of Canadian dollars)	Intellectual Property, with Limited Life[a]	Intangible Assets, with Limited Life[b]	Intangible Assets, with Indefinite Life[c]	Total
Cost				
Balance – December 31, 2012	$ 78,705	$ 42,271	$ 5,664	$ 126,640
Exchange differences	680	1,099	248	2,027
Additions	96	616	–	712
Acquisition of a subsidiary	–	36,608	–	36,608
Balance – December 31, 2013	$ 79,481	$ 80,594	$ 5,912	$ 165,987
Exchange differences	1,098	14,346	317	15,761
Additions	128	352	–	480
Acquisition of a subsidiary	225	127,032	–	127,257
Balance – December 31, 2014	**$ 80,932**	**$ 222,324**	**$ 6,229**	**$ 309,485**
Accumulated Amortization				
Balance – December 31, 2012	(18,269)	(6,916)	–	(25,185)
Exchange differences	62	(336)	–	(274)
Amortization	(5,325)	(4,987)	–	(10,312)
Balance – December 31, 2013	$ (23,532)	$ (12,239)	$ –	$ (35,771)
Exchange differences	(94)	(321)	–	(415)
Amortization	(4,882)	(10,705)	–	(15,587)
Balance – December 31, 2014	**$ (28,508)**	**$ (23,265)**	**$ –**	**$ (51,773)**
Accumulated Impairment				
Balance – December 31, 2013	–	–	–	–
Exchange differences	382	211	–	593
Impairment	(4,138)	(51,431)	–	(55,569)
Balance – December 31, 2014	**$ (3,756)**	**$ (51,220)**	**$ –**	**$ (54,976)**
Net book value				
As at December 31, 2012	$ 60,436	$ 35,355	$ 5,664	$ 101,455
As at December 31, 2013	$ 55,949	$ 68,355	$ 5,912	$ 130,216
As at December 31, 2014	**$ 48,668**	**$ 147,839**	**$ 6,229**	**$ 202,736**

(a) Intellectual property, with limited life, represents the cost of certain technology, know-how and patents obtained mainly through acquisitions. The Company amortizes the cost of intellectual property over its estimated useful life of up to 15 years.
(b) Intangible assets, with limited life, represent customer relationships, trademarks, and non-competition agreements acquired directly or in conjunction with a past business combination. The Company amortizes the cost of intangible assets with limited life over their respective estimated useful lives of up to 15 years. The net book value of customer relationships as at December 31, 2014 is $138.0 million (December 31, 2013 – $67.6 million), and is included in intangible assets with limited life in the table above.
(c) Intangible assets, with indefinite life, represent the value of brands obtained in previous acquisitions. As the Company has the exclusive right to use and benefit from the brands of the acquired companies for an undefined period, certain acquired brands have been classified as intangible assets with indefinite life. As the cost of intangible assets with indefinite life is not amortized, the Company assesses these intangible assets for impairment on an annual basis or when there is an indicator of impairment.

NOTE 14. INVESTMENTS IN JOINT VENTURES

The Company uses the equity method to account for the following joint venture interests of the Company as at December 31, 2014 and 2013.

	Country of Incorporation	Activity	**December 31 2014 Proportion of Interest Held %**	December 31 2013 Proportion of Interest Held %
Hal Shaw Inc.	U.S.A.	Pipe coating	**50**	50
Shaw & Shaw Ltd.	Canada	Pipe coating	**83**	83
Helicone Holdings Limited	Russia	Pipe coating	**–**	25
Socotherm Brasil S.A.[a]	Brazil	Pipe coating	**(a)**	50
Atlantida Socotherm S.A.[b]	Venezuela	Pipe coating	**50**	50

(a) As of December 4, 2013, Socotherm Brasil S.A. has been accounted for as a held-for-sale investment. Socotherm Brasil S.A. was sold on September 3, 2014.
(b) During the fourth quarter of 2014, the Company recorded an impairment of $18.9 million related to its joint venture interest in Venezuela and is included in loss from investments in joint ventures. The investment in the Company's Venezuela joint venture was impaired due to the accelerated devaluation of the local currency in Venezuela, deteriorating business environment and the significant increase in the uncertainty of the Company to realize cash flows from this joint venture in the future.

The following tables present the Company's share of the assets, liabilities, income and expenses of the joint ventures described above for the years ended and as at December 31, excluding those joint ventures classified as held-for-sale:

(in thousands of Canadian dollars)	2014	2013
Current assets	$ –	$ 13,625
Non-current assets	–	10,937
Total assets	–	24,562
Current liabilities	–	(5,895)
Non-current liabilities	–	(1,391)
Total Liabilities	–	(7,286)
Carrying amount of the investments in joint ventures	$ –	$ 17,276

(in thousands of Canadian dollars)	2014	2013
Revenue	$ 9,143	$ 53,553
Cost of goods sold	6,713	40,884
Selling, general and administrative expenses	1,825	10,204
Foreign exchange losses	2,498	47
Amortization expenses	1,465	6,357
Finance costs	443	1,083
Net loss before income taxes	(3,801)	(5,022)
Income tax recovery	(374)	(1,148)
Net loss for the year	$ (3,427)	$ (3,874)

NOTE 15. INVESTMENTS IN ASSOCIATES

On February 20, 2014, ShawCor completed an equity investment in Zedi Inc. ("Zedi"), a Calgary, Alberta based company engaged in end-to-end solutions for production operations management in the oil and gas industry. Zedi has developed and deployed remote field monitoring and related data management solutions for the optimization of oil and gas well production and has recently completed a management buyout through an Alberta court and shareholder approved plan of arrangement. ShawCor's equity investment in Zedi consists of approximately 25% common share interest totalling $13.8 million, which is being accounted for using equity accounting and an investment of $10.0 million in convertible preferred shares, which is accounted for as an available-for-sale investment and classified in other assets on the Company's consolidated balance sheets.

On August 29, 2014, the Company completed an equity investment for a 20% interest in Power Feed-Thru Systems and Connectors, LLC ("PFT") for approximately $2.9 million (U.S. $2.6 million). PFT is a designer and assembler of electric feed-thru connector systems specifically for artificial lift installations in the global Oil and Gas market. Its products are used in oil wells equipped with Electric Submersible Pumps to connect the down-hole oil pump with a surface power supply and it is based in Houston, Texas, U.S.

NOTE 16. OTHER ASSETS

The following table details the other assets as at:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Long-term prepaid expenses	$ 8,302	$ 8,615
Deposit guarantee	893	81
Long-term investment	–	1,104
Convertible preferred shares (note 15)	10,000	–
Defined Pension Plans employee future benefit asset (note 25)	7,694	8,030
	$ 26,889	$ 17,830

NOTE 17. GOODWILL

The changes in the carrying amount of goodwill are shown below:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Gross amount of goodwill	$ 298,819	$ 256,296
Accumulated impairment of goodwill	–	–
Net Balance – Beginning of year	298,819	256,296
Acquisition (note 7)	128,667	31,267
Impairment (note 18)	(47,078)	–
Foreign exchange	15,793	11,256
Net Balance – End of year	$ 396,201	$ 298,819

The following table summarizes the significant carrying amounts of goodwill:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Bredero Shaw (excluding BSRTL as defined below)	**$ 173,102**	$ 172,406
Thermotite Brasil Ltda & BS Servicios de Injecao (collectively, "BSRTL")	**–**	12,331
Desert NDT	**140,179**	–
Flexpipe Systems	**49,730**	49,730
Socotherm S.p.A.	**9,525**	8,762
Socotherm Americas (Argentina)	**5,094**	4,685
Socotherm Gulf of Mexico, LLC	**–**	31,332
ShawCor CSI	**1,880**	1,880
Guardian	**–**	305
DSG-Canusa GmbH	**16,691**	17,388
	$ 396,201	$ 298,819

a) Impairment Testing for Each Cash Generating Unit Containing Goodwill

The Company performs a goodwill impairment test for each specified group of CGUs ("GCGU") that contains goodwill at the Company's annual goodwill impairment testing date of October 31 ("Annual Goodwill Valuation Date"). On August 31, 2014, the Company also performed an impairment test for its BSRTL CGU ("BSCGU") and concluded that its goodwill was fully impaired. At the Annual Goodwill Valuation Date of October 31, 2014, the Company concluded that there was no impairment of goodwill in any of its GCGUs other than the goodwill in the Company's Socotherm Gulf of Mexico division, which was fully impaired.

b) Recoverable Amount

The Company determines the recoverable amount for its GCGUs as the higher of Value in Use ("VIU") and the Fair Value Less Cost to sell ("FVLCS"). For the goodwill impairment tests, the FVLCS of each of the GCGUs (other than those mentioned in note 17(a) above) was higher than its carrying amount. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation method used.

FVLCS calculations use post-tax cash flow projections based on three-year financial Business Plans approved by the Company's Board of Directors, which are then projected out for a further period of two years based on management's best estimates. Cash flows beyond the five-year period are extrapolated using estimated growth rates as applicable. The FVLCS is calculated net of selling costs that are estimated at 2%.

The FVLCS is determined by discounting the future free cash flows generated from the Company's continuing use of the respective GCGUs. The discount rates used are post-tax and reflect specific risks relating to the GCGUs. The discounted cash flow model employed by the Company reflects the specific risks of each GCGU and their business environment. The model calculates the FVLCS as the present value of the projected free cash flows and the Terminal Value of each group of GCGU.

The calculation of FVLCS for each GCGU is most sensitive to the following key assumptions:

- Projected Cash Flows
- Market Assumptions
- Discount Rate
- Growth Rate and Terminal Value

Projected Cash Flows

The Projected Cash Flow for each GCGU is derived from the most recently completed three-year Business Plan, which is projected out for a future time period of two years based on management's best estimates. Projected Cash Flow is estimated by adjusting forecasted annual net income (for the forecast period) for non-cash items (such as amortization, accretion, and foreign exchange), investments in working capital and investments in capital assets. Estimating future earnings requires judgment, consideration of past and actual performance, as well as expected developments in the GCGU's respective markets and in the overall macroeconomic environment.

Market Assumptions

The forecasted revenue for a GCGU in the Business Plan is based on that GCGU securing an estimated number of projects. A change in the number of estimated projects to be secured by a GCGU can have a material impact on the projected future cash flows for that particular GCGU. The gross margin for each GCGU in the Business Plan is also dependent on assumptions made about the price of raw materials in the future; a change in the assumptions of these key inputs can have a material impact on the projected future cash flows for a particular GCGU.

Discount Rate

Discount rates represent the current market assessment of the risks specific to each GCGU, regarding the time value of money and the individual risks of the underlying assets, which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its GCGUs and is derived from the weighted average cost of capital ("WACC") for the consolidated Company. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. GCGU specific risk is incorporated by applying individual specific risk factors; these specific risk factors are evaluated annually.

The following are the discount rates used in the calculation of the impairment tests:

(in thousands of Canadian dollars)	**October 31 2014**	October 31 2013
Bredero Shaw (excluding BSRTL)	**10%**	10%
BSRTL	**14%**	14%
Desert NDT	**11%**	n/a
Flexpipe Systems	**11%**	11%
Socotherm S.p.A. (Italy)	**14%**	14%
Socotherm Americas (Argentina)	**18%**	18%
Socotherm Gulf of Mexico, LLC	**12%**	12%
ShawCor CSI	**14%**	14%
DSG-Canusa GmbH	**12%**	12%

Terminal Value Growth Rate

The Terminal Value Growth Rate is used to calculate the Terminal Value of the GCGUs at the end of the Projected Free Cash Flow period of five years. A Terminal Value Growth Rate of 3.0% was used (for all goodwill impairment tests) reflecting terminal growth rate expectation of long-term growth in energy infrastructure investment; this figure also reflects the Company's best estimate of the set of economic conditions that are expected to exist over the forecast period.

Sensitivity to Changes in Assumptions

With regard to the assessment of FVLCS of all of the Company's GCGUs, except for Socotherm S.p.A. and Socotherm Americas (Argentina), management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, as estimated by the GCGU's FVLCS.

NOTE 18. IMPAIRMENT

The following table sets forth the Company's impairment charges for the year ended December 31, 2014:

(in thousands of Canadian dollars)	Bredero Shaw Brasil[(a)]	Socotherm[(b)]	Brigden[(c)]	Other	Total
Impairment of inventory	$ 798	$ –	$ –	$ –	$ 798
Impairment of property, plant and equipment	7,554	4,261	5,118	–	16,933
Impairment of intangible assets	19,156	35,795	–	618	55,569
Impairment of goodwill	12,941	33,825	–	312	47,078
Impairment	$ 40,449	$ 73,881	$ 5,118	$ 930	$ 120,378

(a) Bredero Shaw Brasil consists of the business entities Bredero Shaw Rev de Tubos Ltda., Bredero Shaw Brasil Participacoes Ltda. and BS Servicios de Injecao Ltda. (collectively, "BSRTL").
(b) Socotherm consists of the business entity Socotherm Gulf of Mexico, LLC.
(c) Brigden consists of a mobile plant in the Gulf of Mexico region.

Impairment Testing for the Bredero Shaw Brasil Cash Generating Unit

The Company performed an impairment test for its BSRTL CGU ("BSCGU") as at August 31, 2014. Currently, the BSCGU has been unsuccessful in securing project work to sustain operations at current levels and will have no backlog in Brazil at the beginning of 2015. Beyond 2015, uncertainty regarding Petrobras' development plans for the pre-salt Santos basin has impacted the Company's outlook for the deepwater insulation pipe coating market in Brazil and thus the recoverable amount for BSCGU.

Impairment Testing for the Socotherm Gulf of Mexico Cash Generating Unit

The Company performed an impairment test for its Socotherm Gulf of Mexico CGU ("SGOMCGU") as at October 31, 2014. The write-down of goodwill and intangible assets associated with the Socotherm Gulf of Mexico facility was based primarily on two factors: (i) anticipated market developments in the Gulf of Mexico including the likelihood of project delays as a result of the recent global decline in oil prices, and (ii) the Company's intention to shift non-Gulf of Mexico production from the Channelview, Texas operations to Pozzallo, Italy following the successful launch of production at the Pozzallo facility which is better positioned logistically to service project activity in Europe, the Middle East and Africa.

Impairment of Bridgen Plant in the Gulf of Mexico region

The Company operates a fleet of mobile coating plants in the Pipeline and Pipe Services segment. The Brigden mobile coating plant, has served the Gulf of Mexico from its current location in Beaumont, Texas since its initial commissioning in 2011. While the mobile nature of this plant provides certain cost saving logistical advantages to the customer (versus a fixed base plant), ultimate utilization of this plant within the segment is dependent on having a sufficient level of project backlog. Due to the likelihood of project delays as a result of the recent global decline in oil prices, the carrying amount of the property, plant and equipment was assessed and based on an independent appraisal of fair market value was deemed to be partially impaired.

Recoverable Amount
The Company determined the recoverable amount for its BSCGU and SGOMCGU as the higher of Value in Use ("VIU") and the FVLCS. For the BSCGU and SGOMCGU impairment tests, the FVLCS was higher than its VIU.

FVLCS calculations use post-tax cash flow projections based on three-year financial Business Plans prepared by the Company's management, which are then projected out for a further period of two years based on management's best estimates. Cash flows beyond the five-year period are extrapolated using estimated growth rates as applicable. The FVLCS is calculated net of selling costs that are estimated at 2%.

The FVLCS is determined by discounting the future free cash flows to be generated from the Company's continuing use of the BSCGU and SGOMCGU. The discount rate used is post-tax and reflects specific risks relating to the BSCGU and the SGOMCGU. The discounted cash flow model employed by the Company reflects the specific risks of the BSCGU and the SGOMCGU and its business environment. The model calculates the FVLCS as the present value of the projected free cash flows and the Terminal Value of the BSCGU and the SGOMCGU.

The calculation of FVLCS for the BSCGU and the SGOMCGU is most sensitive to the following key assumptions:

- Projected Cash Flows
- Market Assumptions
- Discount Rate
- Growth Rate and Terminal Value

Projected Cash Flows
The Projected Cash Flow for the BSCGU and the SGOMCGU is derived from the most recently completed three-year Business Plan, which is projected out for a future time period of two years based on management's best estimates. Projected Cash Flow is estimated by adjusting forecasted annual net income (for the forecast period) for non-cash items (such as amortization, accretion, and foreign exchange), investments in working capital and investments in capital assets. Estimating future earnings requires judgment, consideration of past and actual performance, as well as expected developments in the BSCGU's and SGOMCGU respective markets and in the overall macroeconomic environment.

Market Assumptions
The forecasted revenue for the BSCGU and the SGOMCGU in the three-year Business Plan is based on securing an estimated number of projects. A change in the number of projects estimated to be secured by the BSCGU and the SGOMCGU can have a material impact on the projected future cash flows. The gross margin for the BSCGU and the SGOMCGU in the Business Plan is also dependent on assumptions made about the price of raw materials in the future; a change in the assumptions of these key inputs can have a material impact on the projected future cash flows.

Discount Rate
The Discount rate represents the current market assessment of the risks specific to the BSCGU and the SGOMCGU, regarding the time value of money and the individual risks of the underlying assets, which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and the BSCGU and the SGOMCGU and is derived from the weighted average cost of capital ("WACC") for the consolidated Company. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. The BSCGU and the SGOMCGU specific risk is incorporated by applying individual specific risk factors and for the above impairment test a 14% discount rate has been applied for BSCGU and 12% for SGOMCGU.

Growth Rate and Terminal Value
The Terminal Value Growth Rate is used to calculate the Terminal Value of the BSCGU and the SGOMCGU at the end of the Projected Free Cash Flow period of five years. A Terminal Value Growth Rate of 3.0% was used reflecting an expectation of long-term growth in energy infrastructure investment in its market; this figure also reflects the Company's best estimate of the set of economic conditions that are expected to exist over the forecast period.

Sensitivity to Changes in Assumptions
A two percent increase in the discount rate would have caused the fair value of the BSCGU to decrease by $0.9 million. A one percent increase in the Terminal Value Growth Rate increases the fair value of the BSCGU by $0.1 million.

A two percent increase in the discount rate would have caused the fair value of the SGOMCGU to decrease by $6.1 million. A one percent increase in the Terminal Value Growth Rate increases the fair value of the SCGU by $0.9 million.

NOTE 19. ASSETS CLASSIFIED AS HELD FOR SALE

In October 2012, the Company entered into negotiations with its joint venture partners in Arabian Pipecoating Company Ltd. ("APCO"), located in the Kingdom of Saudi Arabia, for the sale of its 30% investment. As at December 31, 2013, the Company's investment in the joint venture has been classified as assets held for sale and liabilities held for sale, respectively.

In the fourth quarter of 2013, the Company entered into an agreement to sell its interest in Socotherm Brasil to its joint venture partner. As a result, its investment in joint venture has been classified as held for sale as at December 31, 2013. A net loss of $5.5 million (including $2.7 million of income tax expense and $1.9 million in non-controlling interest expense) was recorded related to expected proceeds from the sale of Socotherm Brasil.

In 2014, the Company completed the sales of APCO and Socotherm Brasil to its joint venture partners.

The following table shows the major classes of assets and liabilities classified as held for sale as at:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Assets		
Cash	$ –	$ 8,036
Accounts receivables	–	9,031
Prepaid expenses	–	1,040
Inventory	–	3,177
Income taxes receivable	–	40
Property, plant and equipment	–	1,968
Intangible assets	–	16,530
Investments in joint venture	–	9,428
Deferred tax assets	–	12
Goodwill	–	6,924
Assets classified as held for sale	$ –	$ 56,186
Liabilities		
Accounts payable	–	(5,061)
Accrued liabilities	–	–
Income taxes payable	–	(5,712)
Provisions	–	(1,129)
Deferred income tax liability	–	(4,715)
Liabilities directly associated with assets classified as held for sale	–	(16,617)
Net assets directly associated with disposal groups	$ –	$ 39,569

NOTE 20. CREDIT FACILITIES

The following table sets forth the Company's total credit facilities as at:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Bank indebtedness	**$ 4,685**	$ 5,229
Standard letters of credit for performance, bid and surety bonds (note 28)	**137,667**	106,206
Total utilized credit facilities	**142,352**	111,435
Total available credit facilities[(a)]	**523,305**	320,910
Unutilized Credit Facilities	**$ 380,953**	$ 209,475

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

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

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the Unsecured Committed Bank Credit Facility. Specifically, the Company is required to maintain an Interest Coverage Ratio (EBITDA plus rental payments divided by interest expense plus rental payments) of more than 2.50 to 1 and a debt to total EBITDA ratio of less than 3.00 to 1. The Company was in compliance with these covenants as at December 31, 2014 and 2013.

NOTE 21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table sets forth the Company's accounts payables and accrued liabilities as at:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Accounts payables	**$ 89,077**	$ 91,215
Accrued liabilities	**163,366**	139,759
	$ 252,443	$ 230,974

NOTE 22. PROVISIONS

The following table sets forth the Company's provisions as at the periods indicated:

(in thousands of Canadian dollars)	Decommissioning Liabilities	Warranties	Other Provisions	Total
Balance – December 31, 2012	$ 21,414	$ 4,247	$ 26,648	$ 52,309
Provision adjustments	(1,401)	4,833	7,080	10,512
Acquisition	245	–	–	245
Settlement of liabilities	(817)	(2,767)	(8,840)	(12,424)
Accretion expense	357	–	–	357
Foreign exchange differences	787	71	1,694	2,552
Loss on settlement	66	–	–	66
Balance – December 31, 2013	$ 20,651	$ 6,384	$ 26,582	$ 53,617
Provision adjustments	2,911	2,142	10,144	15,197
Settlement of liabilities	(215)	(4,331)	(12,493)	(17,039)
Accretion expense	477	–	26	503
Foreign exchange differences	391	260	433	1,084
Gain on settlement	(77)	–	(961)	(1,038)
Balance – December 31, 2014	**$ 24,138**	**$ 4,455**	**$ 23,731**	**$ 52,324**

(in thousands of Canadian dollars)	Decommissioning Liabilities	Warranties	Other Provisions	Total
December 31, 2012				
Current	3,155	4,247	9,426	16,828
Non-current	18,259	–	17,222	35,481
	$ 21,414	$ 4,247	$ 26,648	$ 52,309
December 31, 2013				
Current	3,412	6,384	6,175	15,971
Non-current	17,239	–	20,407	37,646
	$ 20,651	$ 6,384	$ 26,582	$ 53,617
December 31, 2014				
Current	**3,627**	**4,455**	**6,892**	**14,974**
Non-current	**20,511**	**–**	**16,839**	**37,350**
	$ 24,138	**$ 4,455**	**$ 23,731**	**$ 52,324**

Decommissioning Liabilities

The total undiscounted cash flows estimated to settle all decommissioning liabilities is $42.0 million as at December 31, 2014. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.45% and 9.95%. 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 on the next five years and thereafter for decommissioning liability remediation.

(in thousands of Canadian dollars)	December 31 2014
2015	**$ 3,627**
2016	**4,573**
2017	**907**
2018	**4,464**
2019	**1,165**
More than five years	**27,232**
	$ 41,968

Warranties

Project specific warranties are provided by various divisions in the normal course of business that are usually valid for a term of less than one year.

Other Provisions

The other provisions are comprised of current and non-current employee related provisions (required by local law in international jurisdictions), provisions for lawsuits and other accrued liabilities related to operations for which there is a higher degree of uncertainty with respect to either the amount or timing of the underlying payment.

NOTE 23. OTHER LIABILITIES

The following table sets forth the Company's other liabilities as at the periods indicated:

(in thousands of Canadian dollars)	Deferred Purchase Consideration	Incentive-based Compensation (note 30)	Loans payable	Total
Balance – December 31, 2012	$ 19,374	$ 17,705	$ 287	$ 37,366
Adjustments	–	20,422	–	20,422
Settlement of liabilities	–	(4,721)	(121)	(4,842)
Accretion expense	697	–	–	697
Foreign exchange differences	1,547	530	21	2,098
Balance – December 31, 2013	$ 21,618	$ 33,936	$ 187	$ 55,741
Adjustments	1,236	11,313	–	12,549
Settlement of liabilities	(18,830)	(8,629)	(65)	(27,524)
Foreign exchange differences	849	1,112	(1)	1,960
Balance – December 31, 2014	**$ 4,873**	**$ 37,732**	**$ 121**	**$ 42,726**
December 31, 2012				
Current	19,374	12,605	67	32,046
Non-current	–	5,100	220	5,320
	$ 19,374	$ 17,705	$ 287	$ 37,366
December 31, 2013				
Current	21,618	12,173	61	33,852
Non-current	–	21,763	126	21,889
	$ 21,618	$ 33,936	$ 187	$ 55,741
December 31, 2014				
Current	**4,873**	**19,897**	**58**	**24,828**
Non-current	**–**	**17,835**	**63**	**17,898**
	$ 4,873	**$ 37,732**	**$ 121**	**$ 42,726**

NOTE 24. LONG-TERM DEBT

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

(i) US$100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 2.98% Senior Notes, Series A, due March 31, 2020 (the "Series A Notes");

(ii) US$100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 3.67% Senior Notes, Series B, due March 31, 2023 (the "Series B Notes");

(iii) US$100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 3.82% Senior Notes, Series C, due March 31, 2025 (the "Series C Notes");

(iv) US$50 million (CDN$51.2 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 4.07% Senior Notes, Series D, due March 31, 2028 (the "Series D Notes"; and together with the Series A Notes, the Series B Notes, the Series C Notes, collectively, the "Senior Notes").

The total long-term debt balance as at December 31, 2014 is $406.9 million (US$350.0 million) {December 31, 2013 – $374.4 million (US$350.0 million)}. The long-term debt has been designated as a hedge of the Company's net investment in U.S. dollar functional currency subsidiary as described in note 26.

The Company has undertaken to maintain certain covenants in respect of the long-term debt that are consistent with the debt covenants described in note 20 for the Company's Unsecured Committed Bank Credit Facility.

The Company was in compliance with these covenants as at December 31, 2014 and December 31, 2013.

NOTE 25. EMPLOYEE FUTURE BENEFITS

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The defined benefit pension plans are in Canada, the U.K. and Norway and include both flat-dollar plans for hourly employees and final earnings plans for salaried employees. The Company also provides a post-employment life insurance benefit to its Canadian retirees and a post-employment benefit to its hourly and salaried employees in Indonesia.

The Company's funding policy for the Canadian registered pension plans is to fund in accordance with the requirements of applicable pension legislation. The determination of the required funding is made on the basis of periodic actuarial valuations as required under applicable pension legislation. The Company is responsible for the governance of the pension plans, including overseeing investment decisions. The Company has also appointed experienced independent professional experts such as investment managers, actuaries and consultants to assist in the management of the pension plans.

By their nature, defined benefit pension plans carry many types of financial risk. The main financial risks faced by the Company's pension plans can be summarized as follows:

- **Longevity risk:** the risk that retirees will, on average, collect a pension for a longer period of time than expected based on the mortality assumption.
- **Investment risk:** the risk that the invested assets of the plan will not yield the assumed rate of return, resulting in insufficient assets to provide for the benefits promised and / or requiring the Company to make additional contributions to fund the deficit.
- **Interest rate risk:** the risk from changing market interest rates. A decrease in corporate bond yields will increase plan liabilities. This risk is greater to the extent that there is a mismatch between the characteristics of the assets and liabilities.
- **Regulatory/legal risk:** the risk of regulatory/jurisprudence changes that can alter the benefits promised.

The total cash payments made by the Company to fund the defined benefit pension plans, the post-retirement insurance plans and the post-employment benefit plan during 2014 were $4.9 million (2013 – $5.7 million). The total cash payments made by the Company to fund the defined contribution pension arrangements during 2014 were $5.4 million (2013 – $6.7 million).

The Company measures the fair value of assets and the defined benefit obligation as at December 31. Actuarial valuations for the Company's registered defined benefit pension plans and the Supplementary Executive Retirement Plan ("SERP") for Executives of ShawCor Ltd. arrangement are generally required at least every three years. The most recent actuarial valuations of the plans were conducted as at August 1, 2013 (one plan), December 31, 2013 (four plans), January 1, 2014 (two plans) and August 1, 2014 (one plan).

The employee future benefit amounts recognized in the consolidated balance sheets are as follows:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Accrued employee future benefit asset		
Pension plans (note 16)	$ 7,694	$ 8,030
	7,694	8,030
Accrued employee future benefit liability		
Pension plans	(23,776)	(23,648)
Post-employment benefits	(2,124)	(1,930)
Post-retirement life insurance	(108)	(100)
	(26,008)	(25,678)
Net accrued employee future benefit liability	$ (18,314)	$ (17,648)

The following was the composition of plan assets at the balance sheet dates, for the Canadian registered defined benefit pension plans:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Investments quoted in active markets:		
Cash and cash equivalents	5%	4%
Equity instruments	64%	66%
Debt instruments	31%	30%
	100%	100%

The following was the composition of invested plan assets at the balance sheet dates for the SERP plan[(a)]:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Investments quoted in active markets:		
Cash and cash equivalents	–	–
Equity instruments	100%	100%
	100%	100%

(a) The amounts in the above table exclude amounts sitting in the refundable tax account held by the CRA.

Actual Return on Plan Assets

The actual return on plan assets for the years ended December 31, 2014 and 2013 amounted to $11.1 million and $15.1 million, respectively.

Employee Future Benefit Cost

The employee future benefit cost recognized in the consolidated statements of income is as follows:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Current service costs	$ 3,856	$ 4,274
Past service costs and impact of settlements, curtailments and termination benefits	254	4,833
Interest cost on defined benefit obligation	5,434	4,755
Interest income on plan assets	(4,996)	(3,630)
	4,548	10,232
Impact of asset ceiling / minimum funding requirement	368	104
Defined benefit cost recognized	4,916	10,336
Defined contribution cost recognized	5,442	6,746
Employee future benefit cost recognized[(a)]	$ 10,358	$ 17,082

(a) The total amount is included in the consolidated statements of income as selling, general and administrative expenses.

The employee future benefit cost (income) recognized in other comprehensive income ("OCI") is as follows:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Valuation effect	$ 29	$ (202)
Return on plan assets (excluding amounts included in interest income)	(6,095)	(11,443)
Net actuarial losses (gains) recognized in the year	12,395	(9,311)
Other changes in asset ceiling / minimum funding requirement not included in net interest	(5,619)	4,938
Foreign currency exchange rate changes	(77)	(293)
Employee future benefit cost (income) recognized in OCI	$ 633	$ (16,311)

Changes in the defined benefit obligation are as follows:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Balance – Beginning of year	$ 116,569	$ 116,178
Valuation effect	–	–
Employer current service cost	3,856	4,274
Net interest cost	5,434	4,755
Past service costs and impact of settlements, curtailments and termination benefits	254	4,833
Benefit payments	(4,872)	(4,392)
Actuarial losses due to changes in demographic assumptions	627	3,950
Actuarial losses (gains) due to changes in economic assumptions	12,806	(11,436)
Experience gains	(1,038)	(1,825)
Foreign exchange differences	(441)	232
Balance – End of year	$ 133,195	$ 116,569

Changes in the fair value of the plan assets are as follows:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Balance – Beginning of year	$ 106,644	$ 89,262
Valuation effect	(29)	202
Employer contributions	4,883	5,654
Employee contributions	–	–
Settlements	–	–
Benefit payments	(4,872)	(4,392)
Interest income on plan assets	4,996	3,630
Return on plan assets (excluding amounts included in interest income)	6,095	11,443
Foreign exchange differences	(265)	845
Balance – End of year	$ 117,452	$ 106,644

Amounts for the current and previous period are as follows:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Defined benefit obligation	$ 133,195	$ 116,569
Fair value of plan assets	117,452	106,644
Net liability before impact of asset ceiling / minimum funding requirement	15,743	9,925
Impact of asset ceiling / minimum funding requirement	2,571	7,723
Net employee future benefit liability	$ 18,314	$ 17,648

The following are the principal assumptions for the actuarial valuation of the plans as at December 31:

	2014	2013
Canada		
Defined benefit obligation		
Discount rate	3.90%	4.70%
Future salary increase	3.50%	4.00%
Future pension increase	n/a	n/a
Mortality[a]	CPM 2014 Private with scale CPM-B	UP94 Generational
Benefit cost for year ended December 31		
Discount rate	4.70%	4.00%
Future salary increase	4.00%	4.00%
Norway		
Defined benefit obligation		
Discount rate	2.30%	4.10%
Future salary increase	2.75%	3.75%
Future pension increase	0.00%	0.90%
Mortality	K2013	K2013
Benefit cost for year ended December 31		
Discount rate	4.10%	3.90%
Future salary increase	3.75%	3.50%
United Kingdom		
Defined benefit obligation		
Discount rate	3.70%	4.70%
Future salary increase	n/a	n/a
Future pension increase	2.30%	2.70%
Mortality	S1PA (projected)	S1PA (projected)
Benefit cost for year ended December 31		
Discount rate	4.70%	4.40%
Future salary increase	n/a	n/a
Indonesia		
Defined benefit obligation		
Discount rate	8.40%	8.80%
Future salary increase	10.00% (local), 6.00% (expat)	10.00% (local), 6.00% (expat)
Future pension increase	n/a	n/a
Mortality	Indonesia's Table 2011	CSO80
Benefit cost for year ended December 31		
Discount rate	8.80%	6.00%
Future salary increase	10.00% (local), 6.00% (expat)	10.00% (local), 6.00% (expat)

(a) In light of results of a Canadian pension mortality experience study conducted by the Canadian Institute of Actuaries in 2013 indicating improved pensioner mortality not reflected in the above table for the 2013, the defined benefit obligation as at December 31, 2013 for the Canadian pension plans was increased by 3.5%; the 2014 assumptions include the results of this study, and no similar final adjustment was made to the defined benefit obligation as at December 31, 2014.

Sensitivity Analysis

A quantitative sensitivity analysis for significant assumptions as at December 31, 2014 is as shown below:

Significant Assumptions	Impact of Sensitivity Analysis on Defined Benefit Obligation	
(in thousands of Canadian dollars)	Change	% Change
Discount rate		
Decrease of 50bp	10,894	8.2%
Increase of 50bp	(9,725)	(7.3%)
Future salary increase		
Decrease of 50bp	(2,819)	(2.1%)
Increase of 50bp	3,009	2.3%
Mortality Assumption – Impact of Life Expectancy being 1 year longer	2,577	1.9%

The sensitivity analysis noted above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring as at December 31, 2014.

Other Information

The Company expects to contribute $4.9 million to its defined benefit plans for the year ended December 31, 2015.

The average duration of the defined benefit obligation plans as at December 31, 2014 is 16 years.

NOTE 26. FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Loans and receivables, measured at amortized cost		
Loans receivable	$ 7,021	$ 9,242
Trade accounts receivable, net	327,474	237,880
Held-to-maturity		
Short-term investments	550	6,618
Fair value through profit or loss		
Cash and cash equivalents	116,556	79,395
Derivative financial instruments – assets	5,578	624
Derivative financial instruments – liabilities	794	1,632
Available-for-sale		
Convertible preferred shares	10,000	–
Deposit guarantee	893	81
Other financial liabilities, measured at amortized cost		
Bank indebtedness	4,685	5,229
Loans payable	121	187
Accounts payable	89,077	91,215
Deferred purchase consideration	4,873	21,618
Long-term debt	$ 406,926	$ 374,381

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 which reflect market data obtained from independent sources, while unobservable inputs reflects the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

- **Level 1** Quoted prices in active markets for identical instruments that are observable.
- **Level 2** Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- **Level 3** Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

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

The following table presents the fair value hierarchy levels for the financial assets and liabilities as at December 31, 2014:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 116,556	$ 116,556	$ –	$ –
Short-term investments	550	550	–	–
Derivative financial instruments	5,578	–	5,578	–
Convertible preferred shares	10,000	–	–	10,000
Deposit guarantee	893	–	893	–
	$ 133,577	$ 117,106	$ 6,471	$ 10,000
Liabilities				
Bank indebtedness	$ 4,685	$ 4,685	$ –	$ –
Deferred purchase consideration	4,873	–	4,873	–
Long-term debt	406,926	–	406,926	–
Derivative financial instruments	794	–	794	–
	$ 417,278	$ 4,685	$ 412,593	$ –

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

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of Company management. Material risks are monitored and are regularly reported to the Board of Directors.

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are 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 December 31, 2014, fluctuations of +/− 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the year then ended by approximately $61.7 million, $8.6 million and $6.8 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by $76.3 million, $20.0 million and $56.3 million, respectively.

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

Foreign Exchange Forward Contracts

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

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at December 31, 2014:

(in thousands, except weighted average rate amounts)	
Canadian dollars sold for US dollars	
Less than one year	CAD$14,025
Weighted average rate	1.13
US dollars sold for Canadian dollars	
Less than one year	US$13,200
Weighted average rate	1.11
US dollars sold for Malaysian Ringgits	
Less than one year	US$2,800
Weighted average rate	3.50
Euros sold for US dollars	
Less than one year	€44,020
Weighted average rate	1.31
British pounds sold for US dollars	
Less than one year	£3,430
Weighted average rate	1.57
Norwegian Kroners sold for US dollars	
Less than one year	NOK 112,697
Weighted average rate	0.13
Australian dollars sold for US dollars	
Less than one year	AUD$1,554
Weighted average rate	0.85
Malaysian ringgits sold for US dollars	
Less than one year	MYR 32,500
Weighted average rate	0.28

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

As at December 31, 2014, the Company had notional amounts of $130.9 million of forward contracts outstanding (2013 – $115.2 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totalling $4.7 million (2013 – $1.0 million net benefit).

Net Investment Hedge

The Senior Notes have been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the U.S. dollar as its functional currency. During the year ended December 31, 2014, a loss of $32.5 million on the translation of the Senior Notes was transferred to other comprehensive income to offset the losses on translation of the net investment in the subsidiary. There was no ineffectiveness of this hedge for the year ended December 31, 2014.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at December 31, 2014:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial assets				
Cash equivalents	$ –	$ –	$ 4,104	$ 4,104
Short-term investments	550	–	–	550
Loans receivable	215	4,434	2,372	7,021
Convertible preferred shares	10,000	–	–	10,000
	$ 10,765	$ 4,434	$ 6,476	$ 21,675
Financial liabilities				
Bank indebtedness	$ –	$ 4,685	$ –	$ 4,685
Loans payable	121	–	–	121
Long term debt	–	–	406,926	406,926
	$ 121	$ 4,685	$ 406,926	$ 411,732

The Company's interest rate risk arises primarily from its floating rate bank indebtedness and long-term notes receivable and is not currently considered to be material.

Credit Risk

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

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

For the year ended December 31, 2014, the Company had no customer who generated revenue greater than 10% of total consolidated revenue.

For the year ended December 31, 2013, there was one customer who generated approximately 22% of total consolidated revenue. This revenue resulted primarily from a single contract for which a substantial upfront payment was received in 2012 and which was recorded as deferred revenue at that time.

The carrying value of accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statements of income with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses. As at December 31, 2014, $28.1 million, or 8.3%, of trade accounts receivable, were more than 90 days overdue, which is consistent with prior period aging analysis. The Company expects to receive full payment on accounts receivables that are neither past due nor impaired.

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

(in thousands of Canadian dollars)	**2014**	2013
Balance – Beginning of year	**$ 11,732**	$ 9,409
Bad debt expense	**748**	3,016
Acquisition	**693**	–
Recovery of previously written-off bad debts	**(156)**	(24)
Impact of change in foreign exchange rates	**(501)**	(669)
Balance – End of year	**$ 12,516**	$ 11,732

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at December 31, 2014, the Company had cash and cash equivalents totalling $116.6 million (2013 – $79.4 million) and had unutilized lines of credit available to use of $381.0 million (2013 – $209.5 million).

The following are the contractual maturities of the Company's purchase commitments and financial liabilities as at December 31, 2014:

(in thousands of Canadian dollars)	Less than 1 year	1 – 3 years	3 – 5 years	Thereafter	Total
Purchase commitments	$ 71,363	$ –	$ –	$ –	$ 71,363
Bank indebtedness	4,685	–	–	–	4,685
Loans payable	58	63	–	–	121
Accounts payable	89,077	–	–	–	89,077
Deferred purchase consideration	4,873	–	–	–	4,873
Long-term debt	–	–	–	406,926	406,926
Finance costs on long-term debt	13,835	27,670	27,670	72,076	141,251
Obligations under finance lease	1,891	2,735	2,672	11,640	18,938
Operating leases	20,711	24,340	10,787	9,969	65,807
	$ 206,493	$ 54,808	$ 41,129	$ 500,611	$ 803,041

NOTE 27. CAPITAL MANAGEMENT

The Company defines capital that it manages as the aggregate of its equity and interest bearing liabilities. The Company's objectives when managing capital are to ensure that the Company will continue to operate as a going concern and continue to provide products and services to its customers, preserve its ability to finance expansion opportunities as they arise, and provide returns to its shareholders.

The following table sets forth the Company's total managed capital as at:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Bank indebtedness	**$ 4,685**	$ 5,229
Loans payable	**121**	187
Long-term debt	**406,926**	374,381
Obligations under finance lease	**13,495**	14,314
Equity	**980,613**	658,581
	$ 1,405,840	$ 1,052,692

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the underlying assets and business investment opportunities. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, or adjust the amount of cash, cash equivalents, bank indebtedness or long-term debt balances. The Company's capital is not subject to any capital requirements imposed by any regulators; however, it is limited by the terms of its credit facility and long-term debt agreements. Specifically, the Company has undertaken to maintain certain covenants in respect of its Unsecured Committed Bank Credit Facility and Senior Notes. The Company is in compliance with these covenants as at December 31, 2014.

NOTE 28. LEASES, COMMITMENTS AND CONTINGENCIES

a) Operating Leases

The Company has entered into various commercial leases for motor vehicles, machinery, equipment, and manufacturing sites. These leases have a life of one to sixteen years with no renewal options.

The following table presents the future minimum rental payments payable under the operating leases as at:

(in thousands of Canadian dollars)	December 31 2014
Within one year	$ 20,711
After one year but not more than five years	35,127
More than five years	9,969
	$ 65,807

The lease expenditure charged to the consolidated statements of income during the year is $32.2 million (December 31, 2013 – $25 million).

b) Finance Leases

The Company has finance leases and purchase commitments in place for various items of plant and machinery. These leases have terms of renewal but no purchase options. Renewals are at the option of the specific entity that holds the lease. The following table presents the future minimum lease payments under finance leases with the present value of the net minimum lease payments:

(in thousands of Canadian dollars)	December 31 2014	
	Minimum Payments	Present Value of Payments
Within one year	$ 1,891	$ 1,222
After one year but not more than five years	5,407	3,116
After more than five years	11,640	9,157
Total minimum lease payments	18,938	13,495
Less: Amounts representing interest charges	$ (5,443)	$ –
Present value of minimum lease payments	**$ 13,495**	**$ 13,495**

c) 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.

d) 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 that these performance bonds support generally have a term of one to three years, but could extend up to four years. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. Historically, the Company has not made and does not anticipate that it will be required to make material payments under these types of bonds.

The Company's utilizes its credit facilities to support the Company's bonds. The Company has utilized credit facilities of $142.4 million as at December 31, 2014 (December 31, 2013 – $111.4 million).

NOTE 29. SHARE CAPITAL

On March 20, 2013, the Company eliminated its dual class share structure pursuant to a shareholder and court approved Plan of Arrangement (the "Arrangement") through the purchase of all of the Class A and Class B shares of the Company by a newly formed Canadian corporation. The Arrangement, a transaction with a related party, eliminated the Company's dual-class share structure through:

- The purchase of all of the issued and outstanding Class A shares in exchange for new common shares ("common shares") on a 1:1 basis; and
- The purchase of all of the issued and outstanding Class B shares in exchange for consideration of $43.43 in cash or 1.1 common shares per Class B share, such that 90% of the total consideration for the Class B shares was paid in cash and 10% was paid in common shares. All Class A and B shares were removed from the authorized capital of the Company.

Upon closing, the new corporation and the Company amalgamated, under the name ShawCor Ltd., with the common shares as its only class of share capital. Upon closing, a special dividend of $1.00 per share was declared on all outstanding common shares which were paid on April 19, 2013.

The Company recognized transaction costs charged directly to retained earnings of $553.2 million, which was comprised of the $498.8 million cash payment to the Class B shareholders and the issuance of 1,403,684 common shares to the Class B shareholders with a fair value of $55.4 million, partially offset by the book value of the Class B shares of $1.0 million.

In connection with the closing of the Arrangement, the employment terms of the Company's Chair of the Board and indirect controlling shareholder, and of the Company's Vice Chair of the Board, were amended to provide that their employment with the Company's subsidiary would terminate and they would receive severance and other benefits of approximately $3.4 million and $3.7 million, respectively.

Under the Arrangement, any stock option outstanding as at March 20, 2013, that had not been duly exercised prior to that date, whether vested or unvested, represents an option (a "**New ShawCor Option**") to purchase the same number of common shares at the same exercise price. The exercise price, term to expiry, conditions to and manner of exercising, vesting schedule and all other terms and conditions of such New ShawCor Option remain unchanged from the previously issued options with respect to the Class A shares, and any document or agreement previously evidencing the original options is deemed to evidence such New ShawCor Options.

Any award granted under the employee share unit plan ("**Company ESUP Award**") that had not been settled prior to March 20, 2013, whether vested or unvested, represents a grant (a "**New ShawCor ESUP Award**") in respect of the same number of common shares as applied to the acquisition of Class A shares pursuant to the Company ESUP Award. All other terms and conditions of such New ShawCor ESUP Award remain unchanged from the previously issued Company ESUP Awards with respect to the Class A shares, and any document or agreement previously evidencing a Company ESUP Award is deemed to evidence such New ShawCor ESUP Award.

Any grant of deferred share units issued pursuant to the deferred share unit plan ("**Company DSU Grant**") that had not been settled prior to March 20, 2013, represents a unit (a "**New ShawCor DSU Grant**") in respect of the same number of common shares as applied to the acquisition of Class A shares pursuant to the Company DSU Grant. All other terms and conditions of such New ShawCor DSU Grant remain unchanged from the previously issued Company DSU Grants with respect to the Class A shares, and any document or agreement previously evidencing a Company DSU Grant is deemed to evidence such New ShawCor DSU Grant.

On September 19, 2014, the Company issued 3,650,000 common shares at a price of $54.85 per share through a bought public offering for gross proceeds of $200.2 million (the "Offering"). On October 3, 2014, the syndicate of underwriters to the Offering exercised their over-allotment option in full, which resulted in the Company issuing an additional 547,500 common shares of the Company at a price of $54.85 per common share, for additional gross proceeds of $30.0 million.

The following table sets forth the changes in the Company's shares for the years ending December 31:

(all dollar amounts in thousands of Canadian dollars)	Total
Number of shares	
Balance, December 31, 2013	59,991,202
Issued through public offering (net of commissions and share issuance costs of $9.7 million)	4,197,500
Issued on exercise of stock options	303,450
Issued on exercise of Restricted Stock Units ("RSUs")	1,697
Balance, December 31, 2014	**64,493,849**
Stated value:	
Balance, December 31, 2013	$ 303,327
Issued through public offering	220,524
Proceeds from exercise of stock options	7,167
Compensation cost on exercised options	2,590
Compensation cost on exercised RSUs	52
Balance, December 31, 2014	**$ 533,660**

(all dollar amounts in thousands of Canadian dollars)	Class A	Class B	Common	Total
Number of Shares				
Balance, December 31, 2012	57,491,070	12,760,635	–	70,251,705
Issued on exercise of stock options	72,440	–	1,023,220	1,095,660
Issued on exercise of RSUs	200	–	588	788
Purchase and cancellation of Class A shares	(57,563,710)	–	57,563,710	–
Purchase and cancellation of Class B shares	–	(12,760,635)	1,403,684	(11,356,951)
Balance, December 31, 2013	–	–	59,991,202	59,991,202
Stated Value				
Balance, December 31, 2012	$ 220,706	$ 981	$ –	$ 221,687
Proceeds from exercise of stock options	1,372	–	18,227	19,599
Compensation cost on exercised options	531	–	7,048	7,579
Compensation cost on exercised RSUs	5	–	19	24
Cancellation of Class A Shares	(222,614)	–	222,614	–
Cancellation of Class B Shares	–	(981)	55,419	54,438
Balance, December 31, 2013	$ –	$ –	$ 303,327	$ 303,327

All shares have been issued and fully paid and have no par value. There are an unlimited number of common shares authorized. Holders of common shares are entitled to one vote per share.

Dividends declared and paid were as follows:

(Dollar amounts per share)	**2014**	2013
New Common shares	**$ 0.575**	$ 1.375
Class A	**–**	0.100
Class B	**–**	0.091

The dividends paid on the Class A and Class B shares were before the elimination of the dual class share structure under the Arrangement.

NOTE 30. SHARE-BASED AND OTHER INCENTIVE-BASED COMPENSATION

As at December 31, 2014, the Company had the following stock option plan, which was initiated in 2001:

Under the Company's 2001 employee stock option plan (the "2001 Employee Plan"), which is a traditional stock option plan, the options granted have a term of approximately ten years from the date of the grant. Exercises of stock options are permitted on the basis of 20% of the optioned shares per year over five years, on a cumulative basis, commencing one year following the date of the grant. The grant price equals the closing sale price of the common shares on the day prior to the grant.

On March 3, 2010, the Board approved the amended 2001 Employee Plan (the "Amended 2001 Employee Plan"). All stock options granted in 2010, and certain options granted thereafter, under the Amended 2001 Employee Plan have a tandem share appreciation right ("SAR") attached, which allows the option holder to exercise either the option and receive a share, or exercise the SAR and receive a cash payment that is equivalent to the difference between the grant price and fair market value. All stock options granted under the Amended 2001 Employee Plan have the same characteristics as stock options that were granted under the original 2001 Employee Plan, with respect to vesting requirements, term, termination and other provisions.

A summary of the status of the Company's stock option plans and changes during the year is presented below:

Stock Options without Tandem Share Appreciation Rights

		2014		2013
	Total Shares	**Weighted Average Exercise Price**	Total Shares	Weighted Average Exercise Price
Balance outstanding – Beginning of year	**1,255,900**	**$ 29.20**	2,106,140	$ 21.83
Granted	**86,500**	**45.73**	251,900	41.68
Exercised	**(303,450)**	**23.63**	(1,095,660)	17.89
Forfeited	**(8,980)**	**26.41**	(6,000)	30.97
Expired	**–**	**–**	(480)	15.94
Balance outstanding – End of year	**1,029,970**	**$ 32.25**	1,255,900	$ 29.20
Options exercisable	**594,706**	**$ 26.73**	716,244	$ 24.95

				December 31, 2014	
		Options Outstanding			Options Exercisable
Range of Exercise Price	Outstanding as at December 31, 2014	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable as at December 31, 2014	Weighted Average Exercise Price
$15.01 to $20.00	**181,850**	**3.89**	**$ 15.55**	**181,850**	**$ 15.55**
$20.01 to $25.00	**2,000**	**3.98**	**21.95**	**2,000**	**21.95**
$25.01 to $30.00	**228,960**	**2.53**	**27.70**	**228,960**	**27.70**
$30.01 to $35.00	**182,100**	**6.98**	**32.81**	**71,280**	**32.81**
$35.01 to $40.00	**102,260**	**5.98**	**37.32**	**61,356**	**37.32**
$40.01 to $45.00	**246,300**	**7.98**	**41.69**	**49,260**	**41.69**
$45.01 to $50.00	**86,500**	**8.98**	**45.73**	**–**	**–**
	1,029,970	**5.75**	**$ 32.25**	**594,706**	**$ 26.73**

				December 31, 2013	
		Options Outstanding			Options Exercisable
Range of Exercise Price	Outstanding as at December 31, 2013	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable as at December 31, 2013	Weighted Average Exercise Price
$15.01 to $20.00	302,020	4.58	$ 15.70	223,620	$ 15.77
$20.01 to $25.00	5,400	3.10	21.22	3,400	20.79
$25.01 to $30.00	400,920	3.58	27.94	400,920	27.94
$30.01 to $35.00	197,000	7.78	32.76	47,400	32.59
$35.01 to $40.00	102,260	6.99	37.32	40,904	37.32
$40.01 to $45.00	248,300	8.99	41.68	–	–
	1,255,900	5.83	$ 29.20	716,244	$ 24.95

The Board of Directors approved the granting of 86,500 stock options (2013 – 251,900) during the year ended December 31, 2014 under the 2001 Employee Plan. The total fair value of the stock options granted during the year ended December 31, 2014 was $1.1 million (2013 – $3.3 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

	2014	2013
Weighted average share price	**$ 45.73**	$ 41.68
Exercise price	**$ 45.73**	$ 41.68
Expected life of options	**6.25**	6.25
Expected stock price volatility	**32.00%**	34.00%
Expected dividend yield	**1.20%**	0.90%
Risk-free interest rate	**2.00%**	1.89%

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the expected life of the options.

The fair value of options granted under the Amended 2001 Employee Plan will be amortized to compensation expense over the five-year vesting period of options. The compensation cost from the amortization of granted stock options for the year ended December 31, 2014, included in selling, general and administrative expenses, was $2.0 million (2013 – $1.9 million).

Stock Options with Tandem Share Appreciation Rights

		2014		2013
	Total Shares	**Weighted Average Fair Value[(a)]**	Total Shares	Weighted Average Fair Value[(a)]
Balance outstanding – Beginning of period	**120,800**	**$ 11.16**	223,200	$ 12.56
Granted	**21,600**	**13.75**	32,300	13.35
Exercised in cash	**–**	**–**	(134,700)	14.01
Expired	**(400)**	**12.94**	–	–
Balance outstanding – End of period	**142,000**	**$ 11.55**	120,800	$ 11.16
Options exercisable	**77,260**	**$ 15.69**	53,100	$ 15.09

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.

The mark-to-market liability for the stock options with SARs as at December 31, 2014 is $1.4 million (2013 – $1.3 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

On March 3, 2010, the Board approved a new long-term incentive program ("LTIP") for executives and key employees and a deferred share unit ("DSU") plan for directors of the Company. Additional details with respect to the LTIP and DSU plan are as follows:

LTIP

The LTIP includes the existing stock option plan discussed above, the Value Growth Plan ("VGP") and the Employee Share Unit Plan ("ESUP").

VGP

The VGP is a cash-based awards plan, which rewards executives and key employees for improving operating income and revenue over a three-year performance period. Units granted to participants vest at the end of the third year of the performance period for which they were granted. The value of units is determined based on the growth rate in operating revenue and income on a cumulative basis for the three consecutive years that comprise the performance period and is measured against the prior three-year baseline period. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the VGP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The VGP liability as at December 31, 2014 is $32.1 million (2013 – $27.2 million).

ESUP

The ESUP authorizes the Board to grant awards of RSUs and performance share units ("PSUs") to employees of the Company as a form of incentive compensation. All RSUs and PSUs are to be settled with common shares and are valued on the basis of the underlying weighted average trading price of the common shares over the five trading days preceding the grant date. The valuation is not subsequently adjusted for changes in the market price of the common shares prior to the settlement of the award. Each RSU and PSU granted under the ESUP represents one common share. The ESUP provides that the maximum number of common shares that are reserved for issuance from time to time shall be fixed at 1,000,000 common shares. The RSUs vest in two tranches over a period of one to five years and four to seven years, respectively and become payable once vesting is completed. Compensation cost is recognized over the vesting period in accordance with IFRS. All RSUs and PSUs granted are classified as equity instruments in accordance with IFRS as their terms require that they be settled in shares.

The following table sets forth the Company's RSU/PSUs reconciliation for the years ended December 31:

		2014		2013
	Total Shares	**Weighted Average Grant Date Fair Value[(a)(b)]**	Total Shares	Weighted Average Grant Date Fair Value[(a)]
Balance outstanding – Beginning of year	**209,307**	**$ 33.91**	134,987	$ 30.79
Granted	**74,438**	**43.96**	80,998	39.10
Exercised	**(1,697)**	**29.25**	(788)	30.90
Cancelled	**(20,340)**	**35.31**	(5,890)	34.06
Balance outstanding – End of year	**261,708**	**$ 36.69**	209,307	$ 33.91
RSUs/PSUs exercisable	**57,799**	**$ 30.80**	29,594	$ 29.38

(a) RSU awards do not have an exercise price; their weighted average grant date fair value is the closing stock price on the reporting date.
(b) PSU awards do not have an exercise price; their weighted average grant date fair value is the closing stock price on the reporting date.

DSU

Under the Company's DSU plan, all directors (other than the President and Chief Executive Officer) of the Company can elect to receive all or a portion of their compensation for services rendered as a director of the Company in share units or a combination of share units and cash. The number of DSUs received is equal to the dollar amount to be paid in DSUs divided by the weighted average trading price of the common shares over the five days immediately preceding the date of the grant. DSUs are to be settled at the time that the director ceases to be a member of the Board and each DSU entitles the holder to receive one common share or the cash equivalent. DSUs vest immediately on the date of the grant. The value of a DSU and the related compensation expense is determined and recorded based on the current market price of the underlying common shares on the date of the grant. Common shares are purchased on the open market to settle outstanding share units.

All DSUs granted will be classified as liability instruments on the date of the grant in accordance with IFRS as the unitholder has the option to settle in cash or in shares.

The following table sets forth the Company's DSU reconciliation for the years ended December 31:

	2014		2013	
	Total Shares	Weighted Average Grant Date Fair Value[(a)]	Total Shares	Weighted Average Grant Date Fair Value[(a)]
Balance outstanding – Beginning of year	**124,980**	**$ 34.60**	97,421	$ 31.61
Granted	**26,120**	**48.84**	38,299	41.60
Exercised[(b)]	**(51,425)**	**35.16**	(10,740)	32.40
Balance outstanding – End of year	**99,675**	**$ 38.04**	124,980	$ 34.60

(a) DSU awards do not have an exercise price; as a result grant date weighted average fair value has been calculated.
(b) DSU awards cannot be exercised while the director is still a member of the Board of Directors.

The mark-to-market liability for the DSUs as at December 31, 2014 is $4.2 million (2013 – $5.3 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

Incentive-based Compensation

The following table sets forth the incentive-based compensation expense for the years ended December 31:

(in thousands of Canadian dollars)	2014	2013
Stock option expense	**$ 1,956**	$ 1,885
VGP expense	**9,428**	17,469
DSU expense	**1,737**	1,899
RSU expense	**2,218**	1,286
SAR expense	**148**	1,055
Total share-based and other incentive-based compensation expense	**$ 15,487**	$ 23,594

NOTE 31. KEY MANAGEMENT COMPENSATION

Key management includes directors (executive and non-executive) and corporate officers. The compensation paid or payable to key management for employee and director services is shown below for the years ended December 31:

(in thousands of Canadian dollars)	2014	2013
Salaries and other short-term incentive compensation and employee benefits	**$ 3,714**	$ 9,050
Post-employment benefits – Defined Benefit Plans	**630**	6,394
Share-based and other long-term incentive payments	**5,271**	5,874
Director fees and other compensation	**2,368**	6,591
Total	**$ 11,983**	$ 27,909

NOTE 32. EMPLOYEE BENEFITS EXPENSE

The following table sets forth the Company's employee benefits expense for the years ended December 31:

(in thousands of Canadian dollars)	2014	2013
Salaries, wages and employee benefits	**$ 539,606**	$ 475,595
Pension (note 25)	**10,680**	17,082
Share-based and other incentive-based compensation (note 30)	**15,487**	23,594
Total	**$ 565,773**	$ 516,271

NOTE 33. FINANCE COSTS

The following table sets forth the Company's finance costs for the years ended December 31:

(in thousands of Canadian dollars)	2014	2013
Interest income on short-term deposits	**$ (1,229)**	$ (1,156)
Interest expense, other	**6,210**	5,949
Interest expense on long term debt	**13,420**	10,119
Finance costs – net	**$ 18,401**	$ 14,912

NOTE 34. EARNINGS PER SHARE ("EPS")

The following table details the weighted-average number of shares outstanding for the purposes of calculating basic and diluted EPS for the years ended December 31:

(in thousands of Canadian dollars except share and per share amounts)	2014	2013
Net income used to calculate EPS		
Net income (attributable to the shareholders of the Company)	$ 94,861	$ 219,862
Weighted average number of shares outstanding – basic (000's)	61,374	61,972
Dilutive effect of stock options	445	674
Weighted average number of shares outstanding – diluted (000's)	61,819	62,646
Basic EPS	$ 1.55	$ 3.55
Diluted EPS	$ 1.53	$ 3.51

NOTE 35. INCOME TAXES

The following table sets forth the Company's income tax expense for the years ended December 31:

(in thousands of Canadian dollars)	2014	2013
Current Income Taxes		
Based on taxable income of current year	$ 56,539	$ 93,620
Adjustment to prior year provision	1,901	(259)
	58,440	93,361
Deferred Income Taxes		
Reversal of temporary differences	(37,430)	(14,959)
	(37,430)	(14,959)
Total Income Tax Expense	$ 21,010	$ 78,402

The following table sets forth the Company's income taxes on items recognized in other comprehensive income (loss) for the years ended December 31:

(in thousands of Canadian dollars)	2014	2013
Income tax expense on actuarial gain and losses on defined employee future benefit plans	$ (152)	$ 4,103
Income Tax Expense (Recovery) Charged to Other Comprehensive Income	$ (152)	$ 4,103

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

	2014	2013
Expected income tax expense based on statutory rate	26.5%	27.0%
Tax rate differential on earnings of foreign subsidiaries	(14.9%)	(8.2%)
Benefit of previously unrecognized tax losses	(0.2%)	(0.6%)
Unrecognized tax losses of foreign subsidiaries	1.1%	4.5%
Adjustment to prior year provision	1.7%	(0.1%)
Other	4.0%	3.4%
Effective Income Tax Rate	18.2%	26.0%

The expected income tax rate is computed using average Canadian federal and provincial income tax rates based on an estimated allocation of net income before tax to the various provinces.

Recognized Deferred Income Tax Assets and Liabilities

The following table sets forth the Company's deferred income tax assets and liabilities as at:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Deferred Income Tax Assets		
Amortizable property, plant and equipment	$ 10,490	$ 17,953
Provisions and future expenditures	40,154	18,984
Non-capital losses	11,508	11,543
	62,152	48,480
Deferred Income Tax Liabilities		
Amortizable property, plant and equipment	(39,926)	(18,972)
Provisions and future expenditures	(7,214)	(49,885)
	(47,140)	(68,857)
Net Deferred Income Tax Liability	$ 15,012	$ (20,377)

The following table sets forth the Company's deferred income tax assets and liabilities as presented in the Consolidated Balance Sheets as at:

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Deferred income tax assets	$ 39,019	$ 48,480
Deferred income tax liabilities	(24,007)	(68,857)
	15,012	(20,377)

The Company has recorded deferred income tax assets of $11.5 million as at December 31, 2014 (December 31, 2013 – $11.5 million), pertaining to loss carryforwards based on management's financial projections and the relevant income tax legislation in each jurisdiction.

(in thousands of Canadian dollars)	December 31 2014	December 31 2013
Deferred Income Tax Assets		
Amortizable property, plant and equipment	$ 7,463	$ (6,001)
Provisions and future expenditures	(21,170)	(4,335)
Net operating losses	35	(1,997)
Change in deferred income tax assets	(13,672)	(12,333)
Deferred Income Tax Liabilities		
Amortizable property, plant and equipment	20,954	4,368
Provisions and future expenditures	(42,671)	3,010
Change in deferred income tax liabilities	(21,717)	7,378
Change in Deferred Income Taxes	(35,389)	(4,955)
Deferred income taxes in other comprehensive income	152	(4,103)
Deferred income taxes acquired through acquisitions	(2,193)	(10,644)
Deferred income taxes moved to assets held for sale	–	4,743
Deferred Income Tax Recovery in Net Income	$ (37,430)	$ (14,959)

The Company has not recognized a deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries, associates and joint ventures for the years ended December 31, 2014 and 2013, as the Company has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary difference associated with investments in subsidiaries, associates and joint ventures, for which a deferred income tax liability has not been recognized, aggregates to $162.2 million and $189.9 million for the years ended December 31, 2014 and 2013, respectively.

The Company has net operating losses of $131.4 million for the year ended December 31, 2014 (December 31, 2013 – $123.0 million), in various jurisdictions for which no deferred income tax asset has been recognized. These losses expire subsequent to the 2018 fiscal year. The Company has capital losses of $15.3 million and $6.9 million for the years ended December 31, 2014 and 2013, respectively, in various jurisdictions for which no deferred income tax asset has been recognized. These capital losses carry forward indefinitely.

NOTE 36. SUBSEQUENT EVENT

The Company completed the acquisition of Dhatec B.V. ("Dhatec") on January 5, 2015. Dhatec is a Netherlands based company which designs, assembles and markets engineered pipe logistics products and services which mitigate damage and enhance safety and efficiency in the manufacturing, coating, handling, transportation, preservation and storage of pipe. Dhatec's revenue in 2014 is approximately US$25 million.

NOTE 37. COMPARATIVE FIGURES

The comparative audited consolidated financial statements have been reclassified from consolidated financial statements previously presented to conform to the presentation of the current year consolidated financial statements in accordance with IFRS.

SIX-YEAR REVIEW AND QUARTERLY INFORMATION

SIX-YEAR REVIEW (UNAUDITED)

For the year ended December 31

(in thousands of Canadian dollars except per share information)	2014 IFRS	2013 IFRS	2012 IFRS[e]	2011 IFRS	2010 IFRS	2009 CGAAP[f]
Operating Results						
Revenue	**1,890,029**	1,847,549	1,469,187	1,157,265	1,034,163	1,183,978
Adjusted EBITDA[a]	**336,701**	391,223	265,254	128,168	186,035	254,143
Net Income[b]	**94,861**	219,862	178,310	56,280	95,072	131,450
Cash Flow						
Cash from operating activities	**187,985**	32,264	530,512	45,325	53,244	299,333
Purchase of property, plant and equipment	**77,645**	76,729	73,505	55,982	48,723	34,358
Financial Position						
Working capital[c]	**378,733**	267,489	325,412	287,142	283,852	312,966
Long-term debt	**406,926**	374,381	–	–	25,005	52,287
Equity	**980,613**	658,581	988,667	867,411	832,243	790,422
Total assets	**1,939,970**	1,651,928	1,888,873	1,226,749	1,224,936	1,185,977
Per Share Information						
(Common, Class A & Class B)						
Net income						
Basic	**1.55**	3.55	2.53	0.79	1.35	1.86
Diluted	**1.53**	3.51	2.50	0.78	1.33	1.85
Dividends						
Common share	**0.575**	1.375	N/A	N/A	N/A	N/A
Class A	**–**	0.100	0.380	0.315	0.295	0.535
Class B	**–**	0.091	0.345	0.286	0.268	0.486
Equity per share[d]	**15.20**	10.98	14.08	12.28	11.79	11.21

QUARTERLY INFORMATION (UNAUDITED)

(in thousands of Canadian dollars except per share information)		First	Second	Third	Fourth	Total
Revenue	**2014**	**479,082**	**441,386**	**469,597**	**499,964**	**1,890,029**
	2013	454,681	457,261	525,848	409,759	1,847,549
Net income[b]	**2014**	**61,947**	**47,949**	**5,617**	**(20,652)**	**94,861**
	2013	70,595	53,914	72,956	22,397	219,862
Net income per share (Common, Class A and Class B)						
Diluted	**2014**	**1.03**	**0.79**	**0.09**	**(0.32)**	**1.53**
	2013	1.01	0.90	1.21	0.37	3.51

(a) Adjusted EBITDA is a non-GAAP measure calculated by adding back to net income the sum of net finance costs, income taxes, depreciation/amortization of property, plant, equipment and intangible assets, gains/losses from assets held for sale, gain from sale of land, impairment of assets and joint ventures and non-controlling interest. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools.
(b) Attributable to shareholders of the Company, excluding non-controlling interests.
(c) Working capital has been calculated as current assets minus current liabilites.
(d) Equity per share is non-GAAP measure calculated by dividing equity by the number of Common, Class A & Class B shares outstanding at the date of the balance sheet.
(e) Restated due to the adoption of certain new IFRS standards that became effective as at January 1, 2013, but were implemented retrospectively to January 1, 2012.
(f) Restated due to adoption of CICA Handbook section 3064.

SHAWCOR DIRECTORS

J.T. BALDWIN
London, England
Mr. Baldwin recently retired as the Vice President Communications & External Affairs for the Southern Corridor for BP, a position he held since January 2014, and has been a Director of ShawCor Ltd. since March 2010.

D.S. BLACKWOOD
Houston, Texas
Mr. Blackwood recently retired as President (Americas), Wood Group PSN, a position he held since April 2011, and has been a Director of ShawCor Ltd. since May 2011.

W.P. BUCKLEY
Toronto, Ontario
Mr. Buckley recently retired as the CEO of ShawCor Ltd., a position he held since June 2005, and has been a Director of the Company since August 2005.

J.W. DERRICK
Buffalo, New York
Mr. Derrick is Chief Executive Officer of Derrick Corporation, a position he has held since 1992, and has been a Director of ShawCor Ltd. since August 2007.

K.J. FORBES
West Sussex, England
Mr. Forbes is a partner in Epi-V LLP, a position he has held since September 2009, and has been a Director of ShawCor Ltd. since May 2014.

D.H. FREEMAN
Toronto, Ontario
Mr. Freeman is a Chartered Professional Accountant and from 1983 to 2011 was a partner at KPMG LLP. He has been a Director of ShawCor Ltd. since October 2011.

S.M. ORR
Toronto, Ontario
Mr. Orr is CEO of ShawCor Ltd., a position he has held since May 2014, and has been a Director of ShawCor Ltd. since May 2014.

J.F. PETCH Q.C.
Toronto, Ontario
Mr. Petch is Chair of the University of Toronto Asset Management Corporation and Chair Emeritus of the University's Governing Council and has been a Director of ShawCor Ltd. since March 2005.

P.S. PIERCE
Houston, Texas
Ms. Pierce is the Executive Vice President of and a partner in Ztown Investments, a position she has held since 2005, and has been a Director of ShawCor Ltd. since June 2014.

P.G. ROBINSON
Toronto, Ontario
Mr. Robinson is a Chartered Professional Accountant and President and Chief Executive Officer of Litens Automotive Group, a position he has held since August 2013, and has been a Director of ShawCor Ltd. since August 2001.

E.C. VALIQUETTE
Pembroke, Ontario
Ms. Valiquette is a Chartered Professional Accountant and a former Senior Vice President and Chief Financial Officer of ING Canada Inc. and has been a Director of ShawCor Ltd. since March 2005.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") and management of the Company recognize that effective governance is central to the prudent direction and operation of the Company in a manner that ultimately enhances shareholder value. The following discussion outlines the Company's system of corporate governance.

The business and affairs of the Company are managed under the supervision of the Board. Broadly, the Board approves overall corporate strategy and assesses management's implementation of agreed strategies, and reviews the results achieved. The Board's role consists of the approval of strategic plans, the review of corporate risks identified by management and monitoring the Company's practices and policies for dealing with these risks, management succession planning, the monitoring of business practices and the assessment of the integrity of the Company's internal controls and information and governance systems.

The Board oversees the Company's strategic planning process, reviews and approves strategies, and assesses management's success in implementing the strategies. This is done regularly and through annual special purpose Board meetings held each year to review and approve the Company's strategic and annual business plan. The strategic plan is updated each year so that it always projects the next three-year period. Management reports to the Board quarterly, highlighting and commenting upon divisional performance compared with annual business plan forecasts and prior year results. As part of the strategic plan review process, the Board identifies and evaluates the principal opportunities and risks of the Company's businesses, and seeks to ensure that management puts in place appropriate systems to manage the principal risks. The Board also receives, reviews and discusses a quarterly risk management report from management which identifies the key risks facing the Company, their potential impact on operating income and mitigation actions which are being taken. In addition, the Audit Committee regularly reviews financial and health, safety and environmental ("HSE") risk issues and the Compensation and Organizational Development Committee reviews compensation related risk issues on an annual basis. A discussion of the key risks facing the Company is set out in the Company's Annual Information Form for the year ended December 31, 2014 and in the Management Discussion and Analysis accompanying the Company's consolidated financial statements for the year ended December 31, 2014 and 2013, both of which are filed on SEDAR at www.sedar.com.

The corporate governance practices and policies of the Company have been developed under the general stewardship of the Nominating and Governance Committee. The Committee believes that the corporate governance practices of the Company are appropriate for the Company.

As a result of evolving laws, policies and practices, the Nominating and Governance Committee regularly reviews the corporate governance practices and policies of the Company in order to facilitate compliance with applicable requirements and implements best practices appropriate to its operations. In recent years, the following steps have been taken by the Company as part of the ongoing process of enhancing its corporate governance:

- instituted and updated mandatory share ownership guidelines for all Directors, the Chief Executive Officer and other designated executives;
- reviewed and revised the mandate of the Board of Directors;
- reviewed and revised the charters for the Audit, Compensation and Organizational Development, and Nominating and Governance Committees and appointed only independent directors to these Committees;
- completed evaluations of the Board's performance as well as individual director peer performance reviews and developed a new Board/Committee/Director performance assessment process and form;
- developed a new Board experience/skills matrix;
- reviewed and updated the Company's Code of Conduct for directors, officers and employees, a copy of which may be found on SEDAR (www.sedar.com);
- instituted a whistleblower hotline to assist employees in reporting suspected violations of the Code of Conduct;
- instituted a majority voting policy for directors and an "advance-notice" by-law;
- instituted a DSU plan for directors and terminated the directors' stock option plan;
- reviewed and updated the Company's Confidentiality, Insider Trading and Disclosure policies;
- eliminated the Company's dual class share structure through a shareholder and court approved plan of arrangement (this included an amalgamation and some associated changes in 2013 to the Company's articles and by-laws, which can be found on SEDAR, including an advance notice by-law);
- developed a new director retirement policy, new Board and Senior Management Diversity policies and an Executive Compensation Clawback policy; and
- enhanced Board continuing education by enrolling two directors in the Director Education Program offered by the Institute of Corporate Directors (the "ICD") and enrolling all directors as members of the ICD.

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CORPORATE INFORMATION

CORPORATE OFFICERS

J.F. PETCH
Chair of the Board

S.M. ORR
President & CEO

G.S. LOVE
Vice President, Finance and Chief Financial Officer

D.R. EWERT
Vice President, Corporate Affairs and Secretary

OPERATIONS MANAGEMENT

J.D. TIKKANEN
Executive Vice President
Strategic Planning
ShawCor Ltd.

M.J. SIMMONS
President
Integrity Management

D.L. BROUSSARD
President
Flexpipe Systems

H.A.A.M. TAUSCH
President
Bredero Shaw

T. ANDERSON
Senior Vice President
Western Hemisphere
Bredero Shaw

K.D. REIZER
Senior Vice President
Eastern Hemisphere
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J.A. TABAK
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F. CISTRONE
Vice President and
General Manager
Guardian

J.R. BRONSON
Vice President and
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N. YOUNG
Vice President
Operations
ShawCor Ltd.

M.L. GARCES
Vice President
ShawCor Manufacturing System
ShawCor Ltd.

D.R. GIBB
Vice President
Information Technology
ShawCor Ltd.

T.L. HUTZUL
Vice President, Legal
ShawCor Ltd.

G.G. PASSLER
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AUDITORS
Ernst & Young LLP

STOCK LISTING
The Toronto Stock Exchange
Common Shares
Trading Symbol: SCL

ANNUAL MEETING
Tuesday, May 12, 2015
4:00 p.m.
Glenn Gould Studio
Toronto, Ontario
Canada

www.shawcor.com

Design: Craib Design & Communications www.craib.com Printed in Canada

WHY SHAWCOR?

STRONG INDUSTRY FUNDAMENTALS

Long-term energy demand and rapid depletion of existing reserves will drive continued investment in new energy infrastructure.

UNRIVALLED GLOBAL NETWORK

More than 105 manufacturing and service facilities in 20 countries give ShawCor unrivalled proximity to every major energy-producing region.

TECHNOLOGICAL LEADERSHIP

Industry-leading research and product development capabilities are helping global clients overcome the technological barriers on new energy frontiers.

SUPERIOR EXECUTION

The industry's most advanced management system helps us execute the most complex and demanding projects safely, on time and on budget.

BROAD PRODUCT OFFERING

We provide a growing range of end-to-end product and service solutions in all major energy segments including deepwater, shale plays, LNG and pipeline rehabilitation.

STRONG FOUNDATIONS

ShawCor's scale and financial strength give it unequalled capability to ensure supply for the world's largest energy infrastructure projects.

PROVEN PERFORMANCE

In the past 20 years, ShawCor's common shares have delivered a total return to shareholders of 1,106%, equivalent to a compound annual return of 13.3%.

INTEGRATED GROWTH STRATEGY

We are creating a fully integrated energy services company with a leadership position in five major platforms for growth.

SHAWCOR