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SHAWCOR LTD.
(TSX: SCL)

PRESS RELEASE

SHAWCOR LTD. ANNOUNCES FIRST QUARTER 2016 RESULTS

- First quarter revenue of \$366 million decreased by 23% from the \$472 million reported in the first quarter of 2015 and was also 20% lower than the \$455 million reported in the fourth quarter of 2015.
- Adjusted EBITDA in the first quarter was \$36.6 million, a decrease of 51% from the \$74.2 million reported in the first quarter of 2015 and down 45% from the \$66.5 million reported in the fourth quarter of 2015.
- Net income (attributable to shareholders of the Company) in the first quarter of 2016 was \$7.5 million (or \$0.12 per share diluted) compared with \$37.8 million (or \$0.58 per share diluted) in the first quarter of 2015 and \$30.9 million (or \$0.48 per share diluted) in the fourth quarter of 2015.
- The Company's order backlog was \$358 million at March 31, 2016, down from \$452 million at December 31, 2015 and from \$703 million a year ago.

Mr. Steve Orr, Chief Executive Officer of Shawcor Ltd. remarked "As expected, Shawcor's financial performance has been negatively impacted by the dramatic decline in North American well completion activity coupled with a continued downturn in global oil and gas development capital spending that is impacting project activity and revenue in each of our global regions. These factors translated into a 23% year over year decrease in revenue in the first quarter."

Mr. Orr added "We have now largely completed the concrete coating component of the Shah Deniz project and are nearing completion of the two South Stream pipe coating projects that have been key contributors to strong performance at the Company's Europe, Middle East, Africa and Russia ("EMAR") region. Given that the remainder of the Shah Deniz project will not start production in EMAR and Asia Pacific until the second half of 2016 and the continued lack of visibility on the timing for an improvement in other regions, the Company expects to report a significant operating loss in the second quarter."

Mr. Orr also noted that "A sustained improvement in performance will not be achieved until either an increase in oil and gas prices triggers renewed upstream capital spending or, more likely, the Company commences work on projects that are currently being bid. As of March 31, 2016, the Company had firm bids outstanding with a combined project value in excess of approximately \$2.0 billion, a level unprecedented in our history. Conversion of one or more of the large natural gas pipeline infrastructure projects that we are currently bidding would be a catalyst for stronger financial performance. Based on customer indications, we should have visibility on the timing of these projects, and our likelihood of securing them, by the end of the third quarter of this year."

Selected Financial Highlights

(in thousands of Canadian dollars, except per share amounts and percentages)

	Three Months Ended March 31,	
	2016	2015
Revenue	\$ 365,579	\$ 471,940
Gross profit	126,935	169,025
Gross profit %	34.7%	35.8%
Adjusted EBITDA^(a)	36,630	74,225
Income from operations	15,950	55,616
Net income for the period^(b)	\$ 7,461	\$ 37,774
Earnings per share:		
Basic	\$ 0.12	\$ 0.59
Fully diluted	\$ 0.12	\$ 0.58

(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 from sale of land and impairment of assets and joint ventures. Adjusted EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. Adjusted EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. It is also considered important by lenders to the Company. It should not be considered in isolation or used as an alternative to net income or any of the other measures of performance prepared in accordance with GAAP. Please refer to *Section 6.0 "Reconciliation of Non-GAAP Measures"* for additional information.

(b) Attributable to shareholders of the Company.

1.0 KEY DEVELOPMENTS

Acquisition of Lake Superior Consulting

On January 5, 2016, the Company announced that it had acquired the units of Lake Superior Consulting, LLC ("Lake Superior") for approximately \$37.9 million inclusive of an earn out payment payable in 2016. Lake Superior is a Duluth, Minnesota based professional services firm, specializing in pipeline engineering and integrity management services to major pipeline operators. The business operates from facilities in Minnesota, Texas, Nebraska, Kansas and North Dakota, provides pipeline design, engineering, inspection and commissioning as well as integrity management services, and had 2015 revenue of approximately US\$45 million.

The acquisition of Lake Superior adds two new capabilities to the Company – pipeline engineering and integrity engineering. These capabilities, critical to our customers' success, provide Shawcor the access to the domain knowledge it needs to continually improve its current portfolio of services and to develop value-added solutions. Lake Superior's highly regarded professional team of over 300 engineers, technicians and specialists bring decades of pipeline engineering and operational expertise to Shawcor.

Repurchase of US\$78 Million of Senior Notes

In April 2016, the Company utilized a portion of its existing cash balances to repurchase approximately US\$78 million of its long-term debt ("Senior Notes") at a purchase price of approximately US\$79 million plus accrued interest. The Company had previously announced the repurchase of US\$75 million of its Senior Notes and subsequently acquired an additional US\$3 million of its Senior Notes.

Amendments to Senior Notes Agreement and Credit Facility

On May 10, 2016, the Company announced that it had entered into amending agreements with its Senior Note holders and the syndicate of lenders under its unsecured bank credit facility (the “Credit Facility”). The principal amendments to the agreements with the Senior Note holders and to the Credit Facility were:

- a) an increase in the Company’s permitted Total Debt to EBITDA covenant (the “Leverage Ratio”) (currently a maximum of 3.00 to 1.00) to 4.25 to 1.00 for the fiscal quarters ending September 30, 2016 and December 31, 2016;
- b) at the Company’s option, an increase in the Leverage Ratio to 3.75 to 1.00 and 3.5 to 1.00 for the quarters ending March 31, 2017 and June 30, 2017, respectively;
- c) increased interest rates and standby and other fees payable to Senior Note holders and under the Credit Facility during any period when the Company is permitted an increased Leverage Ratio (an “Increased Leverage Period”);
- d) a reduction in the size of the Credit Facility from US\$400 million to US\$325 million; and
- e) a change to the definition of Total Debt, which currently excludes up to US\$75 million in letters of credit which are performance guarantees (“Performance Guarantees”), to exclude up to US\$100 million in Performance Guarantees on a permanent basis and up to US\$150 million in Performance Guarantees on a temporary basis during any Increased Leverage Period.

The Company will incur fees and expenses to implement these amendments of approximately US\$1.5 million in the second quarter of 2016. Thereafter, the Company expects that the increased interest rates, standby fees and other amounts payable to the Senior Note holders and under the Credit Facility during the Increased Leverage Period will be more than offset by lower interest charges resulting from the overall debt reduction reflected in the US\$78 million repurchase of Senior Notes and by lower standby fees resulting from the US\$75 million reduction in the Credit Facility.

1.1 OUTLOOK

The Company noted in the Outlook included in Shawcor’s 2015 Annual Management’s Discussion and Analysis that the decline in global oil and gas prices has had two significant impacts on the Company’s business. First, it has caused a reduction in expenditures by customers on the drilling and completion of wells which has particularly impacted Shawcor’s Pipeline and Pipe Services Segment - North America region. Second, lower oil prices have contributed to the curtailment in large oil and gas greenfield development projects which in turn has impacted the international regions of the Pipeline and Pipe Services Segment. These trends are continuing with the result that the Company’s financial performance will decline materially during the second quarter and the Company expects to report a significant operating loss. In the third quarter, performance will benefit from the launch of flow assurance gathering line coating for the Shah Deniz project, however, revenue and earnings are likely to continue to lag first quarter levels.

The Company is encouraged by the strong level of current bidding activity as noted below; however, until North American oilfield activity stabilizes and large pipe coating projects that are under bid are awarded, a firm outlook on longer term performance is not possible. 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

Shawcor’s North American Pipeline segment businesses continue to be impacted by the reduction in well completion activity in North America which has reduced demand for small diameter pipe coating and joint protection, Flexpipe composite pipe, Guardian OCTG pipe inspection and refurbishment and Desert NDT gathering line girth weld inspection. Demand for these products and services is expected to continue to decline until global oil prices exhibit sustained increases and the number of wells drilled and completed begins to increase. The Company does not expect this to happen until 2017 at the earliest.

Also contributing to an expected decline in revenue and earnings in the Company’s North American Pipeline segment during 2016 will be a slowdown in the build of new large diameter transmission pipeline infrastructure, partially as a result of regulatory delays and partially due to capital expenditure constraints by pipeline operators. This weakness, coupled with the

weakness in small diameter gathering line activity and much lower insulation pipe coating volumes for Gulf of Mexico projects, will translate into lower overall North American Pipeline segment revenue during the balance of 2016 despite the addition of approximately US\$45 million in revenue from the January 2016 acquisition of Lake Superior.

Pipeline and Pipe Services Segment - Latin America

Consistent with all of the Company's Pipeline segment regions, lower spending on oil and gas infrastructure by our clients translated into a reduction in new project activity in the first quarter, which is expected to continue throughout 2016. In 2017, the possibility exists that revenue will recover strongly if the Company is awarded a very large project in Mexico that it is currently bidding. Visibility on the likelihood of this project proceeding and the Company's success in obtaining the contract for the work should be known by the end of the third quarter. If our bid is successful, the project has the potential to be a significant contributor to revenue and earnings growth in 2017.

Pipeline and Pipe Services Segment - EMAR

With the completion of the concrete coating component of the Shah Deniz project and the near completion of the two South Stream pipe coating projects that have been key contributors to strong performance at the Company's EMAR region, a substantial decline in activity in the EMAR region is expected for the balance of 2016. Beyond 2016, the potential exists for an improvement in revenue should the Company be successful in securing work that is currently being tendered, with the Nordstream 2 natural gas pipeline project in Northern Europe offering the best opportunity for enhanced activity in 2017 and 2018.

Pipeline and Pipe Services Segment - Asia Pacific

In the first quarter of 2016, the global trend of curtailment in large oil and gas greenfield development projects has impacted the Asia Pacific region. The reduced level of activity is expected to continue in the second quarter but will improve in the second half of 2016 with the launch of contracted flow assurance gathering line coating for the Shah Deniz project at one of the region's facilities. Beyond 2016, revenue in the region will remain weak until a sustained improvement in oil and gas production development spending begins.

Petrochemical and Industrial Segment

Shawcor's Petrochemical and Industrial segment businesses continue to deliver steady growth in revenue and earnings based on consistent demand growth in the North American and European automotive, industrial and nuclear refurbishment markets served by the segment's business units. In 2016, an environment of modest global economic growth is expected to continue to provide healthy demand for the products supplied by the Company's Petrochemical and Industrial segment businesses which in turn should enable continued modest growth in revenue and earnings.

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 March 31, 2016 decreased to \$358 million from \$452 million at December 31, 2015 and from \$703 million a year ago. The decline in backlog from the start of the first quarter is attributable to backlog revenue realized in the quarter in excess of new bookings and in particular from the continued execution of the Shah Deniz and South Stream project work.

In addition to the backlog, the Company closely monitors its bidding activity and the value of outstanding firm bids as of March 31, 2016 was approximately \$2.0 billion. In addition, the Company has provided budgetary estimates and is currently working with customers on projects with aggregate values of approximately of \$0.6 billion. At approximately \$2.6 billion, the current level of project activity that the Company is pursuing is unprecedented in our history. Not surprisingly, a number of the projects face a range of challenges from regulatory approvals to increasing scrutiny by global energy companies who are seeking to reduce capital costs and project execution risks. However, several of the largest projects the Company is

bidding are long term natural gas pipeline infrastructure projects for which the likelihood that the projects will advance, even in the current commodity price environment, is high. Confirmation that the projects will proceed and the likelihood of the Company securing one or more, should be known by the end of the third quarter of this year.

2.0 CONSOLIDATED INFORMATION AND RESULTS FROM OPERATIONS

2.1 Revenue

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

	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands of Canadian dollars)			
Pipeline and Pipe Services	\$ 316,980	\$ 410,791	\$ 428,814
Petrochemical and Industrial	48,873	45,615	44,240
Elimination ^(a)	(274)	(1,146)	(1,114)
Consolidated	\$ 365,579	\$ 455,260	\$ 471,940

(a) Represents the elimination of the inter-segment sales between the Pipeline and Pipe Services segment and the Petrochemical and Industrial segment.

First Quarter 2016 versus Fourth Quarter 2015

Consolidated revenue decreased \$89.7 million, or 20%, from \$455.3 million during the fourth quarter of 2015 to \$365.6 million during the first quarter of 2016, due to a decrease of \$93.8 million in the Pipeline and Pipe Services segment, partially offset by an increase of \$3.3 million in the Petrochemical and Industrial segment.

Pipeline and Pipe Services segment revenue decreased by \$93.8 million, from \$410.8 million in the fourth quarter of 2015 to \$317.0 million in the first quarter of 2016, due to lower activity levels in all regions. See *Section 3.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Petrochemical and Industrial segment revenue was higher by \$3.3 million, or 7%, in the first quarter of 2016, compared to the fourth quarter of 2015, mainly due to higher revenue in North America and EMAR, partially offset by lower activity in the Asia Pacific region. See *Section 3.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

First Quarter 2016 versus First Quarter 2015

Consolidated revenue decreased by \$106.4 million, or 23%, from \$471.9 million during the first quarter of 2015, to \$365.6 million during the first quarter of 2016, due to a decrease of \$111.8 million in the Pipeline and Pipe Services segment, partially offset by an increase of \$4.6 million in the Petrochemical and Industrial segment.

Pipeline and Pipe Services segment revenue in the first quarter of 2016 was \$317.0 million, or 26% lower than in the first quarter of 2015, due to lower revenue in all regions. See *Section 3.1 – Pipeline and Pipe Services Segment* for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Petrochemical and Industrial segment revenue increased by \$4.6 million, or 11%, during the first quarter of 2016 compared to the first quarter of 2015, due to higher activity levels in all regions. See *Section 3.2 – Petrochemical and Industrial Segment* for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

2.2 Income from Operations

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

	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands of Canadian dollars, except Operating Margin)			
Operating Income	\$ 15,950	\$ 45,696	\$ 55,616
Operating Margin ^(a)	4.4%	10.0%	11.8%

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

First Quarter 2016 versus Fourth Quarter 2015

Operating Income in the first quarter of 2016 was \$16.0 million and was \$29.7 million, or 65%, lower than in the fourth quarter of 2015. Operating Income was impacted by a decrease in gross profit of \$24.8 million, an \$8.0 million higher net foreign exchange loss, an increase in amortization of property, plant, equipment and intangible assets of \$1.1 million and an increase in research and development expenses of \$1.7 million. This was partially offset by a decrease in selling, general and administrative ("SG&A") expenses of \$5.2 million.

The decrease in gross profit resulted from the decrease in revenue of \$89.7 million, as explained above, partially offset by a 1.4 percentage point increase in the gross margin from the fourth quarter of 2015. The increase in the gross margin percentage was primarily due to project and product mix.

SG&A expenses decreased by \$5.2 million, from \$89.0 million in the fourth quarter of 2015 to \$83.8 million in the first quarter of 2016. SG&A expenses decreased primarily due to charges recorded in the fourth quarter of 2015, consisting of a \$3.5 million charge for the restructuring costs of Guardian USA, a \$5.1 million litigation related provision, an inventory obsolescence provision of \$1.6 million and a loss on disposal of fixed assets of \$1.1 million. In addition, in the first quarter of 2016, there was a gain on the disposal of fixed assets of \$1.0 million and a \$1.2 million decrease in professional consulting fees. These sources of SG&A decreases were partially offset by higher personnel related costs of \$9.1 million due to the acquisition of Lake Superior and the reversal of accruals for management incentive compensation expenses and defined pension benefits recorded in the fourth quarter of 2015 of \$8.2 million and \$1.2 million, respectively.

First Quarter 2016 versus First Quarter 2015

Operating Income in the first quarter of 2016 was \$16.0 million and was \$39.7 million, or 71%, lower than in the first quarter of 2015. Operating income was impacted by a decrease in gross profit of \$42.1 million, an increase in net foreign exchange loss of \$4.8 million and an increase in amortization of property, plant, equipment and intangible assets of \$2.4 million. This was partially offset by a \$9.9 million decrease in SG&A expenses.

The decrease in gross profit resulted in part from the decrease in revenue of \$106.4 million, as explained above, and a 1.1 percentage point decrease in gross margin. The decrease in the gross margin percentage was primarily due to labour cost inefficiencies due to lower facility utilization and reduced absorption of manufacturing overheads as a result of the decrease in revenue in the Pipeline and Pipe Services segment.

SG&A expenses decreased by \$9.9 million in the first quarter of 2016 compared to the first quarter of 2015. The decrease in SG&A expenses was primarily due to a reduction in personnel related costs and management incentive compensation of \$8.7 million and a \$3.7 million reduction in other costs. This was partially offset by a \$2.5 million increase in costs due to the acquisition of Lake Superior.

2.3 Finance Costs, net

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

(in thousands of Canadian dollars)	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
Interest income	\$ (316)	\$ (276)	\$ (200)
Interest expense, other	914	808	812
Interest expense on long-term debt	4,146	4,196	3,836
Finance costs, net	\$ 4,744	\$ 4,728	\$ 4,448

First Quarter 2016 versus Fourth Quarter 2015

In the first quarter of 2016, net finance costs were \$4.7 million, compared to net finance costs of \$4.7 million during the fourth quarter of 2015. The slight increase in interest income and the slight reduction in interest expense on long-term debt was offset by higher interest expense on other items.

First Quarter 2016 versus First Quarter 2015

In the first quarter of 2016, net finance costs were \$4.7 million, compared to net finance costs of \$4.4 million during the first quarter of 2015. The increase in net finance costs was primarily a result of higher interest on long term debt due to the strengthening of the US dollar.

2.4 Income Taxes

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

(in thousands of Canadian dollars)	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
Income tax expense	\$ 2,598	\$ 9,653	\$ 12,790

First Quarter 2016 versus Fourth Quarter 2015

The Company recorded an income tax expense of \$2.6 million (24% of income before income taxes) in the first quarter of 2016 compared to an income tax expense of \$9.7 million (24% of income before income taxes) in the fourth quarter of 2015. The effective tax rate in the first quarter of 2016 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 jurisdictions where the tax rate is 25% or less.

First Quarter 2016 versus First Quarter 2015

The Company recorded an income tax expense of \$2.6 million (24% of income before income taxes) in the first quarter of 2016 compared to an income tax expense of \$12.8 million (25% of income before income taxes) in the comparable period of the prior year. The effective tax rate in the first quarter of 2016 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 jurisdictions where the tax rate is 25% or less.

2.5 Foreign Exchange Impact

The following table sets forth the significant currencies in which the Company operates and the average foreign exchange rates for these currencies versus Canadian dollars, for the following periods:

	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
U.S. dollar	1.3623	1.3463	1.2360
Euro	1.5009	1.4671	1.4078
British Pounds	1.9549	2.0294	1.8817

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

	Q1-2016 versus Q4-2015		Q1-2016 versus Q1-2015	
(in thousands of Canadian dollars)				
Revenue	\$	(6,828)	\$	8,913
Income from operations		(1,960)		(1,404)
Net income	\$	(1,819)	\$	(730)

In addition to the translation impact noted above, the Company recorded a foreign exchange loss of \$1.7 million in the first quarter of 2016, compared to a gain of \$3.1 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.

2.6 Net Income (attributable to shareholders of the Company)

First Quarter 2016 versus Fourth Quarter 2015

Net income decreased by \$23.4 million, from \$30.9 million during the fourth quarter of 2015 to \$7.5 million during the first quarter of 2016. This reduction was mainly due to the decrease in Operating Income of \$29.7 million, as explained in section 2.2 above. This was partially offset by a \$7.1 million decrease in income tax expense.

First Quarter 2016 versus First Quarter 2015

Net income decreased by \$30.3 million, from \$37.8 million during the first quarter of 2015 to \$7.5 million during the first quarter of 2016. This reduction was mainly due to the decrease in Operating Income in the first quarter of 2016 of \$39.7 million, as explained in section 2.2 above. This was partially offset by a \$10.2 million decrease in income tax expense.

3.0 SEGMENT INFORMATION

3.1 Pipeline and Pipe Services segment

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

	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands of Canadian dollars, except Operating Margin)			
North America	\$ 137,767	\$ 179,617	\$ 203,637
Latin America	28,147	35,250	37,488
EMAR	128,514	161,728	130,879
Asia Pacific	22,552	34,196	56,810
Total Revenue	\$ 316,980	\$ 410,791	\$ 428,814
Operating Income	\$ 16,193	\$ 38,268	\$ 55,117
Operating Margin^(a)	5.1%	9.3%	12.9%

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

First Quarter 2016 versus Fourth Quarter 2015

First quarter 2016 revenue decreased by \$93.8 million, or 23%, to \$317.0 million, from \$410.8 million in the fourth quarter of 2015. All regions experienced lower activity levels:

- In North America, revenue decreased by \$41.9 million, or 23%, as a result of reduced levels of large diameter pipe coating in Canada and the US and lower volumes of small diameter pipe coating in Canada, lower flexible composite pipe volumes, lower activity levels in tubular management services in Canada and decreased pipe weld inspection service revenue in the USA. This was partially offset by revenue generated by the newly acquired Lake Superior business.
- Latin America revenue decreased by \$7.1 million, or 20%, primarily as a result of lower activity levels in Mexico at the Veracruz facility and at the Company's Argentina facilities.
- In EMAR, revenue decreased by \$33.2 million, or 21%, primarily due to the winding down of the Shah Deniz project in the Caspian and decreased activity levels at Orkanger, Norway and at Leith, Scotland. This was partially offset by higher revenues at Ras Al Khaimah, UAE ("RAK") and at the Pozzallo, Italy facility.
- In Asia Pacific, revenue decreased by \$11.6 million, or 34%, mainly due to a decrease in pipe coating project activity at the Kabil, Indonesia facility and lower pipe weld inspection service revenue in the region. This was partially offset by higher activity levels at the Kuantan, Malaysia facility.

In the first quarter of 2016, Operating Income was \$16.2 million compared to \$38.3 million in the fourth quarter of 2015, a decrease of \$22.1 million, or 58%. The lower Operating Income was the result of a \$24.0 million decrease in gross profit, primarily due to the decrease in revenue of \$93.8 million, as explained above, partially offset by a 2.4 percentage point increase in gross margin due to project and product mix and the impact of the Company's restructuring efforts. The reduction in gross profit was partially offset by lower SG&A expenses, as explained in section 2.2 above.

First Quarter 2016 versus First Quarter 2015

Revenue was \$317.0 million in the first quarter of 2016, a decrease of \$111.8 million, or 26%, from \$428.8 million in the comparable period of 2015. All regions experienced lower activity levels:

- In North America, revenue decreased by \$65.9 million, or 32%, as a result of lower large and small diameter pipe coating activity level in Canada and the US, lower flexible composite pipe volumes, lower activity levels in tubular management services in Canada and decreased pipe weld inspection service revenue in the USA. This was partially offset by revenue generated by the newly acquired Lake Superior business.

- In Latin America, revenue decreased by \$9.3 million, or 25%, primarily due to decreased activity at the pipe coating facilities in Monterrey and Coatzacoalcos, Mexico and the Company's Argentina facilities. This was partially offset by increased activity levels at the Veracruz, Mexico facility.
- EMAR revenue decreased by \$2.4 million, or 2%, primarily due to lower activity levels at RAK, Orkanger, Norway, the Shah Deniz II project in the Caspian and the Company's Italian facilities. This was partially offset by higher activity at the Leith, Scotland facility and field joint projects in the region.
- Asia Pacific revenue decreased by \$34.3 million, or 60%, primarily due to the lower volumes associated with a lack of large projects at both Kabil, Indonesia and Kuantan, Malaysia.

In the first quarter of 2016, Operating Income was \$16.2 million, \$38.9 million lower than the Operating Income of \$55.1 million in the first quarter of 2015. The lower Operating Income was the result of a \$41.6 million decrease in gross profit, partly due to the decrease in revenue of \$111.8 million, as explained above, and a 0.3 percentage point decrease in gross margin due to unfavourable project and product mix. The reduction in gross profit was partially offset by lower SG&A expenses, as explained in section 2.2 above.

3.2 Petrochemical and Industrial segment

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

	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands of Canadian dollars, except Operating Margin)			
North America	\$ 29,611	\$ 27,062	\$ 25,506
EMAR	16,508	15,424	16,316
Asia Pacific	2,754	3,129	2,418
Total Revenue	\$ 48,873	\$ 45,615	\$ 44,240
Operating Income	\$ 7,595	\$ 7,279	\$ 6,261
Operating Margin	15.5%	16.0%	14.2%

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

First Quarter 2016 versus Fourth Quarter 2015

In the first quarter of 2016, revenue increased by \$3.3 million, or 7%, to \$48.9 million, compared to the fourth quarter of 2015, primarily due to higher shipments of heat shrink tubing products in North America and EMAR and higher shipments of wire and cable products to the North American electrical utilities and other industrial customers.

Operating Income of \$7.6 million in the first quarter of 2016 was \$0.3 million, or 4%, higher than in the fourth quarter of 2015. The increase in Operating Income was primarily due to a \$0.2 million increase in gross profit on higher sales, as explained above.

First Quarter 2016 versus First Quarter 2015

First quarter 2016 revenue totaled \$48.9 million compared to \$44.2 million in the first quarter of 2015, an increase of \$4.6 million, or 10%. The increase was driven by higher heat shrink tubing product volumes in North America and Asia Pacific and higher shipments of wire and cable products to North American industrial customers.

Operating Income in the first quarter of 2016 was \$7.6 million compared to \$6.3 million in the first quarter of 2015, an increase of \$1.3 million. The increase in Operating Income was mainly due to the \$1.0 million reduction in SG&A expenses.

3.3 Financial and Corporate

Financial and corporate costs include corporate expenses not allocated to the operating segments and other non-operating items, including foreign exchange gains and losses on foreign currency denominated cash and working capital balances. The financial and corporate division of Shawcor does not meet the definition of a reportable operating segment as defined in IFRS, as it does not earn revenue.

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

	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands of Canadian dollars)			
Financial and Corporate	\$ (6,125)	\$ (5,543)	\$ (8,859)

First Quarter 2016 versus Fourth Quarter 2015

Financial and corporate costs increased by \$0.6 million from \$5.5 million during the fourth quarter of 2015 to \$6.1 million in the first quarter of 2016. The increase was due to a \$3.8 million increase in stock based and long term management incentive compensation expenses and a \$1.2 million increase in employee defined benefit costs, primarily due to the reversal of accruals in the fourth quarter of 2015. This was partially offset by a \$4.1 million decrease in professional consulting fees, information technology and other personnel related expenses in the first quarter of 2016.

First Quarter 2016 versus First Quarter 2015

Financial and corporate costs decreased by \$2.7 million from the first quarter of 2015 to \$6.1 million in the first quarter of 2016. This was primarily due to a \$2.4 million decrease in personnel related costs in the first quarter of 2016 versus the prior year.

4.0 FORWARD-LOOKING INFORMATION

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward looking information" and "forward looking statements" (collectively "forward looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward looking information in the Outlook section and elsewhere in respect of, among other things, the achievement of key performance objectives, the incurrence of additional capital expenditures as necessary to facilitate growth in new markets, the timing of major project activity, the decline in consolidated revenues and earnings in 2016 from 2015 levels, the reduced activity levels and the decline in revenue and earnings in the Pipeline and Pipe Services segment of the Company's business and the timing of recovery in respect thereof, the growth in revenue and earnings in the Petrochemical and Industrial segment of the Company's business, the impact of the amendments made to the Credit Facility and Senior Notes and the repurchase of the Senior Notes, 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 2016, the impact of global economic activity on the demand for the Company's products, the impact of the decline in global oil and gas commodity prices on the level of industry investment in oil and gas infrastructure, the impact of changing energy demand, supply and prices, the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the adequacy of the Company's existing accruals in respect of taxes, environmental compliance and in respect of litigation matters and other claims generally, the level of payments under the Company's performance bonds, the outcome of the Company's outstanding bids and the expected development in the Company's order backlog.

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

These statements of forward looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include those in respect of global oil and gas prices, declines in expenditures on oil and gas infrastructures, modest global economic growth, the Company's ability to execute projects under contract, the Company's success in existing and future contract bids, 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.

Shawcor will be hosting a Shareholder and Analyst Conference Call and Webcast on Thursday May12th, 2016 at 10:00AM ET, which will discuss the Company's First Quarter Financial Results.

To participate via telephone, please dial 1-315-625-6955 or 1-877-776-4039 and enter Conference ID: 9056 4354.

Click on this link <http://edge.media-server.com/m/p/nc2awn6j> to participate via webcast.

5.0 Additional Information

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

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

For further information, please contact:

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Website: www.shawcor.com

Shawcor Ltd.

Interim Consolidated Balance Sheets (Unaudited)

	March 31,	December 31,
(in thousands of Canadian dollars)	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 278,177	\$ 260,645
Short-term investments	2,778	2,954
Accounts receivable	281,302	396,974
Income taxes receivable	31,234	35,804
Inventory	131,668	167,557
Prepaid expenses	16,506	20,112
Derivative financial instruments	643	3,024
	742,308	887,070
Non-current Assets		
Loans receivable	7,566	7,908
Property, plant and equipment	480,792	485,555
Intangible assets	222,918	223,298
Investments in associates	29,503	30,868
Deferred income tax assets	20,289	27,668
Other assets	27,027	26,268
Goodwill	451,459	457,070
	1,239,554	1,258,635
	\$ 1,981,862	\$ 2,145,705
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 248,382	\$ 295,911
Provisions	19,232	25,562
Income taxes payable	36,273	34,624
Derivative financial instruments	2,247	1,984
Deferred revenue	30,897	58,129
Obligations under finance lease	1,087	1,176
Other liabilities	15,184	23,279
	353,302	440,665
Non-current Liabilities		
Long-term debt	455,728	485,147
Obligations under finance lease	12,096	12,600
Provisions	40,312	44,075
Employee future benefits	23,410	21,942
Deferred income tax liabilities	10,028	14,898
Other liabilities	1,602	1,177
	543,176	579,839
	896,478	1,020,504
Equity		
Share capital	535,367	534,484
Contributed surplus	19,716	18,638
Retained earnings	490,541	492,713
Non-controlling interests	7,606	7,455
Accumulated other comprehensive income	32,154	71,911
	1,085,384	1,125,201
	\$ 1,981,862	\$ 2,145,705

Shawcor Ltd.

Interim Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,	
(in thousands of Canadian dollars)	2016	2015
Revenue		
Sale of products	\$ 124,915	\$ 135,166
Rendering of services	240,664	336,774
	365,579	471,940
Cost of Goods Sold and Services Rendered	238,644	302,915
Gross Profit	126,935	169,025
Selling, general and administrative expenses	83,831	93,713
Research and development expenses	4,308	4,073
Foreign exchange losses (gains)	1,713	(3,097)
Amortization of property, plant and equipment	14,829	13,743
Amortization of intangible assets	6,304	4,977
Income from Operations	15,950	55,616
Loss from investments in associates	(453)	(111)
Finance costs, net	(4,744)	(4,448)
Income Before Income Taxes	10,753	51,057
Income taxes	2,598	12,790
Net Income	\$ 8,155	\$ 38,267
Net Income Attributable to:		
Shareholders of the Company	\$ 7,461	\$ 37,774
Non-controlling interests	694	493
Net Income	\$ 8,155	\$ 38,267
Earnings per Share		
Basic	\$ 0.12	\$ 0.59
Diluted	\$ 0.12	\$ 0.58
Weighted Average Number of Shares Outstanding (000's)		
Basic	64,531	64,497
Diluted	64,617	64,770

Shawcor Ltd.

Interim Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
(in thousands of Canadian dollars)	2016	2015
Net Income	\$ 8,155	\$ 38,267
Other Comprehensive Income		
<u>Other Comprehensive (Loss) Income to be Reclassified to Net Income in Subsequent Periods</u>		
Exchange differences on translation of foreign operations	(39,388)	37,553
Other comprehensive (loss) income attributable to investments in joint ventures		—
Other comprehensive (loss) income attributable to investments in associates	(912)	279
Net Other Comprehensive (Loss) Income to be Reclassified to Net Income in Subsequent Periods	(40,300)	37,832
Other Comprehensive (Loss) Income, Net of Income Tax	(40,300)	37,832
Total Comprehensive (Loss) Income	\$ (32,145)	\$ 76,099
Comprehensive (Loss) Income Attributable to:		
Shareholders of the Company	\$ (32,296)	\$ 75,237
Non-controlling interests	151	862
Total Comprehensive (Loss) Income	\$ (32,145)	\$ 76,099

Shawcor Ltd.

Interim Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Non- controlling Interests \$	Accumulated Other Comprehensive Income (Loss) \$	Total Equity \$
Balance – December 31, 2015	534,484	18,638	492,713	7,455	71,911	1,125,201
Net income	–	–	7,461	694	–	8,155
Other comprehensive loss	–	–	–	(543)	(39,757)	(40,300)
Comprehensive income (loss)	–	–	7,461	151	(39,757)	(32,145)
Issued on exercise of stock options	532	–	–	–	–	532
Compensation cost on exercised options	177	(177)	–	–	–	–
Compensation cost on exercised RSUs	174	(174)	–	–	–	–
Share-based compensation expense	–	1,429	–	–	–	1,429
Dividends declared and paid to shareholders	–	–	(9,633)	–	–	(9,633)
Balance – March 31, 2016	535,367	19,716	490,541	7,606	32,154	1,085,384
Balance – December 31, 2014	533,660	14,625	433,177	7,254	(8,103)	980,613
Net income	–	–	37,774	493	–	38,267
Other comprehensive income	–	–	–	369	37,463	37,832
Comprehensive income	–	–	37,774	862	37,463	76,099
Issued on exercise of stock options	44	–	–	–	–	44
Compensation cost on exercised options	16	(16)	–	–	–	–
Compensation cost on exercised RSUs	52	(52)	–	–	–	–
Share-based compensation expense	–	1,085	–	–	–	1,085
Dividends declared and paid to shareholders	–	–	(9,675)	–	–	(9,675)
Balance – March 31, 2015	533,772	15,642	461,276	8,116	29,360	1,048,166

Shawcor Ltd.

Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended March 31,	
	2016	2015
Operating activities		
Net income	\$ 8,155	\$ 38,267
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	14,829	13,743
Amortization of intangible assets	6,304	4,977
Amortization of long-term prepaid expenses	115	494
Decommissioning obligations expense	41	111
Other provision expenses	1,739	2,212
Stock-based compensation and incentive-based compensation	1,240	1,587
Deferred income taxes	(4,973)	2,075
Loss on disposal of property, plant and equipment	165	48
Unrealized loss on derivative financial instruments	2,644	2,696
Loss from investments in associates	453	111
Settlement of decommissioning liabilities	(3)	(6)
Settlement of other provisions	(7,739)	(1,207)
Net change in future employee benefits	603	324
Change in non-cash working capital and foreign exchange	61,896	(49,137)
Cash Provided by Operating Activities	\$ 85,469	\$ 16,295
Investing Activities		
Decrease in loan receivable	–	39
Decrease (increase) in short-term investments	176	(1,144)
Purchases of property, plant and equipment	(17,961)	(15,224)
Proceeds on disposal of property, plant and equipment	1,046	574
Purchases of intangible assets	–	(37)
Deferred purchase consideration payment	–	(1,064)
Increase in other assets	(1,120)	(57)
Business acquisitions, net of cash acquired	(25,539)	(17,036)
Cash Used in Investing Activities	\$ (43,398)	\$ (33,949)
Financing Activities		
Increase in bank indebtedness	–	1,418
Decrease in loans payable	(237)	(2,513)
Repayment of finance lease obligation	(173)	(524)
Issuance of shares	532	44
Dividend paid to shareholders	(9,633)	(9,675)
Cash Used in Financing Activities	\$ (9,511)	\$ (11,250)
Effect of Foreign Exchange on Cash and Cash Equivalents	(15,028)	9,967
Net increase (decrease) in Cash and Cash Equivalents for the Period	17,532	(18,937)
Cash and Cash Equivalents – Beginning of Period	260,645	116,556
Cash and Cash Equivalents – End of Period	\$ 278,177	\$ 97,619

6.0 Reconciliation of Non-GAAP to GAAP Financial 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 under IFRS and are not necessarily comparable to similar measures provided by other companies. The Company discloses these measures because it believes that they assist readers in understanding the results of the Company's operations and financial position and are meant to provide further information about its financial results to readers. These measures should not be considered in isolation or used in substitution for other measures of performance prepared in accordance with GAAP. The following is a reconciliation of the non-GAAP measures reported by the Company.

Adjusted EBITDA

The following table sets forth the Adjusted EBITDA for the following periods:

	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
(in thousands of Canadian dollars)			
Net income for the period	\$ 8,155	\$ 31,467	\$ 38,267
Add:			
Income tax expense	2,598	9,653	12,790
Finance costs, net	4,744	4,728	4,448
Amortization of property, plant, equipment and intangible assets	21,133	20,061	18,720
EBITDA^(a)	36,630	65,909	74,225
Add:			
Impairment	—	590	—
ADJUSTED EBITDA^(a)	36,630	66,499	74,225

(a) Adjusted EBITDA and EBITDA are used by many analysts in the oil and gas industry as one of several important analytical tools.