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

The following Management's Discussion and Analysis ("MD&A") is a discussion of the consolidated financial position and results of operations of Shawcor Ltd. ("Shawcor" or the "Company") for the three months and nine months ended September 30, 2020 and 2019 and should be read together with Shawcor's unaudited interim consolidated financial statements and accompanying notes for the same periods and MD&A included in the Company's 2019 Annual Report. All dollar amounts in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

This MD&A and the unaudited interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to Section 13 hereof.

1.0 Executive Overview

Shawcor is a growth oriented, global company with its three segments of Pipeline and Pipe Services, Composite Systems and Automotive and Industrial serving various sectors of the Infrastructure, Energy and Transportation markets. The Company operates eight operating units with manufacturing and service facilities located around the world. The Company is publicly-traded on the Toronto Stock Exchange.

1.1 Core Businesses

Shawcor provides a broad range of products and services, which include high quality pipe coating services, flexible composite pipe, fiberglass reinforced plastic underground storage tanks, 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 its 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.

The primary driver of demand for the Company's products and services is the level of industry activity and investment in energy and infrastructure for resource development, storage and transportation around the globe. This investment in infrastructure is driven by economic activity to engineer, replace, maintain and rehabilitate infrastructure that is at or beyond its useful design life, replace production due to reservoir depletion, requirements for advanced technologies and non-corrosive materials, the need to address geopolitical challenges which are affecting several important producing regions and increased global demand for gas and greener alternatives, specifically LNG development.

As at September 30, 2020, the Company's eight operating units were reported through three operating segments: Pipeline and Pipe Services; Composite Systems and Automotive and Industrial.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company and accounted for 55% of consolidated revenue for the nine-months ended September 30, 2020. This segment includes products and services for the Pipeline Performance Group, Pipeline Performance Products, Shaw Pipeline Services, Shawcor Inspection Services and Lake Superior Consulting operating units.

Composite Systems

The Composite Systems segment accounted for 28% of consolidated revenue for the nine-months ended September 30, 2020. This segment includes Composite Production Systems and Oilfield Asset Management.

Automotive and Industrial

The Automotive and Industrial segment, which consists of the Connection Systems operating unit, accounted for 17% of consolidated revenue for the nine-months ended September 30, 2020. 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 Automotive and Industrial markets.

2.0 Financial Highlights

2.1 Selected Financial Information

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenue	**$ 267,659**	$ 394,015	**$ 852,804**	$ 1,155.382
Cost of Goods Sold and Services Rendered	**193,338**	279,397	**625,402**	825,140
Gross Profit	**74,321**	114,618	**227,402**	330,242
Selling, general and administrative expenses	**55,053**	77,398	**185,824**	233,488
Research and development expenses	**2,293**	3,716	**9,090**	10,411
Foreign exchange (gains) losses	**(938)**	(3,178)	**4,242**	(3,352)
Depreciation and amortization	**22,343**	24,951	**70,275**	73,562
Gain on sale of land	**(1,213)**	(5,386)	**(1,213)**	(37,994)
Impairment	**3,623**	–	**206,707**	–
Restructuring costs	**12,449**	–	**29,749**	–
(Loss) Income from Operations[(a)]	**(19,289)**	17,117	**(277,272)**	54,127
Income from investments in associates	**8,083**	234	**8,175**	8,976
Finance costs, net	**(6,673)**	(6,528)	**(18,068)**	(15,468)
Cost associated with repayment of long-term debt and credit facilities	**–**	–	**–**	(12,308)
Net monetary loss	**(390)**	(504)	**(1,245)**	(2,391)
(Loss) Income before Income Taxes	**(18,269)**	10,319	**(288,410)**	32,936
Income tax expense (recovery)	**136**	3,562	**1,963**	(15,792)
Net (Loss) Income	**$ (18,405)**	$ 6,757	**$ (290,373)**	$ 48,728
Net (Loss) Income attributable to:				
Shareholders of the Company	**$ (18,311)**	$ 6,520	**$ (289,989)**	$ 48,490
Non-controlling interests	**(94)**	237	**(384)**	238
Net (Loss) Income	**$ (18,405)**	$ 6,757	**$ (290,373)**	$ 48,728
Per Share Information:				
(Loss) Earnings per Share				
Basic	**$ (0.26)**	$ 0.09	**$ (4.12)**	$ 0.69
Diluted	**$ (0.26)**	$ 0.09	**$ (4.12)**	$ 0.69
Adjusted EBITDA[(c)]	**17,803**	$ 42,396	**28,263**	$ 106,854
Adjusted EBITDA (%)	**6.7%**	10.8%	**3.3%**	9.2%
Adjusted Operating (Loss) Income[(c)]	**(3,928)**	17,405	**(40,316)**	35,819
Adjusted Operating (Loss) Income (%)	**(1.5%)**	4.4%	**(4.7%)**	3.1%
Adjusted Net (Loss) Income [(b)(c)]	**(11,181)**	6,006	**(65,981)**	28,225
Adjusted EPS[(c)] Basic & Diluted	**(0.16)**	0.09	**(0.94)**	0.40

(a) Operating loss in the nine months ended September 30, 2020 includes restructuring costs of $29.7 million and impairment charges of $206.7 million.
(b) Attributable to shareholders of the Company.
(c) Adjusted EBITDA, Adjusted Operating Income or loss, Adjusted Net Income or Loss and Adjusted EPS are non-GAAP measures. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. See *Section 10.0 – Reconciliation of Non GAAP Measures* for further details and a reconciliation of these Non-GAAP measures.

2.2 Foreign Exchange Impact

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
U.S. dollar	**1.3310**	1.3203	**1.3532**	1.3289
Euro	**1.5624**	1.4640	**1.5258**	1.4931
British Pounds	**1.7343**	1.6228	**1.7304**	1.6936

The following table sets forth the impact on revenue, operating income and net income (attributable to shareholders of the Company), 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)	**Q3-2020 versus Q3-2019**	**Q3-2020 YTD versus Q3-2019 YTD**
Revenue	**$ 3,220**	**$ 5,681**
Income from operations	**$ 600**	**$ (1,246)**
Net income (attributable to shareholders of the Company)	**$ 627**	**$ (948)**

In addition to the translation impact noted above, the Company recorded a foreign exchange gain of $0.9 million in the third quarter of 2020 (nine months ended September 30, 2020 – loss of $4.2 million), compared to a foreign exchange gain of $3.2 million for the comparable period in the prior year (nine months ended September 30, 2019 – gain of $3.4 million), as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities, primarily in Latin America.

3.0 Key Developments – Third Quarter

Contract Award for the Payara Project

On October 1, 2020, the Company announced that its pipe coating division had been awarded a definitive contract with Saipem to provide thermal insulation and anticorrosion coating services for the Payara development project located in the Stabroek block offshore Guyana. The value of the award is in the range of $55-65 million and is scheduled to commence in Q4 2020 from Shawcor's Veracruz, Mexico and Channelview, Texas facilities. Saipem previously awarded Shawcor coating contracts for the first two phases of the Liza development in Guyana in 2017 and 2018, respectively.

Impact of COVID-19

In March 2020, global market downturn caused by the COVID-19 pandemic and recent changes in oil and gas supply and demand resulted in an immediate decrease in demand for products and services supplied by Shawcor. The situation remains dynamic and the ultimate duration and magnitude of the impact on the global economy and on the Company remains unknown at this time.

The implications on Shawcor as a result of decreases in demand may be significant and include:

- Material declines in revenue and cash flows
- Future impairments charges to property, plant and equipment
- Increased risk of non-payment of accounts receivables: and

- Additional restructuring charges

Employee safety and HSE procedures continued to be prioritized and the Company experienced no site-wide shutdowns as a result of COVIC-19 during the third quarter.

The Company has taken measures to address the reduced current demand and the high degree of uncertainty in future demand. These measures include targeting in excess of $60 million in annualized selling, general and administrative (“SG&A”) and other cost savings and generating in excess of $40 million in cash from working capital reductions and asset sales.

The Company has completed the following actions to reduce costs, preserve cash and meet its stated targets.

- Suspension of the regular quarterly dividend, commencing in the second quarter.
- Reduced Board compensation by 30%, CEO cash compensation by 20% and Senior Executive cash compensation by 10%.
- With further actions taken in the quarter, salaried workforce headcount has been reduced by over 19% since March 2020.
- Aggressive cost controls were implemented and are expected to generate over $10 million in annualized savings. This includes the elimination of all non-essential travel, entertainment and other discretionary spending.
- During the quarter, planned capital spending has been further reduced to the $30-$35 million range for 2020 to include only essential maintenance capital and select growth spending to deliver on firm orders, particularly in our Composite Systems Tank business (formerly ZCL Composites).
- The controlled shutdown of 5 pipe coating facilities, including a facility in South East Asia that was announced in the current quarter, and several girth weld inspection branches. The Company continues to assess its international footprint and will likely take further optimization actions in the upcoming quarters.
- Reduced working capital by $47.3 million, excluding the impact of increased restructuring liabilities, and generated cash proceeds from asset sales of $16.5 million in the first nine months of 2020.

The Company has incurred $29.7 million of restructuring costs to date as a result of the actions completed.

The Company continues to expect the total value of its completed and planned initiatives will meet its stated targets and result in a quarterly normalized SG&A run-rate of approximately $70 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:

	Three Months Ended		Nine Months Ended	
(in thousands of Canadian dollars)	**September 30, 2020**	September 30, 2019[b]	**September 30, 2020**	September 30, 2019[b]
Pipeline and Pipe Services	**$ 135,634**	$ 210,645	**$ 472,426**	$ 675,506
Composite Systems	**83,972**	129,996	**240,472**	318,709
Automotive and Industrial	**49,270**	53,809	**142,283**	162,910
Elimination[a]	**(1,217)**	(435)	**(2,377)**	(1,743)
Consolidated revenue	**$ 267,659**	$ 394,015	**$ 852,804**	$ 1,155,382

(a) Represents the elimination of the inter-segment sales between the Pipeline and Pipe Services segment, the Composite Systems segment and the Automotive and Industrial segment.

(b) Restated to conform with current period presentation of segments.

Third Quarter 2020 versus Third Quarter 2019

Consolidated revenue decreased by $126.4 million, or 32%, from $394.0 million during the third quarter of 2019, to $267.7 million during the third quarter of 2020, reflecting revenue decreases of $75.0 million in the Pipeline and Pipe Services segment, $46.0 million in the Composite Systems segment and $4.5 million in the Automotive and Industrial segment. The decreases in all segments continue to reflect the impact of the global COVID-19 pandemic and the ongoing volatility in the energy markets.

In the Pipeline and Pipe Services segment, revenue in the third quarter of 2020 was $135.6 million, or 36% lower than in the third quarter of 2019, due to lower revenues in North America and Latin America, partially offset by higher revenues in the Middle East, Africa and Russia ("EMAR") and Asia Pacific regions. See Section *4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure on the segment.

In the Composite Systems segment, revenue was $46.0 million lower during the third quarter of 2020, compared to $130.0 million in the third quarter of 2019, primarily due to decreased demand for composite pipe products. See Section *4.2.2 – Composite Systems Segment* for additional disclosure on the segment.

In the Automotive and Industrial segment, revenue was $4.5 million lower during the third quarter of 2020, compared to $53.8 million in the third quarter of 2019, primarily due to decreased demand for automotive products and overall decreased activity levels in the North America and Latin America regions. See Section *4.2.3 – Automotive and Industrial Segment* for additional disclosure on the segment.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

Consolidated revenue decreased by $302.6 million, or 26%, from $1,155 million for the nine month period ended September 30, 2019, to $852.8 million for the nine month period ended September 30, 2020, reflecting revenue decreases of $203.1 million in the Pipeline and Pipe Services segment, $78.2 million in the Composite Systems segment and $20.6 million in the Automotive and Industrial segment.

In the Pipeline and Pipe Services segment, revenue in the nine month period ended September 30, 2020 was $472.4 million, or 30% lower than in the nine month period ended September 30, 2019, due to lower revenues in North America, Latin America and the EMAR regions, and partially offset by higher revenue in Asia Pacific. See *Section 4.2.1 – Pipeline and Pipe Services Segment* for additional disclosure on the segment.

In the Composite Systems segment, revenue was $78.2 million lower in the nine month period ended September 30, 2020, compared to $318.7 million in the nine month period ended September 30, 2019, primarily due to decreased demand for composite pipe products, partially offset by the benefit related to the inclusion of a full quarter of revenues in the first quarter of 2020 related to the acquisition of the ZCL business in April 2019. See *Section 4.2.2 – Composite Systems Segment* for additional disclosure on the segment.

In the Automotive and Industrial segment, revenue was $20.6 million lower in the nine month period ended September 30, 2020, compared to $162.9 million in the nine month period ended September 30, 2019, due to decreased activity levels in North America and EMAR, slightly offset by higher revenue in the Asia Pacific region. See *Section 4.2.3 – Automotive and Industrial Segment* for additional disclosure on the segment.

Loss/Income from Operations ("Operating Loss/Income")

The following table sets forth operating (loss) income and Adjusted EBITDA for the following periods:

(in thousands of Canadian dollars, except percentages)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Operating (loss)/income[a]	**$ (19,289)**	$ 17,117	**$ (277,272)**	$ 54,127
Operating margin[b]	**(7.2%)**	4.3%	**(32.5%)**	4.7%
Adjusted EBITDA[b]	**$ 17,803**	$ 42,396	**$ 28,263**	$ 106,854
Adjusted EBITDA margin[b]	**6.7%**	10.8%	**3.3%**	9.2%

(a) Operating loss in the nine months ended September 30, 2020 includes $29.7 million of restructuring costs and $206.7 million of impairment charge.
(b) Operating margin, Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. See *Section 10.0 – Reconciliation of Non-GAAP Measures* for further details and a reconciliation of these Non-GAAP measures.

In the first quarter of 2020, the Company conducted a review of its impairment testing on property, plant and equipment, intangible assets and goodwill due to the current uncertain business climate brought about by the global COVID-19 pandemic and the volatility in the energy markets. As a result of this review, the Company recorded impairment charges of $203.1 million due to the current market conditions for certain assets and the Company's assessment of the related future demand and market recovery. The impairment charges included $143.6 million and $46.0 million on intangible assets and goodwill for Pipeline Performance Group (formerly Bredero Shaw) and Shawcor Inspection Services, respectively, and $13.4 million on assets at two U.S. land pipe coating facilities and certain assets related to large diameter products in its Composite Systems facility in Alberta. In the third quarter of 2020, the Company recorded an additional impairment of $3.6 million on assets at a pipe coating facility in Asia Pacific for the Pipeline Performance Group related to the recently announced closure plans.

Operating Income in the nine months of 2020 includes an additional quarter of income from the ZCL composite tank business as compared to the same period in 2019 as the acquisition of the ZCL business was completed in April 2019, which had a net positive impact on the nine months of 2020 results.

In response to the current challenging business conditions, the Company also completed several cost reduction and cash preservation initiatives. As a result of the significant reduction of the salaried workforce and the shut down of certain facilities and branch offices in the second and third quarter, the Company has recorded restructuring costs of $29.7 million in the current year.

Third Quarter 2020 versus Third Quarter 2019

The third quarter of 2020 had an Operating Loss of $19.3 million, a decrease compared to the $17.1 million Operating Income in the third quarter of 2019. The decrease is primarily due to a $40.3 million decrease in gross profit, the negative impact of the $12.4 million restructuring costs, a $3.6 million impairment charge in the current quarter, and $4.2 million less from gain on sale of land. This is partially offset by a decrease of $22.3 million in SG&A expenses.

The current quarter benefited from COVID-19 related government wage subsidies recorded of $17 million, of which $9.5 million was recorded in cost of goods sold and $7.5 million was recorded in SG&A expenses.

The $40.3 million decrease in gross profit resulted from the $126.4 million decrease in revenue, as explained above, and a 1.3 percentage point decrease in gross margin from the third quarter of 2019. The decrease in the gross margin percentage was primarily due to product and project mix, the decrease in revenue and the impact of lower utilization of facilities on the absorption of manufacturing overheads due to the continued impact of the global COVID-19 pandemic and ongoing volatility in the energy markets. The decrease in gross margin is partially offset by $9.5 million of COVID-19 related government wage subsidies recorded in the current quarter.

SG&A expenses decreased by $22.3 million compared to the third quarter of 2019, primarily due to the completed cost control and headcount reduction initiatives that resulted in decreases of $12.2 million in compensation related costs (includes a $1.5 million reduction in incentive-based compensation) and $3.5 million in travel and entertainment expenses. The current quarter also benefited from COVID-19 related government wage subsidies of $7.5 million.

Adjusted EBITDA was $17.8 million in the third quarter of 2020 compared to $42.4 million in the third quarter of 2019. See *Section 10.0 -Reconciliation of Non-GAAP Measures* for additional disclosures regarding Adjusted EBITDA.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

The nine months of 2020 had an Operating Loss of $277.3 million, a significant decrease compared to the $54.0 million Operating Income in the nine months of 2019. The decrease is primarily due to the negative impact of the $206.7 million impairment charge, a $102.8 million decrease in gross profit, $29.7 million incurred in restructuring costs, an additional $7.6 million in net foreign exchange losses and a $36.8 million lower gain on sale of land; partially offset by a $47.7 million decrease in SG&A expenses.

The nine months results benefited from COVID-19 related government wage subsidies recorded of $24.6 million, of which $9.5 million was recorded in cost of goods sold and $15.1 million was recorded in SG&A expenses.

The $102.8 million decrease in gross profit resulted from the $302.6 million decrease in revenue, as explained above, and a 1.9 percentage point decrease in the gross margin from the nine month period of 2019. The decrease in the gross margin percentage was primarily due to product and project mix, the decrease in revenue and the impact of lower utilization of facilities on the absorption of manufacturing overheads primarily due to the impact of global COVID-19 pandemic and the volatility in the energy markets. The decrease in gross margin was partially offset by $9.5 million of COVID-19 related government wage subsidies recorded in the current period.

SG&A expenses decreased by $47.7 million compared to the first nine months of 2019, primarily due to the completed cost control and headcount reduction initiatives that resulted in decreases of $29.9 million in compensation related costs (includes a $14.2. million reduction in incentive-based compensation) and $7.7 million in travel and entertainment expenses. The current period also benefited from the COVID-19 related government wage subsidies of $15.1 million and the absence of non-recurring integration and acquisition costs related to the ZCL business in the current period compared to the $9.4 million incurred in the prior year period. This was partially offset by the current period including an additional quarter of ongoing SG&A expenses of $5.6 million for the ZCL business as it was acquired in April 2019 and increases of $4.9 million of provisions and equipment expenses and $1.7 million of professional fees.

Adjusted EBITDA was $28.3 million in the nine month period ended September 30, 2020 compared to $106.9 million in the nine month period ended September 30, 2019. See *Section 10.0 - Reconciliation of Non-GAAP Measures* for additional disclosures regarding Adjusted EBITDA.

Income from Investments in Associates

The following table sets forth the income from investments in associates for the following periods:

	Three Months Ended		**Nine Months Ended**	
(in thousands of Canadian dollars)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Income from investments in associates	**$ 8,083**	$ 234	**$ 8,175**	$ 8,976

The Company has equity-accounted investments in Zedi Inc. ("Zedi") and Power-Feed-Thru Systems and Connectors, LLC ("PFT"). In the third quarter of 2020, the Company recorded a gain of $8.2 million in the investment in Zedi based on a current valuation of the investment. During the second quarter of 2019, Zedi disposed of its software and automation businesses which represented a substantial part of its operations and as a result, the Company received $29.2 million of proceeds and recorded a gain of $9.7 million.

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		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Interest income	**$ (15)**	$ (114)	**$ (228)**	$ (1,466)
Interest expense on long-term debt	**4,551**	5,125	**12,457**	11,866
Interest expense, other	**1,197**	656	**2,943**	2,647
Interest expense on Right of Use ("ROU") assets	**940**	861	**2,896**	2,421
Finance costs, net	**$ 6,673**	$ 6,528	**$ 18,068**	$ 15,468

Third Quarter 2020 versus Third Quarter 2019

In the third quarter of 2020, net finance costs were $6.7 million, compared to net finance costs of $6.5 million during the third quarter of 2019. While interest expense on long term debt was lower by $0.6 million due to the decrease in the average borrowing rate, total finance costs for the quarter were slightly up due to lower interest income of $0.1 million and an increase of $0.5 million in other financing expenses.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

For the nine months ended September 30, 2020, net finance costs were $18.1 million, compared to $15.5 million in the comparable period in the prior year. The increase in net finance costs was primarily due to a $0.6 million increase in interest expense on long term debt, primarily due to the increase in indebtedness arising from the acquisition of ZCL in April 2019, a $0.5 million increase in interest expense on ROU assets and a reduction of $1.2 million in interest income.

Income Taxes

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

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Income tax expense (recovery)	**$ 136**	$ 3,562	**$ 1,963**	$ (15,792)

Third Quarter 2020 versus Third Quarter 2019

The Company recorded an income tax expense of $0.1 million (0.7% of loss before income taxes) in the third quarter of 2020, compared to an income tax expense of 3.6 million (35% of income before income taxes) in the third quarter of 2019. The effective tax rate in third quarter of 2020 was lower than the Company's statutory income tax rate of 26% primarily due to losses generated in the quarter where the Company is unable to record a tax benefit, and the mix of jurisdictions where the income was earned.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

The Company recorded an income tax expense of $2.0 million (0.7% of loss before income taxes) in the nine months of 2020, compared to an income tax recovery of $15.8 million (48% of income before income taxes) in the nine months of 2019. The effective tax rate in the nine months of 2020 was lower than the Company's statutory income tax rate of 26% primarily due to the impact of income taxes on the impairment charge recorded in the first nine months of 2020, losses generated in the period where the Company is unable to record a tax benefit, and the mix of jurisdictions where the income was earned.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

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

(in thousands of Canadian dollars, except percentages)	**Three Months Ended**		**Nine Months Ended**	
	September 30, 2020	September 30, 2019[(a)]	**September 30, 2020**	September 30, 2019[(a)]
North America	**$ 67,405**	$ 124,090	**$ 236,806**	$ 384,498
Latin America	**2,229**	32,846	**28,506**	85,600
EMAR	**51,058**	50,288	**153,732**	183,257
Asia Pacific	**14,942**	3,421	**53,382**	22,151
Total revenue	**$ 135,634**	$ 210,645	**$ 472,426**	$ 675,506
Operating (Loss) Income[(b)]	**$ (36,647)**	$ (9,292)	**$ (276,297)**	$ 9,537
Operating margin[(c)]	**(27.0%)**	(4.4%)	**(58.5%)**	1.4%
Adjusted EBITDA[(c)]	**$ (11,885)**	$ 6,826	**$ (22,958)**	$ 24,516
Adjusted EBITDA margin[(c)]	**(8.8%)**	3.2%	**(4.9%)**	3.6%

(a) Restated to conform with current period presentation of segments.
(b) Operating loss in the nine months ended September 30, 2020 includes $18.0 million restructuring costs and $196.9 million of impairment charges.
(c) Operating margin, Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. See *Section 10.0 – Reconciliation of Non-GAAP Measures* for further details and a reconciliation of these Non-GAAP measures.

Third Quarter 2020 versus Third Quarter 2019

Revenue in the third quarter of 2020 was $135.6 million, a decrease of $75.0 million, or 36%, from $210.6 million in the comparable period of 2019. This was primarily due to lower revenues in North America and Latin America, partially offset by higher revenue in EMAR and Asia Pacific:

- North America revenue decreased by $56.7 million, or 46%, primarily as a result of lower activity levels for small and large diameter pipe coating and girth weld inspection services in the region, partially offset by higher revenue from engineering services.

- Revenue in Latin America decreased by $30.6 million, or 93%, primarily due to lower revenue from the Liza II and other pipe coating project activity in Mexico compared to the prior year quarter.

- In EMAR, revenue increased by $0.7 million, or 2%, primarily due to higher pipe coating project activity at the Leith, Scotland facility and Orkanger, Norway facility. This was partially offset by lower activity levels at Ras Al Khaimah, UAE ("RAK") facilities, Italy facilities and lower revenue from field joint coating projects in the region.

- Revenue in Asia Pacific increased by $11.5 million, or 337%, mainly due to higher pipe coating project activities at the Kabil, Indonesia facility and the Kuantan, Malaysia facility.

In the third quarter of 2020, the Operating Loss was $36.6 million, as compared to an Operating Loss of $9.3 million in the third quarter of 2019. The decline reflects a $31.7 million decrease in gross profit, $10.0 million of restructuring costs and a $3.6 million impairment. This is partially offset by a decrease of $13.0 million in SG&A, as explained in *Section 4.1* above, a decrease in depreciation and amortization of $3.0 million, and a gain on sale of land of $1.2 million.

The current quarter benefited from COVID-19 related government wage subsidies recorded of $5.4 million, of which $3.6 million was recorded in cost of goods sold and $1.8 million was recorded in SG&A expenses.

The decrease in the gross profit was primarily due to the lower revenue, as explained above, and an 8.0 percentage point decrease in gross margin. The decrease in the gross margin percentage was primarily due to product and project mix, lower utilization in North America and Latin America facilities and the related impact on the absorption of manufacturing overheads. The decrease in gross profit was partially offset by COVID-19 related government subsidies recorded in the third quarter.

Adjusted EBITDA in the third quarter of 2020 was negative $11.9 million compared to positive $6.8 million in the third quarter of 2019. See *Section 10.0 - Reconciliation of Non-GAAP Measures* for additional disclosures regarding Adjusted EBITDA.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

Revenue in the nine months of 2020 was $472.4 million, a decrease of 203.1 million, or 30%, from $675.5 million in the comparable period of 2019. This was primarily due to lower revenues in North America, Latin America and EMAR, partially offset by higher revenue in Asia Pacific:

- North America revenue decreased by $147.7 million, or 38%, primarily as a result of lower activity levels for small and large diameter pipe coating and girth weld inspection services in the region, partially offset by higher revenue from engineering services. Revenue for the first nine months of 2020 was also negatively impacted by the delay of revenue in the first quarter caused by the execution of work to address the fourth quarter 2019 service quality event at the Channelview, Texas facility.

- Revenue in Latin America decreased by $57.1 million, or 67%, primarily due to lower activity levels in Brazil and Argentina and Mexico compared to the nine month period of the prior year.

- In EMAR, revenue decreased by $29.5 million, or 16%, primarily due to lower revenue levels at the Italy and UK facilities, partially offset by higher pipe coating project activity levels at the Leith, Scotland, Orkanger, Norway and RAK facilities and higher revenue from field joint coating projects in the region.

- Revenue in Asia Pacific increased by $31.2 million, or 141%, mainly due to higher pipe coating project activity at the Kabil, Indonesia facility, partially offset by lower revenue from the Kuantan, Malaysia facility.

In the first nine months of 2020, Operating Loss was $276.3 million compared to Operating Income of $9.5 million in the comparable prior year period. The decrease reflects the negative impact of the $196.9 million impairment charge recorded, $18.0 million of restructuring costs and a $70.0 million decrease in gross profit, and were partially offset by a decrease of $23.2 million in SG&A expenses, as explained in *Section 4.1* above, and a decrease in depreciation and amortization of $7.1 million. The first nine months of 2020 included a gain on sale of land of $1.2 million compared to a gain on sale of land of $32.6 million in the nine months of 2019.

The nine months results benefited from COVID-19 related government wage subsidies recorded of $7.5 million, of which $3.6 million was recorded in cost of goods sold and $3.9 million was recorded in SG&A expenses.

The decrease in the gross profit was primarily due to the lower revenue, as explained above, and a 3.3 percentage point decrease in gross margin. The decrease in the gross margin percentage was primarily due to product and project mix, lower utilization in North America and Latin America facilities and the related impact on the absorption of manufacturing overheads. The decreases in gross profit was partially offset by the COVID-19 related government wage subsidies recorded in the period.

Adjusted EBITDA in the nine months of 2020 was negative $23.0 million compared to positive $24.5 million in the nine months of 2019. See *Section 10.0 - Reconciliation of Non-GAAP Measures* for additional disclosures regarding Adjusted EBITDA.

4.2.2 Composite Systems Segment

The following table sets forth, by geographic location, the revenue, Operating (Loss) Income and Adjusted EBITDA for the Composite Systems segment for the following periods:

(in thousands of Canadian dollars, except percentages)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019[a]	**September 30, 2020**	September 30, 2019[a]
North America	**$ 83,220**	$ 126,574	**$ 237,049**	$ 309,541
Latin America	**489**	1,376	**2,326**	4,678
EMAR	**298**	1,781	**1,069**	2,939
Asia Pacific	**(35)**	265	**28**	1,551
Total revenue	**$ 83,972**	$ 129,996	**$ 240,472**	$ 318,709
Operating Income[b]	**$ 13,058**	$ 21,067	**$ 733**	$ 40,359
Operating margin[c]	**15.6%**	16.2%	**0.3%**	12.7%
Adjusted EBITDA[c]	**$ 21,596**	$ 27,230	**$ 39,718**	$ 67,534
Adjusted EBITDA margin[c]	**25.7%**	20.9%	**16.5%**	21.2%

(a) Restated to conform with current period presentation of segments.
(b) Operating Income in the nine months ended September 30, 2020 includes $4.2 million of restructuring costs and $9.8 million of impairment charges.
(c) Operating margin, Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. See *Section 10.0 – Reconciliation of Non-GAAP Measures* for further details and a reconciliation of these Non-GAAP measures.

Third Quarter 2020 versus Third Quarter 2019

Revenue in the third quarter of 2020 decreased by $46.0 million, or 35%, compared to the third quarter of 2019, primarily due to the negative impact of global COVID-19 pandemic and the volatility in the energy markets. North America revenue decreased by $43.4 million, or 34%, primarily due to lower demand for composite pipe products which resulted from the continued capital discipline focus of exploration and production operators and low oil and gas prices. In addition, tubular management service activity levels in Western Canada remain depressed. This was partially offset by higher revenues in the composite tank business as demand in the retail fuel market remains strong.

Operating Income in the third quarter of 2020 was $13.1 million compared to an Operating Income of $21.1 million in the third quarter of 2019. The decrease reflects a $7.3 million decrease in gross profit, the negative impact of the $0.4 million restructuring costs and is partially offset by a decrease of $5.0 million in SG&A expenses, as explained in *Section 4.1* above.

The current quarter benefited from COVID-19 related government wage subsidies recorded of $7.7 million, of which $4.3 million was recorded in cost of goods sold and $3.4 million was recorded in SG&A expenses.

The decrease in gross profit was primarily due to the decrease in revenue, as explained above, offset by an 8.5 percentage point increase in gross margin. The increase in the gross margin points was primarily due to higher utilization in the composite tank facilities driven by process improvements and partially offset by lower utilization in the composite pipe facility. The third quarter of 2019 also included a one time inventory revaluation adjustment of $3.6 million related to the acquisition of the composite tank business. In addition, the decreases in gross profit was partially offset by the COVID-19 related government wage subsidies recorded in the third quarter.

Adjusted EBITDA in the third quarter of 2020 was $21.6 million compared to $27.2 million in the third quarter of 2019. See *Section 10.0 - Reconciliation of Non-GAAP Measures* for additional disclosures regarding Adjusted EBITDA.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

Revenue in the nine months of 2020 decreased by $78.2 million, or 25%, compared to the nine months of 2019, primarily due to the negative impact of the ongoing global COVID-19 pandemic and the volatility in the energy markets. North America revenue decreased by $72.5 million, or 23%, primarily due to lower demand level in composite pipe products, attributed to the continued capital discipline focus of exploration and production operators and low oil and gas prices. In addition, tubular management service activity levels were lower in Western Canada. These decreases were partially offset by the increased revenue in the composite tank business from continued strong demand in the retail fuel market. In addition, the current year-to-date period includes an additional quarter of revenues from the ZCL business which was acquired in April 2019.

Operating Income in the nine months of 2020 was $0.7 million compared to Operating Income of $40.4 million in the first nine months of 2019. The operating results for the current period include an additional quarter of operating income from the composite tank business as the ZCL business was acquired in April 2019. The decrease reflects the negative impact of the $4.2 million restructuring costs, the $9.8 million impairment charge recorded in the first quarter of this year, a $24.5 million decrease in gross profit and an increase of $3.1 million in depreciation and amortization, partially offset by a decrease of $6.3 million in SG&A expenses, as explained in *Section 4.1* above.

The nine months results benefited from COVID-19 related government wage subsidies recorded of $10.5 million, of which $4.3 million was recorded in cost of goods sold and $6.2 million was recorded in SG&A expenses.

The decrease in gross profit was primarily due to the decrease in revenue, as explained above. The decrease in the gross margin was primarily due to lower utilization in the composite pipe facility and the related impact on the absorption of manufacturing overheads partially offset by higher margins in the composite tank business due to higher plant utilization and process improvements. In addition, the decreases in gross profit was partially offset by the COVID-19 related government wage subsidies recorded in the period.

The decrease in SG&A expenses reflects reduced costs as result of restructuring initiatives completed, the absence of non-recurring integration and acquisition costs related to the ZCL business in the current period compared to the $3.8 million incurred in the prior year period and $6.2 million of COVID-19 related government wage subsidies recorded in the period. This was partially offset by the current period including an additional quarter of ongoing SG&A expenses of $5.6 million for the ZCL business which was acquired in April 2019.

Adjusted EBITDA in the nine months of 2020 was $39.7 million compared to $67.5 million in the nine months of 2019. See *Section 10.0 - Reconciliation of Non-GAAP Measures* for additional disclosures regarding Adjusted EBITDA.

4.2.3 Automotive and Industrial Segment

The following table sets forth, by geographic location, the revenue, Operating Income and operating margin for the Automotive and Industrial segment for the following periods:

(in thousands of Canadian dollars, except percentages)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
North America	**$ 29,457**	$ 33,332	**$ 89,396**	$ 96,853
EMAR	**16,416**	17,752	**44,548**	58,407
Asia Pacific	**3,397**	2,725	**8,339**	7,650
Total revenue	**$ 49,270**	$ 53,809	**$ 142,283**	$ 162,910
Operating Income[(a)]	**$ 6,043**	$ 8,593	**$ 13,516**	$ 26,414
Operating margin[(b)]	**12.3%**	16.0%	**9.5%**	16.2%
Adjusted EBITDA[(b)]	**$ 9,244**	$ 9,708	**$ 23,253**	$ 29,754
Adjusted EBITDA margin[(a)]	**18.8%**	18.0%	**16.3%**	18.3%

(a) Operating Income in the nine months ended September 30, 2020 includes $6.3 million of restructuring costs.
(b) Operating margin, Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. See *Section 10.0 – Reconciliation of Non-GAAP Measures* for further details and a reconciliation of these Non-GAAP measures.

Third Quarter 2020 versus Third Quarter 2019

Revenue in the third quarter of 2020 decreased by $4.5 million, or 8.4%, compared to the third quarter of 2019, due to lower demand for heat shrink tubing products in the automotive sector in North America and EMAR, slightly offset by higher revenue in Asia Pacific. The decline in the automotive sector reflects that a majority of global automotive OEM assembly plants temporarily halted production and suspended operations late in the first quarter as a result of COVID-19 and have yet to return to full capacity as of the third quarter of 2020.

Operating Income in the third quarter of 2020 was $6.0 million compared to an Operating Income of $8.6 million in the third quarter of 2019. The decrease in Operating Income was primarily due to the negative impact of $2.0 million in restructuring costs and a decrease in gross profit of $1.3 million.

The current quarter benefited from COVID-19 related government wage subsidies recorded of $2.4 million, of which $1.6 million was recorded in cost of goods sold and $0.8 million was recorded in SG&A expenses.

The decrease in gross profit was primarily due to the decrease in revenue, as explained above and lower utilization in the manufacturing plants, which was partially offset by COVID-19 related government wage subsidies recorded in the current quarter.

Adjusted EBITDA in the third quarter of 2020 was $9.2 million compared to $9.7 million in the third quarter of 2019. See *Section 10.0 - Reconciliation of Non-GAAP Measures* for additional disclosures regarding Adjusted EBITDA.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

Revenue in the nine months of 2020 decreased by $20.6 million, or 13%, compared to the nine months of 2019, due to lower demand for heat shrink tubing products in the automotive sector in North America and EMAR, slightly offset by higher revenue in Asia Pacific. The decline in the automotive sector reflects that a majority of global automotive OEM assembly plants temporarily halted production and suspended operations late in the first quarter as a result of COVID-19,continued for much of the second quarter, and have yet to come back to full capacity as of the third quarter.

Operating Income in the nine months of 2020 was $13.5 million, lower compared to $26.4 million in the nine months of 2019. The decrease in Operating Income was primarily due to the negative impact of $6.3 million in restructuring costs and a decrease in gross profit of $8.4 million, partially offset by a decrease of $1.8 million in SG&A expenses.

The nine months results benefited from COVID-19 related government wage subsidies recorded of $3.2 million, of which $1.6 million was recorded in cost of goods sold and $1.6 million was recorded in SG&A expenses.

The decrease in gross profit was primarily due to the decrease in revenue, as explained above, and a 1.8 percentage point decrease in gross margin. The decrease in gross margin was primarily due to product mix, lower plant utilization and the related impact on the absorption of manufacturing overheads. The decrease in gross profit was partially offset by the COVID-19 related government wage subsidies recorded in the period.

Adjusted EBITDA in the nine months of 2020 was $23.3 million compared to $29.8 million in the nine months of 2019. See *Section 10.0 - Reconciliation of Non-GAAP Measures* for additional disclosures regarding Adjusted EBITDA.

4.2.4 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 for the following periods:

	Three Months Ended		Nine Months Ended	
(in thousands of Canadian dollars)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Financial and corporate expenses	**$ (1,743)**	$ (3,251)	**$ (15,224)**	$ (22,183)

Third Quarter 2020 versus Third Quarter 2019

The third quarter of 2020 reflected financial and corporate loss of $1.7 million compared to an operating loss of $3.3 million in the same period of 2019. The third quarter of 2020 included $1.5 million of COVID-19 related governmental wage subsidies and reflected a decrease of $1.7 million in incentive-based compensation costs when compared to the same period in 2019. This was partially offset by decrease of $2.2 million in foreign exchange gain.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

Financial and corporate costs in the nine months of 2020 were $15.2 million compared to $22.2 million in the nine months of 2019. The decrease was primarily due to the decrease of $11.3 million in incentive-based compensation, and $3.4 million of COVID-19 related government wage subsidies recorded in the period, partially offset by a $7.6 million increase in foreign exchange loss. The period also reflects an absence of non-recurring acquisition costs related to the ZCL business in the current period compared to the $5.0 million incurred in the prior year period.

5.0 Liquidity and Capitalization

As at September 30, 2020, the Company had cash and cash equivalents totalling $106.8 million (December 31, 2019 – $98.2 million) and had unutilized lines of credit available to use of $275.2 million (December 31, 2019 – $275.6 million).

The effects of the COVID-19 pandemic and the rapid decline in oil prices has adversely impacted demand for the Company's products and services and its operating results, financial position and access to sources of liquidity. With the uncertainty about the extent and depth of the market contraction and its impact on financial results, the Company turned its focus in the second quarter on the reduction of costs and cash preservation to protect its balance sheet. As communicated in April 2020, the Company targeted $60 million in sustainable annualized SG&A savings and $40 million in incremental cash generation. The Company has made significant progress to date on these targets by reducing CEO, executive and Board compensation, reducing the salaried workforce levels by over 19%, optimizing its footprint with the closure of four North American pipe coating facilities, announced plans to close a pipe coating facility in South East Asia and several girth well inspection branch offices and making significant cuts to other operating costs and capital budgets. As a result of these efforts the Company is on track to meet its goal of a quarterly normalized SG&A run rate of $70 million. During the first nine months of 2020, the Company has also delivered positive cash flow of $47.3 million from reduced working capital, excluding the impact of increased restructuring liabilities, and $16.5 million from proceeds of asset sales. Based on these actions completed and planned, its diversified business and current backlog, the Company expects to generate sufficient cash flows to fund its operations, working capital requirements and capital program.

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands of Canadian dollars)	**2020**	2019	**2020**	2019
Net (loss) income	**$ (18,405)**	$ 6,757	**$ (290,373)**	$ 48,728
Non-cash items	**15,756**	22,681	**264,432**	21,601
Other	**1,178**	(2,455)	**(3,465)**	(6,201)
Net change in non-cash working capital and foreign exchange	**8,781**	(18,838)	**63,434**	(58,980)
Cash provided by operating activities	**7,310**	8,145	**34,028**	5,148
Cash provided by (used in) investing activities	**2,737**	(2,310)	**973**	(245,000)
Cash (used in) provided by financing activities	**(6,592)**	(44,760)	**(29,158)**	108,203
Effect of foreign exchange on cash and cash equivalents	**(346)**	(1,219)	**2,769**	(3,349)
Net Change in Cash and Cash Equivalents	**3,109**	(40,144)	**8,612**	(134,998)
Cash and cash equivalents at beginning of period	**103,721**	122,410	**98,218**	217,264
Cash and Cash Equivalents at End of Period	**$ 106,830**	$ 82,266	**$ 106,830**	$ 82,266

5.1 Cash Provided By Operating Activities

Third Quarter 2020 versus Third Quarter 2019

Cash provided by operating activities was $7.3 million in the third quarter of 2020, a decrease of $0.8 million compared to the $8.1 million cash provided by operating activities in the third quarter of 2019. This was mainly due to a decrease of $25.2 in net income and a net decrease of $6.9 million in non-cash items. This was partially offset by a net increase of $27.6 million in non-cash working capital and foreign exchange.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

Cash provided by operating activities was $34.0 million in the nine month period ended September 30, 2020, an increase of $28.9 million compared to the $5.1 million cash provided by operating activities in the nine month period ended September 30, 2019. This was primarily due to a $242.8 million increase in non-cash items (which included $206.7 million in impairment charges recorded in the period) and a net increase of $122.4 million in non-cash working capital and foreign exchange, partially offset by a $339.1 million decrease in net income (which included $206.7 million in impairment charges recorded in the period).

5.2 Cash Provided by/Used in Investing Activities

Third Quarter 2020 versus Third Quarter 2019

Cash provided by investing activities was $2.7 million in the third quarter of 2020 compared to the $2.3 million cash used in the third quarter of 2019. Proceeds on the disposal of property plant and equipment were $5.8 million in the third quarter of 2020 and represented a reduction of $1.2 million from the prior year. The proceeds were partially offset by $3.3 million in purchases of property plant and equipment which represented a $6.7 million reduction from the same period in the prior year.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

Cash provided by investing activities for the nine month period ended September 30, 2020 was $1.0 million and represents a change of $246 million from the $245 million used in the same period of the prior year. This change was primarily due to a $291.5 million business acquisition net of cash acquired arising from the ZCL acquisition in the second quarter of 2019 and a $17.7 million reduction in the purchase of property, plant and equipment. This was partially offset by a $40.0 million decrease in proceeds on disposal of property, plant, and equipment, a $20.3 million decrease in investment in associates and a $2.0 million increase in short-term investments.

5.3 Cash Used in/Provided by Financing Activities

Third *Quarter 2020 versus Third Quarter 2019*

Cash used in financing activities was $6.6 million in the third quarter of 2020 and was a $38.2 million reduction from the $44.8 million used in the same period of the prior year. This was primarily due to the $29.0 million repayment in long-term debt in the third quarter of 2019, and the suspension of the Company's quarterly dividend of $10.5 million, implemented beginning with the second quarter of 2020.

Nine Months ended September 30, 2020 versus Nine Months ended September 30, 2019

The change in cash provided by financing activities was $137.4 million. In the nine months ended September 30, 2019 the cash provided from financing activities was $108.2 million compared to $29.2 million cash used in financing activities in the nine period ended September 30, 2020. This change was primarily due to the $287.0 million net increase in bank indebtedness and long-term debt to finance the ZCL acquisition in the third quarter of 2019 offset by a $99.3 million repayment of long-term debt in the first quarter of 2019. In the nine months ended September 30, 2020, the impact of the suspension of the quarterly dividends of $21.0 million ($10.5 million per quarter) implemented beginning with the second quarter of 2020, coupled with a $1.8 million increase in lease liabilities was offset by $1.7 million payment of deferred financing cost.

5.4 Liquidity and Capital Resource Measures

Accounts Receivables

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

(in thousands of Canadian dollars, except DSO)		**September 30, 2020**		December 31, 2019		Change
Average trade accounts receivable	**$**	**183,678**	$	228,461	$	(44,783)
DSO[(a)]		**62**		62		0

(a) DSO is a non-GAAP measure. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. See *Section 10.0 – Reconciliation of Non GAAP Measures* for further details and a reconciliation of these Non-GAAP measures.

Average trade accounts receivable decreased by $44.8 million, from $228.5 million as at December 31, 2019, to $183.7 million as at September 30, 2020, primarily due to decreased revenue in the third quarter of 2020 compared to the fourth quarter of 2019. DSO remained consistent compared to the fourth quarter of 2019.

Inventory

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

(in thousands of Canadian dollars)		**September 30, 2020**		December 31, 2019		Change
Inventories	**$**	**171,687**	$	160,792	$	10,895

Inventories increased by $10.9 million, or 6.8 %, as at September 30, 2020 compared to December 31, 2019. This increase is primarily due to a $19.7 million increase in raw materials and supplies, offset by a $4.9 million decrease in finished goods and a $3.5 million increase in inventory obsolescence.

Accounts Payable

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

(in thousands of Canadian dollars, except DPO)		**September 30, 2020**		December 31, 2019		Change
Average accounts payable and accrued liabilities	**$**	**179,856**	$	199,355	$	(19,499)
DPO[(a)]		**84**		76		8

(a) DPO is a non-GAAP measure. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. See *Section 10.0 – Reconciliation of Non GAAP Measures* for further details and a reconciliation of these Non-GAAP measures.

Average accounts payable and accrued liabilities decreased by $19.5 million, or 9.8%, as at September 30, 2020 compared to December 31, 2019. DPO increased by 8 days from 2019 levels, due to the timing of purchases and payments in the third quarter of 2020 compared with the fourth quarter of 2019.

5.5 Long-term Debt and Credit Facilities

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

(in thousands of Canadian dollars)		**September 30, 2020**		December 31, 2019
Borrowings on credit facility	**$**	**438,000**	$	438,000
Deferred transaction costs		**(3,434)**		(2,538)
Total long-term debt		**434,566**		435,462
Standard letters of credit for financial guarantees, performance and bid bonds		**47,408**		36,940
Total utilized credit facilities	**$**	**481,974**	$	472,402
Total available credit facilities[(a)]		**757,175**		747,976
Unutilized Credit Facilities	**$**	**275,201**	$	275,574

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

On March 13, 2019, the Company renewed its syndicated credit facility (the "Credit Facility") for a period of four years, with the maximum borrowing limit of US$500 million, an increase of US$183 million over the previous Credit Facility's borrowing limit. The increase in the Credit Facility was intended, in part, to fund the acquisition of ZCL. The Company pays a floating interest rate on this Credit Facility that is a function of the Company's Net Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), and before foreign exchange gains or losses and non-recurring and one-time items. Prior to the amendments to the Credit Facility referred to below, the Company was required to maintain an Interest Coverage Ratio of not less than 3.00:1.00 and a Net Debt to Adjusted EBITDA covenant (the "Leverage Ratio") of not greater than 3.50:1.00. For calculating the Leverage

Ratio, Net Debt excludes the first $100 million of performance and bid bond letters of credit and all standard letters of credit that are guaranteed by Export Development Canada ("EDC").

Amendments to the Credit Facility

On February 27, 2020, the Company entered into an amending agreement with its existing syndicate of lenders under the Credit Facility. The principal amendment to the Credit Facility was an increase in the Company's permitted Leverage Ratio (previously a maximum of 3.50x) to 4.25x for the twelve months trailing ending March 31, 2020 and June 30, 2020, and 4.00x for the twelve months trailing ending September 30, 2020. The Company incurred fees and expenses to implement these amendments of approximately $1 million in the first quarter of 2020.

On July 29, 2020, the Company entered into a further amending agreement with its existing syndicate of lenders under the Credit Facility. The principal amendments to the Credit Facility are:

- a removal of the requirement for a maximum Leverage Ratio for the fiscal quarter ended September 30, 2020 ("Q3 2020") and change in the maximum Leverage Ratio to:
    - 5.75 to 1.00 for the fiscal quarter ended December 31, 2020 ("Q4 2020")
    - 6.50 to 1.00 for the fiscal quarter ended March 31, 2021 ("Q1 2021")
    - 5.75 to 1.00 for the fiscal quarter ended June 30, 2021 ("Q2 2021")
    - 5.50 to 1.00 for the fiscal quarter ended September 30, 2021 ("Q3 2021")
    - 5.00 to 1.00 for the fiscal quarter ended December 31, 2021 ("Q4 2021")
    - 3.50 to 1.00 for all fiscal quarters thereafter;

- a removal of the requirement for a minimum Interest Coverage Ratio for Q3 2020 and a change in the minimum Interest Coverage Ratio to:
    - 2.25 to 1.00 for Q4 2020
    - 2.00 to 1.00 for Q1 2021
    - 2.25 to 1.00 for Q2 2021
    - 2.50 to 1.00 for Q3 2021
    - 2.75 to 1.00 for Q4 2021
    - 3.00 to 1.00 for all fiscal quarters thereafter;

- for the purposes of the amended Leverage Ratio and Interest Coverage Ratio, EBITDA shall be calculated as follows:
    - For Q4 2020: (Q4 2020 EBITDA) x 4
    - For Q1 2021: (Q4 2020 EBITDA + Q1 2021 EBITDA) x 2
    - For Q2 2021: (Q4 2020 EBITDA + Q1 2021 EBITDA + Q2 2021 EBITDA) x 4/3
    - Thereafter, on a trailing 12 month basis;

- until receipt by the banking syndicate of reporting for the fiscal year ended December 31, 2020, the addition of a minimum monthly liquidity test, calculated as aggregate unrestricted cash held in lender's accounts plus undrawn availability under the Credit Facility, of $290 million;

- a requirement to provide a first priority security interest in favour of the banking syndicate against the majority of the personal property of the Borrowers and Guarantors under the Credit Facility; and

- increased interest rates and standby and other fees.

The Company has incurred fees and expenses of $0.8 million to date to implement these amendments and expects to incur another $0.8 million in the fourth quarter of 2020.

The Company was in full compliance with financial covenants as at September 30, 2020 and expects to remain in full compliance with the financial covenants under the Credit Facility despite the ongoing adverse conditions caused by the COVID-19 global pandemic and the volatility in the oil and gas industry.

5.6 Commitments, Leases, Contingencies and Off-Balance Sheet Arrangements

(in thousands of Canadian dollars)	2020	2021	2022	2023	2024	Thereafter	Total
	$	$	$	$	$	$	$
Purchase commitments	75,810	5,534	–	–	–	–	81,344
Accounts payable	78,684	–	–	–	–	–	78,684
Long-term debt	–	–	–	434,566	–	–	434,566
Obligations under leases	9,776	21,708	16,767	12,919	8,733	18,638	88,541
Common area maintenance obligations under leases	584	2,138	1,839	1,361	901	3,617	10,440
Low value/short term leases	518	1,331	1,259	1,385	1,385	4,434	10,312
Total contractual obligations	**165,372**	**30,711**	**19,865**	**450,231**	**11,019**	**26,689**	**703,887**

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 interim 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 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 utilizes the Credit Facility to support its bonds. The Company has utilized total credit facilities of $47.4 million as at September 30, 2020 (December 31, 2019 – $36.9 million) for support of its bonds. In addition, as at September 30, 2020, the Company had $85.9 million of outstanding surety bonds through insurance companies (December 31, 2019 – $50.8 million).

5.7 Financial Instruments and Other Instruments

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of the Company's management. Material risks are monitored and are regularly reported to the Board of Directors. More information regarding the financial instruments and the related financial risk factors can be found in the audited Consolidated Financial Statements and

MD&A for the year ended December 31, 2019. There has been no material changes in respect of the Company's financial instruments and the related financial risk factors from that disclosed in the Company's MD&A for the year ended December 31, 2019.

5.8 Outstanding Share Capital

As at November 10, 2020, the Company had 70,420,037 common shares outstanding and stock options and share units outstanding to purchase up to 2,291,216 common shares.

5.9 Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three-month period ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

5.10 Transactions with Related Parties

The Company had no material transactions with related parties the first nine months of 2020. All related party transactions were in the normal course of business.

6.0 Critical Accounting Judgements, Estimates and Accounting Policy Developments

The preparation of the interim unaudited consolidated financial statements in conformity with IFRS requires management to make critical judgments when applying accounting policies. Management is also responsible for making 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. The information presented in the section "Critical Accounting Judgements, Estimates and Accounting Policy Developments" in the Company's Annual MD&A contained in its 2019 Annual Report has not materially changed since their date of publication, except for the following:

The COVID-19 Pandemic

The global COVID-19 pandemic, along with the volatility in the energy markets, has impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The extent and duration of the impact of COVID-19 and depressed oil prices on the economy remains unclear. In the preparation of the interim consolidated financial statements, the Company has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the reporting periods using the best available information as of September 30, 2020. Actual results could differ materially from those estimates. The estimates and assumptions that the Company considers critical and/or could be impacted by COVID-19 include those underlying the assumptions used in impairment of goodwill and intangibles, the Company's going concern assessment and the estimate of any expected credit losses on amounts receivable and determining the values of financial instruments for disclosure purposes.

Long-lived Assets and Goodwill

As at September 30, 2020, the Company had $922.3 million of long-lived assets and goodwill. The Company evaluates the carrying values of the CGUs' goodwill on an annual basis in the fourth quarter of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions and estimates.

In the first quarter of 2020, due to the uncertain business climate brought about by COVID-19 and the volatility in the energy markets, the Company experienced measurement uncertainty and exercised significant judgements and estimates in conducting a review of its impairment testing on property, plant and equipment, intangible assets and goodwill as at March 31, 2020. As a result of this exercise, the Company's estimated future operating cash flows were impacted, and the Company determined certain impairment triggers had occurred. The Company recorded an impairment loss of $46.0 million on intangible assets for Shawcor Inspection Services, $3.6 million on assets at two U.S. land pipe coating facilities and $143.6 million on goodwill for its Pipeline Performance Group CGU, and $9.8 million on assets associated with a large diameter product line in Composite Production Systems in the first quarter of 2020. Additionally, the Company recorded an additional impairment of $3.6 million in the third quarter of 2020 on assets at a pipe coating facility in Asia Pacific related to the recently announced closure plans.

6.3 New Accounting Standards Adopted

Government Grants and Subsidies

The Company applied IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* in relation to the receipt of the Canada Emergency Wage Subsidy ("CEWS") and other programs as part of the governmental responses to the global COVID-19 health pandemic. Government assistance is recognized only when there is reasonable assurance that (a) the Company will comply with eligibility requirements and (b) the grant will be received. In the third quarter of 2020, the Company recognized and recorded $9.5 million as a reduction of Cost of Goods Sold and $7.5 million as a reduction in Selling, General and Administrative in the Interim Consolidated Statements of (Loss) Income. In the nine months of 2020, the Company recognized and recorded $9.5 million as a reduction of Cost of Goods Sold and $15.1 million as a reduction in Selling, General and Administrative in the Interim Consolidated Statements of (Loss) Income.

7.0 Order Backlog & Outlook

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 as a leading indicator of changes in consolidated revenue. The order backlog of $542 million as at September 30, 2020, represents a slight decrease over the $553 million order backlog as June 30, 2020. This decrease reflects revenue generated in the quarter from backlog orders and the impact of a lower Canadian to U.S. dollar exchange rate.

In addition to the backlog, the Company closely monitors its bidding activity and the value of outstanding firm bids, which represents bids provided to customers with firm pricing and conditions against a defined scope, is over $870 million as of September 30, 2020, higher compared to $790 million from last quarter largely due to the addition of a bid for a gas project in Qatar offset by the Payara project moving into backlog. Included in the firm bid, but not in the backlog, are unsanctioned conditional awards between engineering and procurement companies ("EPC's") and Shawcor for a scope of work that is estimated at over $120 million in revenue to be executed beyond the third quarter of 2020. The Company is also working with customers on several other projects and the value of budgetary estimates at the end of the third quarter was over $2.5 billion. Although the timing of these projects is uncertain, the Company's bid and budgetary figures represent a diverse portfolio of opportunities to sustain and build the backlog.

Outlook

The Company's financial performance is correlated with the level of industry activity and the level of investment in energy and infrastructure for resource development, storage and transportation around the globe and the resultant demand for the Company's products and services.

Despite market challenges, the Company expects results to improve in the fourth quarter and into 2021 based on increased demand in the Composite pipe business, positive recovery signs in automotive and industrial markets, the ramp-up and execution of pipe coating work secured in the backlog and the continued strength in Composite tank demand. Based on these factors and actions taken to reduce costs and streamline operations earlier the year, the Company expects improved financial performance for the remainder of the year and into 2021, with fourth quarter Adjusted EBITDA, net of government assistance, in the $25 to $30 million range.

The long term outlook remains uncertain and difficult to forecast as the pace and magnitude of a broader market recovery will be dependent on the nature and duration of the COVID-19 pandemic and its impact on economic output and overall energy demand. Many exploration and production ("E&P") operators have significantly curtailed production and the industry remains focused on capital discipline to ensure long term sustainability.

The Company's performance will be determined by the strength of its diverse base business and the return of demand for its products and services, particularly in the U.S. and international energy markets. The Company expects results will benefit from actions taken to right size the business, improve profitability and meet its stated targets for annualized cost reduction and cash generation. These actions include reducing expenses and spending, aligning the Company's operational footprint, cost structure and human resources with market demand, supported by the controlled closure of facilities initiated to date, which includes the 5 pipe coating plants and several girth weld inspection branches.

The Company's base oil and gas business in North America is tied to the spending programs and budgets of E&P operators. In the U.S. land market, operators have reduced capital spending budgets to date by up to 50% as a result of the decline in economic activity and oil and gas demand as well as regulatory delays in transmission line projects. The Company expects U.S. land demand to stabilize at current levels and does not anticipate any near-term material improvement in demand for its products and services which are tied to the North American drilling and completion market. In Western Canada, limited off-take capacity in the region caused by the lack of new pipeline infrastructure has resulted in continued depressed spending and the Company does not expect improved market conditions or demand in the medium term.

As the economy and energy demand recovers, the Company continues to expect that the global oil & gas capex cycle will resume and that large international and offshore projects will be sanctioned as NOC's (National Oil Companies) and IOC's (International Oil Companies) realign their portfolios. These investments are required to replace, maintain and rehabilitate infrastructure that is at or beyond its useful design life, replace production due to reservoir depletion, requirements for advanced technologies and non-corrosive materials, or to address geopolitical challenges which are affecting several important producing regions. Additionally, higher investments in gas, specifically LNG and for domestic energy, are being supported by the increased demand for gas and greener alternatives to support continued energy transition.

Further detail on the outlook for the Pipeline and Pipe Services, Composite Systems and Automotive and Industrial segments are set out below.

Pipeline and Pipe Services Segment

Market demand for Company's' Pipeline and Pipe Services segment is driven by capital spending and investments by major EPC's and international and national oil and gas producers. The Company has a track record of providing leading solutions and successful execution on critical international and offshore development projects.

The Company expects to continue to execute work secured in its backlog, including new international and offshore projects expected to be awarded in the fourth quarter, and continues to ramp-up pipe coating facilities in Channelview (Texas), Mexico, Brazil, Scotland, Norway and Indonesia.

The outlook for the pipe coating business is closely tied to project development and sanctioning timelines. The Company continues to engage with EPC's and producers as they review project portfolios and expects certain projects which are yet to be sanctioned to be delayed in the near-term as a result of cost controls and reduced capital spending. Projects with the greatest likelihood of moving ahead are those tied to securing long-term domestic energy supply, projects undertaken as a result of national economic development and those that risk the loss of drilling-rights due to non-development timelines.

The Company continues to monitor international developments including Norway's consideration of time-limited tax relief measures for oil and gas development, momentum in Brazil's pre-salt offshore projects and Middle Eastern offshore designed to meet domestic energy requirements. In addition, the Company is monitoring progress on a previously deferred major East African crude oil project for which budgetary estimates were provided during the quarter.

North American demand for the pipeline and pipe services segment is closely tied to drilling and completion activity, the development of new and the repair/replacement of transmission pipelines and requirements for pipeline integrity and regulatory compliance. These activities drive the demand for small and large diameter pipe coatings and joint protection, girth weld inspection services and engineering design and consulting services.

Although activity in U.S. land has somewhat stabilized in the quarter, operators have moved to restructure, reduce capital spending budgets and in some cases consolidate through acquisition. The Company expects demand to stabilize at these lower levels and gradually improve in the next several quarters as operators return to a minimum base level of investment to maintain current levels of production. Possible COVID-19 resurgence remains a recovery risk and the industry is expected to continue its focus on employee safety and risk mitigation protocols.

The Company will continue its efforts to adjust its pipe coating footprint to match market activity levels and exit certain North American and international locations and/or product lines which are not strategic over the longer term. The continued depression experienced in Western Canada in the first half of the year is expected to continue as off-take capacity remains limited, there is no certainty of new pipeline infrastructure being built and lower commodity prices continue.

Composite Systems Segment

Market demand for the Company's Composite Systems segment businesses are driven by North American drilling and completion activity, demand for international oil and gas gathering line applications, advanced materials in OCTG and underground storage and treatment tanks in retail fuel, water and wastewater and oil and gas. The segment benefits from a lower cost of ownership of composite systems versus steel and other materials, the development of larger diameter pipe applications and its international market qualifications.

The composite pipe business benefited from improved conditions in the third quarter as North American land completion activity and demand for the segment's core products returned to more stable levels. Operators remained disciplined and maintained drill rigs and activity at levels similar to the previous quarter. Rig counts are expected to continue to lag completions for the balance of the year and operators are likely to continue the trend towards industry rationalization and consolidation.

Demand for the segment's core pipe products in North America is expected to remain low compared to historical levels in the near-term, however the Company believes that the lower demand can be partially offset by the continued commercialization of the larger diameter pipe applications, market share gains as operators adopt composite technology for its overall cost profile and environmental advantages, and continued business development work on international energy and infrastructure projects.

Demand for composite storage tanks is delinked from the dynamics of oil and gas markets and is expected to remain strong throughout the balance of 2020. The business continues to focus on the execution of its historically high backlog and benefits from North American infrastructure spending. Fuel market tank demand is expected to remain strong as commercial and convenience store retailers realize the benefits of higher fuel margins and replace early generation single-wall FRP and legacy steel tanks with new double-wall FRP tanks to meet insurance company and banking requirements in some jurisdictions.

The demand for water storage and treatment tanks is expected to be supported by anticipated higher infrastructure spending and through its partnership with third parties to jointly develop complete product solutions for commercial and municipal water projects. The Company expects to deliver on its composite tank order backlog over the balance of the year with a focus on safe operations, productivity improvements and supply chain management.

Automotive and Industrial Segment

Demand for the Company's Automotive and Industrial segment businesses generally follows GDP activity; however, the segment continues to be well positioned to capture the growing trend of electronic content in automobiles with specified sealing, insulating and customized application equipment systems for Tier 1 assembly customers and the expected increased spending on nuclear facility refurbishment.

The global automotive recovery and associated demand is expected to continue over the near-term as OEM assembly plants and Tier 1 suppliers increase capacity levels and re-stock inventories driven by the low interest rate environment, growth in consumer demand as the importance of personal transportation increases as a result of COVID-19 and electrical and hybrid government incentive programs.

Over the long-term, demand for electric and plug-in hybrid passenger vehicles and light trucks is expected to grow and represent more than 50% of global vehicle sales by the early part of the next decade, with Europe and China to be the market leaders in vehicle electrification.

Industrial market demand for heat-shrink products is expected to continue its moderate recovery, while demand for specialty wire and cable products is expected to remain steady with solid demand from electrical utilities and communications providers in eastern North America.

8.0 Risks and Uncertainties

Operating in an international environment, servicing predominantly the oil and gas industry, Shawcor faces a number of business risks and uncertainties that could materially and adversely affect the Company's projections, business, results of operations and financial condition. The information presented in the section "Risks and Uncertainties" in the Company's Annual MD&A contained in its 2019 Annual Report, and in its 2019 Annual Information Form ("AIF") has not materially changed since their date of publication, except for the following:

Effect of Global COVID-19 Pandemic

The Company's operations and financial results have been adversely impacted by the global COVID-19 pandemic and it may be exposed to additional liabilities and risks created by this unprecedented crisis. The COVID-19 pandemic has resulted in unprecedented governmental actions, including mobility restrictions, border closures, shutdown of non-essential business and new health and monitoring guidelines. Oil demand has significantly declined as a result of the COVID-19 pandemic and corresponding preventative measures taken around the world to mitigate the spread of the virus. At the same time, oil prices were adversely impacted from the actions taken by Saudi Arabia and Russia to increase production of oil which created a significant supply surplus. In response to the rapid decline in oil prices, the Company's customers have taken unprecedented steps to reduce their capital programs and scale down their operations.

The global COVID-19 pandemic, and the resulting reduction in oil prices and in customers' capital spending, has directly negatively impacted the Company's business and may have increased the potential negative impact from the risks described in the Company's MD&A and AIF for the year ended December 31, 2019. The duration and impact of the COVID-19 pandemic on the Company is difficult to determine at this time. As such, it is not possible to reliably estimate the COVID-19-related impacts on the financial results and operations of the Company.

The COVID-19 pandemic could materially impact the financial results of the Company and may include, but are not limited to, the following risks:

- Customers may attempt to cancel or delay projects or may attempt to invoke force majeure clauses in certain contracts.
- Customers may seek to delay payments, may default on payment obligations and/or seek bankruptcy protection that could delay or prevent collections of certain accounts receivable.
- Disruption to the Company's domestic and global supply chains, including restrictions on importing and exporting products.
- Temporary or long-term operational disruptions and labour shortages due to decreased productivity resulting from government mandated stay-at-home orders or facility closures.
- Higher costs associated with the rationalization of facilities and workforce.
- The Company's inability to access capital or liquidity at acceptable terms.
- Additional asset impairments as demand for our services and products decreases.

The Company has taken actions to mitigate the effects of COVID-19 on its business operations and continues to focus on the safety and health of its employees, customers and other stakeholders. While the full impact of the COVID-19 pandemic cannot be predicted, the Company expects that its business model and disciplined approach to financial management will allow it to endure through these uncertain times.

9.0 Environmental Matters

As at September 30, 2020, the provisions on the consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $21.2 million (short term obligations represent $4.7 million and long term obligations represent $16.5 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 were $25.7 million as at September 30, 2020. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0% and 13%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company's operations.

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

(in thousands of Canadian dollars)		**September 30, 2020**
2020	$	**3,821**
2021		**5,561**
2022		**134**
2023		**707**
2024		**1,744**
More than five years		**13,723**
	$	**25,690**

10.0 Reconciliation of Non-GAAP Measures

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage its capital structure. These non-GAAP measures do not have standardized meanings under IFRS and are not necessarily comparable to similar measures provided by other companies. The Company discloses these measures because it believes that they provide further information and assist readers in understanding the results of the Company's operations and financial position.

These measures should not be considered in isolation or used in substitution for other measures of performance prepared in accordance with GAAP. The following is a reconciliation of the non-GAAP measures reported by the Company.

EBITDA and Adjusted EBITDA

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA is also a non-GAAP measure defined as EBITDA adjusted for items which do not impact day to day operations. Adjusted EBITDA is calculated by adding back to EBITDA the sum of impairments, costs associated with repayment of long-term debt and credit facilities, gain on sale of land, gain on sale of investment in associates, acquisition costs, restructuring costs and hyperinflationary adjustments. The Company believes that EBITDA and Adjusted EBITDA are useful supplemental measures that provide a meaningful indication of the Company's results from principal business activities prior to the consideration of how these activities are financed or the tax impacts in various jurisdictions and for comparing its operating performance with the performance of other companies that have different financing, capital or tax structures. The Company presents Adjusted EBITDA as a measure of EBITDA that excludes the impact of transactions that are outside the Company's normal course of business or day to day operations. Adjusted EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools to evaluate financial performance and is a key metric in business valuations. It is also considered important by lenders to the Company and is included in the financial covenants of the Company's Credit Facility.

	Three Months Ended		Nine Months Ended	
(in thousands of Canadian dollars)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Net (Loss) Income	**$ (18,405)**	$ 6,757	**$ (290,373)**	$ 48,728
Add:				
Income tax (recovery) expense	**136**	3,562	**1,963**	(15,792)
Finance costs, net	**6,673**	6,528	**18,068**	15,468
Amortization of property, plant, equipment, intangible and ROU assets	**22,343**	24,951	**70,275**	73,562
Cost associated with repayment of long-term debt and credit facilities	**–**	–	**–**	12,308
EBITDA	**$ 10,747**	**$** 41,798	**$ (200,067)**	$ 134,274
ZCL acquisition costs and other related items	**–**	3,674	**–**	16,357
Hyperinflation adjustment for Argentina	**446**	2,310	**1,336**	3,904
Gain on sale of land	**(1,213)**	(5,386)	**(1,213)**	(37,994)
Gain on investment in associate	**(8,249)**	–	**(8,249)**	(9,687)
Impairment	**3,623**	–	**206,707**	–
Restructuring costs	**12,449**	–	**29,749**	–
Adjusted EBITDA	**$ 17,803**	$ 42,396	**$ 28,263**	$ 106,854

Pipeline and Pipe Services Segment

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Operating (Loss) Income	**$ (36,647)**	$ (9,292)	**$ (276,297)**	$ 9,537
Add:				
Amortization of property, plant, equipment, intangible and ROU assets	**12,426**	15,433	**39,814**	46,960
EBITDA	**$ (24,221)**	$ 6,141	**$ (236,483)**	$ 56,497
Hyperinflation adjustment for Argentina	**(80)**	636	**(160)**	522
Gain on sale of land	**(1,213)**	–	**(1,213)**	(32,552)
Gain on investment in associate	**–**	49		49
Impairment	**3,623**	–	**196,879**	–
Restructuring costs	**10,006**	–	**18,019**	–
Adjusted EBITDA	**$ (11,885)**	$ 6,826	**$ (22,958)**	$ 24,516

Composite Systems Segment

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Operating Income	**$ 13,058**	$ 21,067	**$ 733**	$ 40,359
Add:				
Amortization of property, plant, equipment, intangible and ROU assets	**8,128**	7,900	**24,911**	21,796
EBITDA	**$ 21,186**	$ 28,967	**$ 25,644**	$ 62,155
ZCL acquisition costs and other related items	**–**	3,650	**–**	10,822
Gain on sale of land	**–**	(5,387)	**–**	(5,443)
Impairment	**–**	–	**9,828**	–
Restructuring costs	**410**	–	**4,246**	–
Adjusted EBITDA	**$ 21,596**	$ 27,230	**$ 39,718**	$ 67,534

Automotive and Industrial Segment

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Operating Income	**$ 6,043**	$ 8,593	**$ 13,516**	$ 26,414
Add:				
Amortization of property, plant, equipment, intangible and ROU assets	**1,174**	1,115	**3,482**	3,340
EBITDA	**$ 7,217**	$ 9,708	**$ 16,998**	$ 29,754
Restructuring costs	**2,027**	–	**6,255**	–
Adjusted EBITDA	**$ 9,244**	$ 9,708	**$ 23,253**	$ 29,754

Adjusted Net (Loss) Income and Adjusted EPS

Adjusted net (loss) income is a non-GAAP measure defined as net income before acquisition-related and integration items, including transaction costs and financing fees; cost reduction and integration related initiatives such as separation benefits, retention payments, other exit costs, impact of inventory revaluation adjustment and certain costs associated with integrating an acquired company's operations; gains or losses from early termination of debt and hedging activities; gains and losses on the disposal of land; gain on investment in associate; asset impairment charges; restructuring cost; hyperinflation adjustment for Argentina and the tax effect of the pre-tax adjustments above at applicable tax rates and certain other tax items. We define adjusted EPS as adjusted net (loss) income attributable to shareholders divided by the weighted average number of shares and the weighted average number of diluted shares.

	Three Months Ended		**Nine Months Ended**	
(in thousands of Canadian dollars)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Net (Loss) Income	**$ (18,405)**	$ 6,757	**$ (290,373)**	$ 48,728
Add:				
ZCL acquisition costs and other related items	**–**	3,674	**–**	16,357
Hyperinflation adjustment for Argentina	**898**	2,636	**2,971**	5,832
Cost associated with repayment of long-term debt and credit facilities	**–**	–	**–**	12,308
Gain on sale of land	**(1,213)**	(5,386)	**(1,213)**	(37,994)
Gain on investment in associate	**(8,249)**	–	**(8,249)**	(9,687)
Restructuring costs	**12,449**	–	**29,749**	–
Impairment	**3,623**	–	**206,707**	–
Tax effect of the above adjustments	**(378)**	(1,438)	**(5,957)**	(7,081)
Adjusted Net (Loss) Income	**$ (11,275)**	$ 6,243	**$ (66,365)**	$ 28,463
Adjusted Net (Loss) Income Attributable to Shareholders	**$ (11,181)**	$ 6,006	**$ (65,981)**	$ 28,225
Adjusted EPS				
Basic	**$ (0.16)**	$ 0.09	**$ (0.94)**	$ 0.40
Diluted	**$ (0.16)**	$ 0.09	**$ (0.94)**	$ 0.40

Operating Margin/Adjusted Operating Margin

Operating margin/adjusted operating margin are defined as operating (loss) income divided by revenue and are non-GAAP measures. The Company believes that operating margin and adjusted operating margin are useful supplemental measures that provide meaningful assessment of the business performance of the Company and its Operating Segments. The Company uses these measures as key indicators of financial performance, operating efficiency and cost control based on volume of business generated.

Adjusted Operating (Loss) Income

Adjusted Operating (Loss) Income is a non-GAAP measure calculated by adding back to Operating (loss) income the sum of gain from sale of land, ZCL acquisition costs and other related items, restructuring cost, impairment and hyperinflationary adjustments. Adjusted Operating (Loss) Income does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies.

The following table sets forth the Company's Adjusted Operating (Loss) Income:

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
(Loss) Income from operation	**$ (19,289)**	$ 17,117	**$ (277,272)**	$ 54,127
Add:				
ZCL acquisition costs and other related items	**–**	3,674	**–**	16,357
Hyperinflation adjustment for Argentina	**502**	2,000	**1,713**	3,329
Gain on sale of land	**(1,213)**	(5,386)	**(1,213)**	(37,994)
Restructuring costs	**12,449**	–	**29,749**	–
Impairment	**3,623**	–	**206,707**	–
Adjusted Operating (Loss) Income	**$ (3,928)**	$ 17,405	**$ (40,316)**	$ 35,819

Days Sales Outstanding ("DSO")

DSO is defined as the number of days trade accounts receivable are outstanding based on a 90-day cycle and is calculated by dividing the average trade accounts receivable balance for the quarter by the revenue for that same quarter and multiplying by 90 days. DSO approximates the measure of the average number of days from when the Company recognizes revenue until the cash is collected from the customer. This measure is important in assessing the Company's ability to generate cash from its outstanding trade accounts receivable. The Company monitors this measure to manage cash flow from its operations. The following table sets forth the calculation for the Company's DSO as at:

(in thousands of Canadian dollars, except DSO)	**September 30, 2020**	December 31, 2019
Revenue for the quarter	**$ 267,659**	$ 334,107
Average trade accounts receivable	**$ 183,678**	$ 228,461
DSO	**62**	62

Days Payables Outstanding ("DPO")

DPO is defined as the average number of days from when purchased goods and services are received until payment is made to the suppliers based on a 90-day cycle and is calculated by dividing the average accounts payable and accrued liabilities for the quarter by the cost of goods sold for that same quarter and multiplying by 90 days. DPO approximates average payment terms granted by the Company's suppliers, and an increase in DPO is generally considered an improvement in the management of accounts payable and accrued liabilities. This measure is important in assessing the Company's ability to ensure optimal cash flow management while meeting its financial obligations in a timely manner. The Company monitors this measure to manage cash flows from its operations. The following table sets forth the calculation for the Company's DPO as at:

(in thousands of Canadian dollars, except DPO)	**September 30, 2020**	December 31, 2019
Cost of goods sold, and services rendered for the quarter	**$ 202,828**	$ 237,310
Average accounts payable and accrued liabilities	**$ 179,856**	$ 199,355
DPO	**84**	76

11.0 Summary of Quarterly Results

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

(in thousands of Canadian dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue					
2020	319,027	266,118	**267,659**	–	–
2019	349,578	411,789	394,015	334,107	1,489,489
2018 [(b)]	350,767	353,368	350,589	354,148	1,408,872
(Loss) Income from operations					
2020	(221,818)	(36,165)	**(19,289)**	–	–
2019	7,634	29,376	17,117	(100,538)	(46,411)
2018 [(b)]	10,765	13,465	17,057	9,326	50,613
Net (loss) income[(a)]					
2020	(234,903)	(36,775)	**(18,311)**	–	–
2019	(9,074)	51,044	6,520	(81,783)	(33,293)
2018 [(b)]	3,829	7,308	10,373	4,366	25,876
(Loss) Income from operations per share					
Basic					
2020	(3.16)	(0.51)	**(0.27)**	–	–
2019	0.11	0.42	0.24	(1.43)	(0.66)
2018 [(b)]	0.15	0.19	0.24	0.13	0.72
Diluted					
2020	(3.16)	(0.51)	**(0.27)**	–	–
2019	0.11	0.42	0.24	(1.43)	(0.66)
2018 [(b)]	0.15	0.19	0.24	0.13	0.72
Net (loss) income per share					
Basic					
2020	(3.35)	(0.52)	**(0.26)**	–	–
2019	(0.13)	0.73	0.09	(1.17)	(0.47)
2018 [(b)]	0.05	0.10	0.15	0.06	0.37
Diluted					
2020	(3.35)	(0.52)	**(0.26)**	–	–
2019	(0.13)	0.73	0.09	(1.17)	(0.47)
2018 [(b)]	0.05	0.10	0.15	0.06	0.37

(a) Represents the net income attributable to shareholders of the Company.
(b) Prior year quarterly financial information is not restated for IFRS 16.

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

The Company's operations in the Pipeline and Pipe Services segment, representing approximately 51% of the Company's consolidated revenue in the three-month period ended September 30, 2020 are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company’s operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The acquisition of ZCL at the beginning of the second quarter of 2019 increased revenues starting in the second quarter of 2019 in the Composite Systems segment. The ZCL acquisition negatively impacted operating income in the second quarter of 2019, but positively impacted operating income in the quarters after that. The second and third quarters of 2019 benefitted significantly from a $32.6 million gain and the $5.4

million gain, respectively, on the sale of land. The fourth quarter of 2019, and the first and third quarters of 2020 were adversely impacted by impairment charges of $104.1 million, $203.1 million and $3.6 million, respectively. The second and third quarters of 2020 were adversely impacted by restructuring costs of $17.1 million and $12.5 million, respectively. The comparability of the quarterly information disclosed above is also impacted by movements in exchange rates as the majority of the Company's revenue is transacted in currencies other than Canadian dollars, primarily U.S. 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. Please refer to *Section 2.2* for a further explanation of the impact of foreign exchange fluctuations on the Company for the third quarter of 2020 and 2019.

13.0 Forward-Looking Information

This news release 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, judgements 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 impact and duration of the global COVID-19 pandemic and the related impacts on the Company's operations, including exposure to additional liabilities and risks, and on the global supply and demand of oil and gas, the completion of restructuring initiatives and cost controls, including facility and branch closures, and the levels of cost savings and cash generation to be achieved thereby, the achievement of its anticipated quarterly normalized SG&A, the future outlook for capital expenditures in the offshore oil and gas sector and US land drilling and completion activity, the demand for its products in retail fuel, automotive and industrial markets, the level of financial performance in the fourth quarter of 2020 and into 2021, the effect of the Company's diversified portfolio of products on revenue and operating income, the demand for the Company's products in the Pipeline and Pipe Services, Composite Systems and the Automotive and Industrial segments of the Company's business, the expected development and successful execution of the Company's order backlog and the impact thereof on the Company's revenue and operating income, including the award of contracts on outstanding bids, the impact of global economic activity on the demand for the Company's products, the impact of continuing demand for oil and gas, the impact of global oil and gas commodity prices, the impact of changing energy demand, supply and prices and the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the execution of definitive contracts for and the timing to complete certain pipe coating projects, the likelihood that projects will be sanctioned in the future, and the impact thereof on the Company's business, the ability of the Company to fund its operating and capital requirements, the ability of the Company to comply with its debt covenants, the adequacy of the Company's existing accruals in respect of environmental compliance, litigation, tax and other claims and the level of payments generally under the Company's performance, bid and surety bonds.

Forward-looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward-looking information. We caution readers not to place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. Significant risks facing the Company include, but are not limited to: the duration and impact of the COVID-19 pandemic on the Company, its employees, customers, suppliers, energy and commodity markets and on the global economy, the impact on the Company of changes in the strategy by U.S. oil and gas operators to heighten focus on capital discipline and shareholder returns, the impact on the Company of reduced demand for its products and services, including the delay, suspension or cancellation of existing or anticipated contracts, as a result of lower investment in global oil and gas extraction, infrastructure and transportation activity following the previous declines in the global price of oil and gas, long term changes in global or regional economic activity and changes in energy supply and demand, which with other factors, impact on the level of global pipeline infrastructure construction; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; the impact of climate change on the demand for the Company's products and fluctuations in foreign exchange rates, as well as other risks and uncertainties described herein under "Risks and Uncertainties" and in the Company's annual MD&A and in the Company's Annual Information Form under "Risk Factors".

These statements of forward-looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include those in respect of the continuation or renewal of certain COVID 19 related restrictions on a more targeted basis than the basis on which those restrictions were imposed earlier in the year and the impact thereof on global economic activity, the Company's ability to manage supply chain disruptions caused by the COVID-19 pandemic or natural disasters, global oil and gas prices, the commencement of work by the Company on the Payara Project during the fourth quarter of 2020, the delay in the near term of certain projects and the likelihood of projects tied to securing long-term domestic energy supply or drilling rights being sanctioned, the recommencement of increased capital expenditures in the global offshore oil and gas segment, the commencement of recovery of the global economy, no growth in Western Canada and stable demand levels in U.S. land markets in 2021, stronger than previously anticipated recovery of demand in the automotive market, particularly in North America and Europe, solid demand in the retail fuel market and stable demand in the industrial markets, the Company's ability to execute projects under contract, 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, the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation and tax matters and other claims generally, and the level of payments under the Company's performance, bid and surety bonds and the ability of the Company to satisfy all covenants under the Credit Facility and having sufficient liquidity to fund its obligations and planned initiatives. 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.

November 12, 2020