

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

The following Management's Discussion and Analysis ("MD&A"), is a discussion of the consolidated financial position and results of operations of ShawCor Ltd. ("ShawCor" or "the Company") for the three and six months ended June 30, 2011 and 2010 and should be read together with ShawCor's interim unaudited consolidated financial statements and accompanying notes for the same periods and the MD&A included in the Company's 2010 Annual Report. All dollar amounts in this MD&A are in thousands of Canadian dollars except per share amounts or unless otherwise stated.

This MD&A and the interim unaudited Consolidated Financial Statements and comparative information have been prepared in Canadian dollars, except where another currency is indicated, and in accordance with International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. For all periods up to and including the year ended December 31, 2010, we prepared our Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("CGAAP"). In accordance with the standard related to the first time adoption of IFRS, our transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been prepared in accordance with our IFRS accounting policies. The 2009 financial information contained within this MD&A has been prepared following CGAAP and, as allowed by the standard related to the first time adoption of IFRS ("IFRS 1"), has not been re-presented on an IFRS basis. Certain amounts in prior years have been reclassified to conform to the current year's IFRS presentation format

1. Executive Overview

ShawCor is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates seven divisions with over seventy manufacturing, sales and service facilities located around the world. The Company is publicly traded on the Toronto Stock Exchange ("TSX").

1.1 Core Businesses

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

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

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

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

As at June 30, 2011, the Company operated its seven divisions through two reportable operating segments: Pipeline & Pipe Services; and Petrochemical & Industrial:

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company and accounted for 87% of consolidated revenue for each of the three and six month periods ended June 30, 2011. This segment includes the Bredero Shaw, Canusa–CPS, Shaw Pipeline Services, Flexpipe Systems and Guardian divisions.

- Bredero Shaw's product offerings include specialized internal anticorrosion and flow efficiency pipe coating systems, insulation coating systems and weight coating systems for onshore and offshore pipelines.
- Canusa – CPS manufactures heat-shrinkable sleeves, adhesives, sealants and liquid coatings and also provides custom coating and field joint application services for corrosion protection on onshore and offshore pipelines.
- Shaw Pipeline Services provides ultrasonic and radiographic pipeline girth weld inspection services to pipeline operators and construction contractors worldwide for both onshore and offshore pipeline applications.
- Flexpipe Systems manufactures spoolable composite pipe systems used for oil and gas gathering, water disposal, carbon dioxide injection pipelines and other applications requiring corrosion resistance and high – pressure capabilities.
- Guardian provides a complete range of tubular management services including inventory management systems, mobile inspection, in-plant inspection and the refurbishment and rethreading of drill pipe, production tubing and casing.

Petrochemical and Industrial

The Petrochemical and Industrial segment, which includes the DSG-Canusa and ShawFlex divisions, accounted for 13% of consolidated revenue for each of the three and six month periods ended June 30, 2011. Operations within this segment utilize polymer and adhesive technology that was developed for the Pipeline and Pipe Services segment and is now being applied to applications in Petrochemical and Industrial markets.

- DSG-Canusa is a global manufacturer of heat-shrinkable products including thin, medium and heavy-walled tubing, sleeves and molded products as well as heat-shrink accessories and equipment.
- ShawFlex is a manufacturer of wire and cable for control, instrumentation, thermocouple, power, marine and robotics applications.

2. Financial Highlights

2.1 Selected Second Quarter and Half Year Financial Information

The following sets forth the Company's financial highlights for the periods indicated:

	Three Months ended June 30,		Six Months ended June 30,	
	2011	2010	2011	2010
Revenue	\$ 264,541	\$ 234,546	\$ 544,007	\$ 459,118
Cost of goods sold	169,895	141,793	344,307	280,207
Gross profit	94,646	92,753	199,700	178,911
Selling, general and administrative expenses	60,019	56,388	121,669	111,137
Research and development expenses	3,691	2,656	6,608	5,280
Foreign exchange (gains) losses	(4,367)	2,316	(5,715)	660
EBITDA^(a)	35,303	31,393	77,138	61,834
Amortization of property, plant and equipment	10,789	11,354	20,787	22,153
Amortization of intangible assets	1,854	1,095	3,596	2,190
Income from operations	22,660	18,944	52,755	37,491
Investment loss on long-term investment	3,583	–	5,018	–
Interest expense – net	1,200	841	2,213	1,845
Income before income taxes	17,877	18,103	45,524	35,646
Income taxes	2,174	6,072	9,336	11,876
Net income for the period	\$ 15,703	\$ 12,031	\$ 36,188	\$ 23,770

(a) Earnings before interest, income taxes, depreciation and amortization ("EBITDA") is a non-GAAP measure and should not be considered as an alternative to net income or any other measure of performance under GAAP. Refer to section 10 - Reconciliation of non-GAAP measures for additional information with respect to non-GAAP measures used by the Company.

Revenue

Consolidated revenue increased by \$30.0 million, or 13%, from \$234.5 million during the second quarter of 2010 to \$264.5 million during the second quarter of 2011, primarily due to an increase of \$26.3 million in the Pipeline and Pipe Services segment, driven by significant growth in North America, partially offset by lower revenue in the other regions.

Consolidated revenue rose by \$84.9 million or 18% in the first half of 2011 compared to the same period in 2010, driven primarily by higher revenue in the Pipeline and Pipe Services segment, mainly because of significant growth in the North America and Europe, Middle East, Africa, Russia ("EMAR") regions, partially offset by lower revenue in Latin America and Asia Pacific. See section 3.3 – Segment Information for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Income from operations

Operating Income increased by \$3.7 million, or 20%, from \$18.9 million in the second quarter of 2010 to \$22.7 million in the second quarter of 2011, mainly due to higher gross profit of \$1.9 million from the increase in revenue as explained above and foreign exchange gains of \$4.4 million in 2011 compared to a loss of \$2.3 million in 2010. This was partially offset by an increase in selling, general and administration expenses of \$3.6 million due to the inclusion of CSI and the additional 50% of the Brazil joint venture in the second quarter of 2011 as compared to the second quarter of 2010, an increase in salaries and associated benefits, rental and travel expenses and higher research and development costs.

Operating income was higher by \$15.3 million or 41% in the first half of 2011 compared to the same period in 2010, driven primarily by higher gross profit of \$20.8 million from the increased revenue as explained above and higher foreign exchange gains of \$6.4 million. This was partially offset by higher selling, general and administration expenses of \$10.5 million due to the inclusion of CSI and the additional 50% of the Brazil joint venture in the first of 2011 as compared to the first half of 2010, an increase in salaries and associated benefits, rental and travel expenses and higher research and development costs.

Net income

Net income increased by \$3.7 million, or 31%, from \$12.0 million in the second quarter of 2010 to \$15.7 million in the second quarter of 2011. The increase was primarily driven by the increased operating income of \$3.7 million as discussed above and lower tax expense of \$3.9 million, partly offset by the loss on long term investment of \$3.6 million, representing the Company's pro rata share of the net loss recorded by Fineglade Ltd.

Net income for the six months ended June 30, 2011 increased \$12.4 million or 52% as compared to the same period in the prior year, due to the increase in operating income of \$15.3 million as explained above and lower tax expenses of \$2.5 million, partly offset by the loss on long term investment of \$5.0 million, representing the Company's pro rata share of the net loss recorded by Fineglade Ltd.

2.2 Foreign Exchange Impact

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

	Three Months ended June 30,		Six Months ended June 30,	
	2011	2010	2011	2010
U.S. dollar	0.9694	1.0333	0.9812	1.0393
Euro	1.3860	1.3120	1.3683	1.3890
British Pounds	1.5725	1.5417	1.5766	1.5944

The following table sets forth the impact on revenues, income from operations and net income, compared with the noted prior period, as a result of foreign exchange fluctuations on the translation of foreign currency operations.

	3 months ended June 2011 versus 3 months ended March 31, 2011	3 months ended June 30, 2011 versus 3 months ended June 30, 2010	6 months ended June 30, 2011 versus 6 months ended June 30, 2010
Revenue	\$ (6,427)	(6,585)	(15,892)
Income from operations	(1,448)	(1,692)	(3,487)
Net income	(1,415)	(1,746)	(2,903)

3.0. Results from Operations

3.1 Business Developments for the Period

Acquisition of CSI

On April 6, 2011, the Company acquired certain of the coating assets and business of Altus Energy Services Partnership, Altus Energy Services Ltd. and Nusco Northern Manufacturing Ltd. for \$12.8 million. The coating business, formerly known as CSI, and now known as ShawCor CSI provides shop applied coatings at its modern facility in Nisku, Alberta and provides field coating services throughout Western Canada. The assets purchased constitute a business as defined by IFRS 3R, *Business Combinations*.

CSI specializes in the internal and external coating of bends, fittings, elbows and short spools of pipe including the internal corrosion coating of long straight lengths of pipe. The acquisition of the CSI assets will allow the Bredero Shaw division to supply a broad range of internal and external custom coating solutions that are complementary to its current range of anticorrosion, flow efficiency and insulation coatings for oil and gas gathering and transmission lines. This acquisition will also allow Bredero Shaw to provide a full range of custom coating solutions for the oil sands and for pipeline rehabilitation applications.

Investment in Socotherm S.p.A.

On May 18, 2010, the Company announced that the Board of Directors of Socotherm S.p.A. ("Socotherm") had accepted an offer from an investor group consisting of the Company and two private equity firms, 4D Global Energy Advisors of Paris, France and Sophia Capital of Buenos Aires, Argentina (the "Investor Group") whereby the Investor Group would complete a share capital investment in Socotherm of €50 million attaining a 95% ownership interest in Socotherm. The Investor Group has also entered into an undertaking to invest a further €25 million in Socotherm, if necessary, to discharge potential liabilities that arise subsequent to the completion of Socotherm's court supervised restructuring. The Company's interest in the Investor Group is 40%.

On July 2, 2010, the Investor Group established a new entity, Fineglade Limited (Ireland) ["Fineglade"] to hold the proposed investment in Socotherm. Also on this date, the Investor Group capitalized Fineglade with €50 million and Fineglade transferred this amount into an escrow account, such funds to be released to Socotherm upon court approval of the share capital investment. The Company's investment in Fineglade was €20 million (CDN\$25.7 million). The Company also entered into a shareholders' agreement with the other shareholders of Fineglade that provides the Company with significant influence over the strategic operating, investing and financing activities of Fineglade, without having joint control. Furthermore, on August 17, 2010, the Company made an incremental investment in Fineglade of €4 million (CDN\$5.2 million) as its pro rata share of a secured bridge loan provided by Fineglade to Socotherm.

On October 29, 2010, the Court of Vicenza issued a Homologation Decree that approved the share capital investment and the agreement between the Investor Group and Socotherm was subsequently completed.

In March, 2011, the Company invested an additional US\$9.2 million in Fineglade as its pro rata share of a potential future increase in Socotherm's capital by Fineglade.

3.2 Consolidated Information

Revenue

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

	Three months ended			Six Months ended	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Pipeline and Pipe Services	\$ 230,624	246,468	204,350	477,092	398,930
Petrochemical and Industrial	35,787	33,362	30,590	69,149	60,984
Elimination	(1,870)	(364)	(394)	(2,234)	(796)
	\$ 264,541	279,466	234,546	544,007	459,118

Second Quarter 2011 versus Second Quarter 2010

Consolidated revenue increased by \$30.0 million, or 13%, from \$234.5 million during the second quarter of 2010 to \$264.5 million during the second quarter of 2011, primarily due to an increase of \$26.3 million in the Pipeline and Pipe Services segment.

Revenue for the Pipeline and Pipe Services segment was higher in the second quarter of 2011 than in the second quarter of 2010, mainly because of significant growth in North America, partially offset by lower revenue in EMAR, Latin America and Asia Pacific. See section 3.3 – Segment Information for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Second Quarter 2011 versus First Quarter 2011

Consolidated revenue decreased by \$15.0 million, or 5%, from \$279.5 million during the first quarter of 2011 to \$264.5 million during the second quarter of 2011, mainly due to a decrease of \$15.8 million in the Pipeline and Pipe Services segment, partially offset by an increase of \$2.4 million in the Petrochemical and Industrial segment.

Revenue for the Pipeline and Pipe Services segment was \$15.8 million lower in the second quarter of 2011 than in the first quarter of 2011, because of lower revenue in EMAR and Asia Pacific, which was partially offset by higher revenue in North America and Latin America. See section 3.3 – Segment Information for additional disclosure with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment increased \$2.4 million in the second quarter of 2011 compared to the first quarter of 2011, primarily due to higher revenue in North America. See section 3.3 – Segment Information for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

Consolidated revenue increased by \$84.9 million, or 18.0%, from \$459.1 million for the six month period ended June 30, 2010, to \$544.0 million for the six month period ended June 30, 2011, mainly due to strong growth in both the Pipeline and Pipe Services segment (\$78.2 million) and the Petrochemical and Industrial segment (\$8.2 million).

Revenue for the Pipeline and Pipe Services segment was \$78.2 million higher during the six month period ended June 30, 2011 than in the six month period ended June 30, 2010 because of higher revenue in North America and EMAR of \$61.5 million and \$31.0 million, respectively, partially offset by lower revenue in Asia Pacific and Latin America. See section 3.3 – Segment Information for additional information with

respect to the change in revenue in the Pipeline and Pipe Services segment. Revenue for the Petrochemical and Industrial segment grew due to strong growth in all regions. See section 3.3 – Segment Information for additional disclosure with respect to the change in revenue in the Petrochemical and Industrial segment.

Income from operations

The following table sets forth income from operations (“Operating Income”) and operating margin for the following periods:

	Three months ended			Six Months ended	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Operating Income	\$ 22,660	30,095	18,944	52,755	37,491
Operating Margin ^(a)	8.6%	10.8%	8.1%	9.7%	8.2%

(a) Operating margin is defined as operating income divided by revenue.

Second Quarter 2011 versus Second Quarter 2010

Operating Income increased by \$3.7 million, or 20%, from \$18.9 million in the second quarter of 2010 to \$22.7 million in the second quarter of 2011, mainly due to higher gross profit of \$1.9 million from the increase in revenue as explained above and higher net foreign exchange gains of \$6.7 million. This was partially offset by an increase in selling, general and administration expenses of \$3.6 million driven primarily by the inclusion of CSI and the additional 50% of the Brazil joint venture, which are consolidated in the Pipeline and Pipe Services segment in the second quarter of 2011 but not in the second quarter of 2010, and an increase in salaries and associated benefits, travel and rental expenses, partially offset by lower management incentive compensation.

Second Quarter 2011 versus First Quarter 2011

Operating Income decreased by \$7.4 million, or 25%, from \$30.1 million during the first quarter of 2011 to \$22.7 million during the second quarter of 2011, mainly due to a decrease in gross profit of \$10.4 million from lower revenue as explained above and higher amortization expenses of \$0.9 million. This was partially offset by a decrease in selling, general and administration expenses of \$2.1 million, driven primarily by lower management compensation and an increase in foreign exchange gain of \$3.0 million.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

Operating income increased by \$15.3 million, or 41%, from \$37.5 million for the six month period ended June 30, 2010, to \$52.8 million for the six month period ended June 30, 2011. This was driven by higher gross profit of \$20.8 million from the increase in revenue as explained above and higher foreign exchange gains of \$6.4 million. This was partially offset by higher selling, general and administration expenses of \$10.5 million driven primarily by the inclusion of CSI and the additional 50% of the Brazil joint venture, which are consolidated in the Pipeline and Pipe Services segment in 2011 but not in 2010, and an increase in salaries and associated benefits, travel and rental expenses combined with increased research and development expenses of \$1.3 million.

Interest expense – net

The following table sets forth the components of interest expense - net for the following periods:

	Three months ended			Six Months ended	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest income on short-term deposits	\$ (306)	\$ (196)	\$ (312)	\$ (502)	\$ (539)
Interest expense, other	1,168	865	372	2,033	878
Interest expense on long-term debt	338	344	781	682	1,506
Interest expense – net	\$ 1,200	\$ 1,013	\$ 841	\$ 2,213	\$ 1,845

Second Quarter 2011 versus Second Quarter 2010

The interest expense – net balance increased by \$0.4 million, or 43%, from \$0.8 million during the second quarter of 2010 to \$1.2 million during the second quarter of 2011 due to higher accretion expense of \$1.6 million for certain non-current liabilities.

Second Quarter 2011 versus First Quarter 2011

The interest expense – net balance increased by \$0.2 million, or 18%, from \$1.0 million during the first quarter of 2011 to \$1.2 million during the second quarter of 2011, mainly due to higher accretion expense of \$0.6 million for certain non-current liabilities.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

The interest expense – net balance increased by \$0.4 million, or 20%, from \$1.8 million during the six months ended 2010 to \$2.2 million, mainly due to higher accretion expense of \$1.0 million for certain non-current liabilities, and was partially offset by a decrease in the interest expense on long-term debt of \$0.8 million, due to the repayment of long-term debt in the second quarter of 2010.

Income taxes

Second Quarter 2011 versus Second Quarter 2010

The Company recorded income tax expense of \$2.2 million (12.2% of income before income taxes) in the second quarter of 2011, compared to income tax expense of \$6.1 million (33.5% of income before income taxes) in the second quarter of 2010. The effective income tax rate in the second quarter of 2011 was lower than the Company's effective income tax rate in the second quarter of 2010 due to a reduction of the statutory Canadian tax rate year over year and due to the fact that a substantial portion of the Company's taxable income in the second quarter of 2011 was earned in Asia Pacific and other jurisdictions where the expected tax rate is 25% or less. Also, benefitting the effective tax rate in the second quarter of 2011 by 8.4 percentage points was the recognition of previously unrecognized deferred tax assets as a result of reorganizing the corporate structure in certain foreign jurisdictions.

Second Quarter 2011 versus First Quarter 2011

The Company recorded income tax expense of \$2.2 million (12.2% of income before income taxes) in the second quarter of 2011, compared to income tax expense of \$7.2 million (25.9% of income before income taxes) in the first quarter of 2011. The effective income tax rate in the second quarter was lower than the Company's statutory Canadian income tax rate of 27.0% for the reasons discussed above. Also, benefitting the effective tax rate in the second quarter of 2011 by 8.4 percentage points was the recognition of previously unrecognized deferred tax assets as a result of reorganizing the corporate structure in certain foreign jurisdictions.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

For the first half of 2011, the Company recorded income tax expense of \$9.3 million (20.5% of income before income taxes), compared to the six months ended June 2010 where the Company recorded an income tax expense of \$11.9 million (33.3% of income before income taxes). The effective income tax rate was lower in 2011 than 2010 for the reasons discussed above.

3.3 Segment Information

3.3.1 Pipeline and Pipe Services segment

The following table sets forth, by geographic location, the revenue, income from operations ("Operating Income") and operating margin for the Pipeline and Pipe Services segment for the following periods:

	Three months ended			Six Months ended	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
North America	\$ 127,564	\$ 115,188	\$ 89,046	\$ 242,753	\$ 181,227
Latin America	6,942	3,475	11,028	10,416	19,764
EMAR	43,384	68,189	47,862	111,572	80,601
Asia Pacific	52,734	59,616	56,414	112,351	117,338
Total Revenue	\$ 230,624	\$ 246,468	\$ 204,350	\$ 477,092	\$ 398,930
Operating Income	\$ 18,435	\$ 34,661	\$ 25,168	\$ 53,096	\$ 47,170
Operating Margin	8.0%	14.1%	12.3%	11.1%	11.8%

Second Quarter 2011 versus Second Quarter 2010

Revenue in the second quarter of 2011 was \$230.6 million, an increase of \$26.3 million, or 13%, over the second quarter of 2010. The major factors were the significant improvements in North America partially offset by reductions in activity in the EMAR, Asia Pacific and Latin America regions and the unfavourable impact of foreign exchange fluctuations on the translation of foreign currency operations (See section 2.2 – Foreign Exchange Impact):

- In North America, revenue increased by \$38.5 million, or 43%, due to strong sales of flexible composite pipe and fittings, increases in small diameter pipe coating volumes and a pick up in large diameter project activity. Pipe weld inspection volumes also increased throughout North America and in particular due to the land based Ruby and Enterprise projects. Additional revenues of approximately \$4 million were also generated by the new CSI acquisition in the quarter.
- Revenue in Latin America decreased \$4.1 million as a result of a very low level of Pemex activity in Mexico and reduced activity in Brazil with the delay in the start up of the P-55 Risers project in Brazil to the latter part of the third quarter.
- EMAR revenue decreased by \$4.5 million, or 9%, due to higher revenue in the second quarter of 2010 from projects executed in Orkanger, Norway. This was partially offset by higher revenue at the Leith, Scotland facility from the Total Laggan and other projects in the second quarter of 2011 and increased revenue from pipe weld inspection services.
- In Asia Pacific, revenue decreased \$3.7 million, or 7%, mainly due to a weaker U.S. dollar in 2011 and reduced activity at the Kembla Grange Australia and Kabil Indonesia facilities.

Operating Income in the second quarter of 2011 was \$18.4 million compared to \$25.2 million in the second quarter of 2010, a decrease of \$6.8 million, or 27%. The decrease was due to a 4.3 percentage point reduction in operating margin driven by lower overhead absorption in Latin America, Australia, Norway and Indonesia combined with higher maintenance costs and lower utilization at Leith, Scotland.

Second Quarter 2011 versus First Quarter 2011

Revenue in the second quarter of 2011 decreased by \$15.9 million, or 6%, from \$246.5 million in the first quarter of 2011, to \$230.6 million in the second quarter of 2011. Major contributors to the revenue decline were the unfavorable impact of foreign exchange fluctuations on the translation of foreign currency operations (See section 2.2 – Foreign Exchange Impact) and the following regional factors:

- In North America, revenue increased by \$12.4 million, or 11%, mainly due to increased large diameter pipe coating activity, both in Canada and the US in the second quarter of 2011 as compared to the first quarter of 2011. Revenue was also higher due to the CSI acquisition completed at the beginning of the second quarter.
- The \$3.5 million increase in revenue during the second quarter of 2011 in Latin America was due to initial work on the P55 Risers project and smaller projects in Brazil and production at the Monterrey facility in Mexico as compared to very limited coating activities in the first quarter of 2011.
- Revenue in EMAR decreased by \$24.8 million, or 36%, primarily due to the interruption in the production schedule for the Total Laggan project at the Leith, Scotland facility. The Total Laggan project is being executed in stages with the 18” pipe portion completed in the first quarter 2011 and the 30” pipe portion scheduled to start in the third quarter.
- In Asia Pacific, revenue decreased by \$6.9 million, or 12% in the second quarter of 2011, as the Company completed production on the Epic Energy QSN project in Kembla Grange, Australia during the quarter and experienced lower revenue on the Yamal Europe Gas Pipeline and Total South Mahakam projects, as compared to the first quarter of 2011. These shortfalls were partially offset by the restart of the PNG LNG pipeline project in June 2011 in Kuantan, Malaysia.

Operating Income in the second quarter of 2011 decreased by \$16.2 million, or 47%, from \$34.7 million in the first quarter of 2011 to \$18.4 million. The decrease was primarily due to lower gross profit of \$11.3 million driven by the lower revenue explained above and the decrease in operating margins by 6.1 percentage points. The operating margins were negatively impacted due to lower overhead absorption in Australia and Leith, Scotland from the revenue decline combined with higher maintenance costs at Leith, Scotland, higher research and development cost and higher depreciation and amortization expenses of \$1.1 million, partly due to the new CSI acquisition.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

Revenue in the Pipeline and Pipe Services segment for the six months ended June 30, 2011 was \$477.1 million, an increase of \$78.2 million, or 20%, from the comparable period of 2010. Major contributors to the revenue increase were increased volumes in North America and the EMAR regions, partially offset by lower activity in Asia Pacific and the Latin America regions and the unfavourable impact of foreign exchange fluctuations on the translation of foreign currency operations (See section 2.2 – Foreign Exchange Impact):

- In North America, revenue increased by \$61.5 million, or 34%, mainly due to increased drilling and well completions in Canada and the US, which positively impacted volumes of composite flexible pipe and fittings and small diameter pipe coating as well as increased large diameter project activity. Higher pipe weld inspection volumes and additional revenue from the CSI acquisition also favorably impacted revenues in 2011.

- The \$9.3 million decrease in revenue in Latin America was due to the delay on the P55 Risers project, with resulting limited coating activities in Brazil and lower project activity in Mexico due to delays in Pemex investment approvals for a number of pipeline projects.
- Revenue in EMAR increased by \$31.0 million, or 38%, primarily driven by higher revenue in 2011 at the Leith, Scotland facility from the Total Laggan, Breagh and Statoil P12 projects.
- In Asia Pacific, revenue decreased by \$5.0 million, or 4%, due to lower activity in Australia and a weaker U.S. dollar in 2011.

Operating Income in the Pipeline and Pipe Services segment for the six months ended June 30, 2011 was \$53.1 million, an increase of \$5.9 million or 13% compared to the comparable period of 2010, primarily due to the increase in revenue as explained above, partially offset by higher selling, general and administration expenses.

3.3.2 Petrochemical and Industrial segment

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

	Three months ended			Six Months ended	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
North America	\$ 20,738	\$ 17,808	\$ 17,147	\$ 38,546	\$ 33,954
EMAR	14,020	14,818	13,093	28,837	26,387
Asia Pacific	1,029	736	350	1,766	643
Total Revenue	\$ 35,787	\$ 33,362	\$ 30,590	\$ 69,149	\$ 60,984
Operating Income	\$ 4,471	\$ 3,525	\$ 4,068	\$ 7,995	\$ 7,079
Operating Margin	12.5%	10.6%	13.3%	11.6%	11.6%

Second Quarter 2011 versus Second Quarter 2010

Revenue of \$35.8 million in the second quarter of 2011 was up \$5.2 million, or 17%, from the second quarter of 2010 due to higher copper prices that increased revenue in the wire and cable business combined with increased heat shrink tubing shipments in the EMAR, Asia Pacific and North America regions.

Operating Income in the second quarter of 2011 was \$4.5 million compared to \$4.1 million in the second quarter of 2010, an increase of \$0.4 million, or 10%. The increase was due to higher revenue as explained above, partially offset by higher selling, general and administration expenses.

Second Quarter 2011 versus First Quarter 2011

Revenue in the second quarter of 2011 totaled \$35.8 million compared to \$33.4 million in the first quarter of 2011, an increase of \$2.4 million, or 7%. The increase was attributable to higher copper prices that increased revenue in the wire and cable business and seasonally higher revenue in North America.

Operating Income in the second quarter of 2011 was \$4.5 million compared to \$3.5 million in the first quarter of 2011. The operating margin was higher by 1.9 percentage points due to higher gross profit of \$0.9 million on increased revenue and improved recovery of input cost increases.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

Revenue in the Petrochemical and Industrial segment increased by \$8.2 million, or 13%, from \$61.0 million for the six month period ended June 30, 2010, to \$69.1 million for the six month period ended June 30, 2011, mainly due to increased shipments to the industrial and automotive markets in North America, EMAR and Asia Pacific, combined with higher copper prices.

Operating income in the Petrochemical and Industrial segment for the six months ended June 30, 2011 was \$8.0 million, an increase of \$0.9 million, or 13%, primarily due to higher gross profit of \$1.8 million on increased revenue as explained above, partly offset by higher selling, general and administration expenses of \$0.9 million.

3.3.3 Financial and Corporate

Financial and corporate costs include corporate expenses not allocated to the operating segments and other non-operating items, including foreign exchange gains and losses on foreign currency denominated cash and working capital balances. The corporate division of the Company only earns revenue that is considered incidental to the activities of the Company. As a result, it does not meet the definition of a reportable operating segment as defined under GAAP.

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

	Three months ended			Six Months ended	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Loss from operations	\$ (4,613)	\$ (9,438)	\$ (7,976)	\$ (14,051)	\$ (16,675)

Second Quarter 2011 versus Second Quarter 2010

Financial and corporate costs decreased by \$3.4 million from \$8.0 million during the second quarter of 2010 to \$4.6 million during the second quarter of 2011 due to lower management incentive compensation expenses and lower professional fees related to corporate development, partly offset by higher employee salaries and associated benefits related to an increase in staffing levels.

Second Quarter 2011 versus first Quarter 2011

Financial and corporate costs decreased by \$4.8 million from the first quarter of 2011, primarily due to lower management incentive compensation and lower professional fees related to corporate development.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

Financial and corporate costs decreased by \$2.6 million for the six months ended June 30, 2011 as compared to the corresponding period of 2010, primarily due to lower management incentive compensation, lower professional fees related to corporate development, partially offset by higher employee salaries and associated benefits related to an increase in staffing levels.

4. Liquidity and Capitalization

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

(in thousands of Canadian dollars)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net income for the period	\$ 15,703	\$ 12,031	\$ 36,188	\$ 23,770
Non-cash items	20,635	17,101	42,468	29,961
Settlement of provisions	(2,774)	(2,889)	(3,124)	(4,301)
Change in employee future benefits	–	(153)	–	506
Change in non-cash working capital and foreign exchange	(22,545)	(46,166)	(51,551)	(43,444)
Cash provided by (used in) operating activities	11,019	(20,076)	23,981	6,492
Cash used in investing activities	(23,957)	(6,973)	(45,098)	(18,415)
Cash used in financing activities	(30,978)	(30,916)	(34,425)	(35,351)
Foreign exchange gain (loss) on foreign cash and cash equivalents	(131)	3,701	(2,543)	(965)
Net change in cash and cash equivalents	(44,047)	(54,264)	(58,085)	(48,239)
Cash and cash equivalents at beginning of period	141,960	256,013	155,998	249,988
Cash and cash equivalents at end of period	\$ 97,913	\$ 201,749	\$ 97,913	\$ 201,749

4.1 Cash provided by (used in) operating activities

Second Quarter 2011 versus Second Quarter 2010

Cash provided by operating activities increased by \$31.1 million from a deficit of \$20.1 million for the second quarter of 2010 to a surplus of \$11.0 million for the second quarter of 2011. The increase of \$31.1 million was primarily due to movements in working capital and foreign exchange of \$23.6 million, an increase in net income for the period of \$3.7 million and an increase in non cash items of \$3.5 million. Net income increased mainly due to the growth in revenue as discussed in section 3.2 - Consolidated Information. Non-cash items increased mainly as a result of an increase in stock based compensation expense of \$0.5 million and the non-cash investment loss on long term investment of \$3.6 million compared to the three month period ending June 30, 2010.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

Cash provided by operating activities increased by \$17.5 million from \$6.5 million for the six month period ended June 30, 2010 to \$24.0 million for the six month period ended June 30, 2011. The increase of \$17.5 million was primarily attributable to higher net income of \$12.4 million and an increase in non-cash items of \$12.5 million, partially offset by movements in working capital and foreign exchange of \$8.1 million. Net income increased mainly due to the growth in revenue as discussed in section 3.2 - Consolidated Information. Non-cash items increased mainly as a result of an increase in deferred income taxes of \$6.0 million and the non cash investment loss on long term investment of \$5.0 million compared to the six month period ending June 30, 2010.

4.2 Cash used in investing activities

Second Quarter 2011 versus Second Quarter 2010

Cash used in investing activities increased by \$17.0 million from \$7.0 million during the second quarter of 2010 to \$24.0 million during the second quarter of 2011, mainly due to the acquisition of CSI for \$12.8 million. (see section 3.1 – Business Developments for the Period).

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

Cash used in investing activities increased by \$26.7 million from \$18.4 million during the six month period ended June 30, 2010 to \$45.1 million during the six month period ended June 30, 2011, because of the acquisition of CSI for \$12.8 million and the additional investment made in Fineglade Limited for \$9.1 million. (see section 3.1 – Business Developments for the Period).

4.3 Cash used in financing activities

Second Quarter 2011 versus Second Quarter 2010

Cash used in financing activities remained stable at approximately \$31.0 million. Cash from financing activities increased by the proceeds from bank indebtedness of \$1.8 million and the reduction in funds used to repay the long-term debt in the amount of \$1.6 million, which were offset by the repurchase of shares, under the Company's Normal Course Issuer Bid, for \$3.0 million during the second quarter of 2011.

Six Months ended June 30, 2011 versus Six Months ended June 30, 2010

Cash used in financing activities decreased by \$0.9 million from \$35.4 million during the six month period ended June 30, 2010 to \$34.4 million during the six month period ended June 30, 2011, mainly due to the reasons mentioned above.

4.4 Liquidity and capital resource measures

Trade Accounts Receivables- net

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

(in thousands of C\$)	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>Change</u>
Trade accounts receivables – net	\$ 244,059	\$ 221,738	\$ 22,321
DSO ^(a)	87	67	20

(a) DSO is the average number of days that trade accounts receivables- net are outstanding based on a 90 day cycle. See section 10 - Reconciliation of non-GAAP measures for additional information with respect to DSO.

Trade accounts receivables-net increased by \$22.3 million from \$221.7 million at December 31, 2010 to \$244.1 million at June 30, 2011, primarily due to the timing of the collection of receivables in the second quarter of 2011 compared to the fourth quarter of 2010. DSO increased by 20 days from 67 during the fourth quarter of 2010 to 87 during the second quarter of 2011 as a result of an increase in trade accounts receivables – net combined with a decrease in revenue of \$27.6 million for the second quarter of 2011 as compared to the fourth quarter of 2010.

Inventories

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

(in thousands of C\$)	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>Change</u>
Inventories	\$ 136,298	\$ 126,132	\$ 10,166

Inventories increased by \$10.2 million from \$126.1 million as at December 31, 2010 to \$136.3 million as at June 30, 2011, due to an increase of raw materials inventory of approximately \$1.4 million, an increase of \$5.9 million for work in process and an increase of \$2.6 million of finished goods inventory.

Accounts payable and accrued liabilities

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

(in thousands of C\$)	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>Change</u>
Accounts payable and accrued liabilities	\$ 129,891	\$ 120,549	\$ 9,342
DPO ^(a)	73	61	12

(a) DPO is 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. See section 10 - Reconciliation of non-GAAP measures, for additional information with respect to DPO.

Accounts payable and accrued liabilities increased to \$129.9 million as at June 30, 2011 from \$120.5 million as at December 31, 2010, an increase of \$9.3 million. DPO increased by 12 days in the second quarter of 2011 compared to the fourth quarter of 2010, mainly due to an increase in accounts payable and accrued liabilities due to timing of purchases combined with the reduction in cost of sales.

4.5 Credit Facilities

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

(in thousands of C\$)	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Total available credit facilities	\$ 231,087	\$ 240,048
Standby letters of credit for performance, bid and surety bonds ^(a)	64,011	75,140
Unutilized credit facilities^(b)	\$ 167,076	\$ 164,908

(a) See section 5 – Off-Balance Sheet Arrangements, for additional information with respect to the Company's standby letters of credit for performance, bid and surety bonds.

(b) Excludes the banking facilities of the Company's 30% owned joint venture, Arabian Pipe Coating Company Ltd. ("APCO")

Loan Payable

The Company's Russian joint venture has a loan from Arkh in the amount of 600 million Russian roubles payable on demand. The Company's portion of this loan has been proportionately consolidated and included on the interim consolidated balance sheet as at June 30, 2011 in the amount of \$5.4 million or 156 million Russian roubles at the current exchange rate (December 31, 2010 - \$5.1 million or 150 million Russian roubles at the then current exchange rate). Interest is calculated on this loan at 9.625% per annum and is to be paid over the period of actual use. In the event that the Company's Russian joint venture fails to repay the outstanding loan within the time specified by the loan agreement, a penalty in the amount of 24% per annum will be assessed on the outstanding loan amount on a daily basis.

Long-term Debt ("Senior Notes")

On June 27, 2003, the Company entered into an agreement for the issue and sale, at par, on a private placement basis to institutional investors, U.S.\$75.0 million of Senior Notes due June 30, 2011. Under the terms of the agreement, the Company was required to repay the Senior Notes in three equal installments of U.S.\$25.0 million on June 30, 2009, 2010 and 2011. On June 30, 2009, the Company made the first repayments of U.S.\$25.0 million (\$28.7 million at the then current exchange rate). On June 30, 2010, the Company made the second repayment of U.S.\$25.0 million (\$26.0 million at the then current exchange rate) ("Second Repayment"). On June 30, 2011, the Company made the third and final repayment of U.S.\$25.0 million (\$24.4 million at the current exchange rate) ("Final Payment").

The Company's Senior Notes and associated interest expense were denominated in U.S. dollars. Fluctuations in the exchange rate between the Canadian and U.S. dollar impacted the carrying value of the Senior Notes in terms of Canadian dollars as well as the amount of interest expense that was translated into Canadian dollars. Effective July 3, 2003, the Company designated the Senior Notes as a hedge of a portion of its net investment in the Company's U.S. dollar based operations ("Net Investment"). After the Second Repayment, the remaining balance of the Senior Notes of U.S. \$25.0 million (CDN\$25.8 million) was hedged against the Net Investment. Upon making the Final Payment and extinguishing the hedge, a foreign exchange gain in the amount of \$1.8 million was recognized and included in the consolidated statement of income.

Unsecured credit facilities

On June 22, 2011, the Company renewed its unsecured Bank Credit Facility for a period of four years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was reduced from U.S.\$190.0 million to U.S.\$150.0 million, with an option to increase the credit limit to U.S.\$200.0 million with the consent of lenders.

Debt Covenants

Under the terms of the Company's credit facilities, the Company must maintain the following ratios:

- Fixed Charge Coverage Ratio of more than 2.5 to 1; and
- Debt to total capitalization ratio of less than 0.40 to 1.

The Company was in compliance with the debt covenants detailed above as at June 30, 2011. These debt covenants are non-GAAP measures and should not be considered as an alternative to net income or any other measure of performance under GAAP. See section 10 - Reconciliation of non-GAAP measures, for additional information with respect to these debt covenants.

4.6 Future uses of liquidity

Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The contractual cash obligations for leases and purchase commitments as at June 30, 2011 remained substantially unchanged from the amount disclosed as at December 31, 2010 in the Company's 2010 Annual Report.

The Company expects to have sufficient financial capacity to meet all contractual obligations as and when they become due.

Litigation Matters

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

4.7 Financial Risk Management

The Company's operations expose it to a variety of financial risks including: market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of Company management. Material risks are monitored and are regularly reported to the Board of Directors. Refer to note 23 of the audited annual consolidated financial statements contained in the 2010 Annual Report for additional information with respect to the Company's financial risk management.

4.8 Outstanding share capital

As at June 30, 2011, the Company had 57,583,274 Class A shares outstanding and 13,053,573 Class B shares outstanding. In addition, as at June 30, 2011, the Company had stock options outstanding to purchase up to 2.7 million Class A shares.

5. Off - Balance Sheet Arrangements

The Company provides standby letters of credit for performance, bid and surety bonds through financial intermediaries to various customers as required under various project contracts. If the Company fails to perform under the terms of the contract, the customer has the ability to draw upon all or a portion of the bond as compensation for the Company's failure to perform. The contracts which these performance bonds support generally have a term of one to three years, but could extend longer. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. If the Company is unwilling to issue performance and other types of bonds, it could have a materially adverse effect on the ability of the Company to generate revenue. 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 its credit facilities to support the Company's bonds. The Company had utilized credit facilities of \$64.0 million and \$75.1 million as at June 30, 2011 and December 31, 2010, respectively, for support of its bonds.

6. Critical Accounting Estimates and Accounting Policy Developments

6.1 Critical Accounting Estimates

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

Critical estimates used in preparing the consolidated financial statements include:

Long-lived assets and goodwill

The Company evaluates the carrying values of the Cash Generating Units' ("CGU") goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write downs of the value of these assets are required. Similarly, the Company evaluates the carrying value of CGUs for long-lived assets whenever circumstances arise that could indicate impairment, as well as 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.

Future benefit obligations

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

Provisions and contingent liabilities

Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably estimated. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. The Company is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reliably be estimated. When a loss is determined it is charged to the consolidated statement of income. The Company must continually monitor known and potential contingent matters and make appropriate provisions by charges to income when warranted by circumstances.

Decommissioning liabilities

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

Actual expenditures incurred are charged against the accumulated decommissioning liability.

Financial instruments

The Company has determined the estimated fair values of its financial instruments not traded in an active market based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates, mainly based on market conditions existing at the end of each reporting period. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current

market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Income taxes

The recording of income tax expense includes certain estimations related to the impact in the current year of future events. Differences between the estimated and actual impact of these events could impact tax expense, current taxes payable or deferred taxes. In particular, earnings and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada.

6.2 Accounting standards issued but not yet applied

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments - Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss).

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss).

IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10 Consolidated Financial Statements

For annual periods beginning on January 1, 2013, IFRS 10, Consolidated Financial Statements will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation — Special Purpose Entities. The new standard requires consolidated financial statements to include all controlled entities under a single control model. The Company will be considered to control an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. As required by this standard, control is reassessed as facts and circumstances change. All facts and circumstances must be considered to make a judgement about whether the Company controls another entity; there are no 'bright lines'. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments, holding less than a majority of voting rights, how to consider protective rights, and principal-agency relationships (including removal rights), all which may differ from current practice.

IFRS 10 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 11 Joint Arrangements

On January 1, 2013, ShawCor will be required to adopt IFRS 11, Joint Arrangements, which applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting.

Due to the adoption of this new section, venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item.

IFRS 11 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 Disclosure of Interests in Other Entities

On January 1, 2013, ShawCor will be required to adopt IFRS 12, Disclosure of Involvement with Other Entities, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. Due to this new section, the Company will be required to disclose the following: judgements and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities, and nature of the risks associated with interests in other entities.

IFRS 12 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13 Fair Value Measurement

On January 1, 2013, ShawCor will be required to adopt IFRS 13, Fair Value Measurement. The new standard will generally converge the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the 'exit price' and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities.

IFRS 13 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IAS 27 Separate Financial Statements

On January 1, 2013 ShawCor will be required to adopt IAS 27, Separate Financial Statements. As a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10.

In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. The company has not yet assessed the impact of the new accounting standard on its separate financial statements.

IAS 28 Investments in Associates and Joint Ventures

On January 1, 2013, ShawCor will be required to adopt IAS 28, Investments in Associates and Joint Ventures. As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control, or significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control of those policy decisions. When determined that the Company has an interest in a joint venture, the Company will recognize an investment and will account for it using the equity method in accordance with IAS 28.

IAS 28 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

6.3 Adoption of International Financial Reporting Standards ("IFRS")

In accordance with IFRS 1, the Company's transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been restated to be in accordance with our IFRS accounting policies. The 2009 financial information contained within this MD&A has been prepared following previous CGAAP and has not been restated.

Throughout 2010, each of the Company's MD&A reports included updates on the status of the Company's IFRS conversion project, as well as detailed information on the IFRS accounting policies and elections, including the estimated impact of adopting the accounting policies. The policies applied in the accompanying consolidated financial statements are based on IFRS issued and outstanding as of June 30, 2011. Any subsequent changes to IFRS pertaining to the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

The effect of the Company's transition to IFRS has been described in the Company's First IFRS Consolidated Financial Statements.

Reconciliations between CGAAP and IFRS

The impact of applying IFRS exemptions and the accounting policy differences between CGAAP and IFRS had a significant impact on the assets, liabilities, shareholders' equity, net income, and comprehensive income of the Company.

The following reconciliations between CGAAP and IFRS are shown in the tables below:

- Consolidated Statement of Income for the three month period ended June 30, 2010;
- Consolidated Statement of Comprehensive Income for the three month period ended June 30, 2010;
- Consolidated Statement of Income for the six month period ended June 30, 2010;
- Consolidated Statement of Comprehensive Income for the six-month period ended June 30, 2010; and
- Shareholders equity as at June 30, 2010.

Reconciliation of the statement of income and comprehensive income under CGAAP to IFRS for the three months ended June 30, 2010

<u>Consolidated Statement of Income</u>	Note	CGAAP June 30, 2010	Effect of Transition to IFRS	Restated Under IFRS June 30, 2010
Revenue		\$ 234,546	\$ –	\$ 234,546
Cost of goods sold		141,793	–	141,793
Gross profit		92,753	–	92,753
Selling, general and administrative expenses	c,g	57,200	(812)	56,388
Research and development expenses		2,656	–	2,656
Foreign exchange losses	f	2,122	194	2,316
Amortization of property, plant and equipment	e	12,352	(998)	11,354
Amortization of intangible assets		1,095	–	1,095
Income from operations		17,328	1,616	18,944
Interest expense (net)	h	792	49	841
Income before income taxes		16,536	1,567	18,103
Income taxes		5,659	413	6,072
Net income for the period		\$ 10,877	\$ 1,154	\$ 12,031
Earnings per share				
Basic		\$ 0.15	\$ 0.02	\$ 0.17
Diluted		\$ 0.15	\$ 0.02	\$ 0.17
 <u>Consolidated Statement of Comprehensive Income</u>				
Net income for the period		\$ 10,877	\$ 1,154	\$ 12,031
Unrealized gain on translating financial statements of foreign operations		1,477	1,168	2,645
Loss on hedges of unrealized foreign currency translation		(965)	–	(965)
Gain on hedges of unrealized foreign currency translation transferred to net income in the current period		(193)	–	(193)
Income tax expense		(165)	–	(165)
Other comprehensive income for the period		154	1,168	1,322
Comprehensive income for the period		\$ 11,031	2,322	13,353

Reconciliation of the statement of income and comprehensive income under CGAAP to IFRS for the six months ended June 30, 2010

<u>Consolidated Statement of Income</u>	Note	CGAAP June 30, 2010	Effect of Transition to IFRS	Restated Under IFRS June 30, 2010
Revenue		\$ 459,118	\$ –	\$ 459,118
Cost of goods sold		280,207	–	280,207
Gross profit		178,911	–	178,911
Selling, general and administrative expenses	c,g	112,335	(1,198)	111,137
Research and development expenses		5,280	–	5,280
Foreign exchange (gains) losses	f	702	(42)	660
Amortization of property, plant and equipment	e	24,612	(2,459)	22,153
Amortization of intangible assets		2,190	–	2,190
Income from operations		33,792	3,699	37,491
Interest expense (net)	h	1,734	111	1,845
Income before income taxes		32,058	3,588	35,646
Income taxes		11,182	694	11,876
Net income for the period		\$ 20,876	\$ 2,894	\$ 23,770
Earnings per share				
Basic		\$ 0.30	\$ 0.04	\$ 0.34
Diluted		\$ 0.29	\$ 0.04	\$ 0.33
 <u>Consolidated Statement of Comprehensive Income</u>				
Net income for the period		\$ 20,876	\$ 2,894	\$ 23,770
Unrealized loss on translating financial statements of foreign operations		(16,704)	(471)	(17,175)
Gain on hedges of unrealized foreign currency translation		385	–	385
Gain on hedges of unrealized foreign currency translation transferred to net income during the period		(193)	–	(193)
Income tax expense		(396)	–	(396)
Other comprehensive loss for the period		(16,908)	(471)	(17,379)
Comprehensive income for the period		\$ 3,968	2,423	6,391

Reconciliation of Shareholders' Equity

	Note	June 30, 2010
Shareholders' equity in accordance with CGAAP	\$	786,333
Property, Plant and Equipment	a,d,e	27,130
Impairment of property, plant, and equipment	a,d	(14,275)
Employee Benefits	b,d	(10,454)
Effects of change in FX rates	f	(806)
Provisions	d	214
Decommissioning of liabilities	c,d	1,207
Shareholders' equity in accordance with IFRS	\$	789,349

Notes to the reconciliations**(a) Property, Plant and Equipment**

The adjustment to property, plant and equipment at the January 1, 2010 transition date was a net increase of \$14.1 million to the Net Book Value ("NBV"). NBV increased by \$28.4 million due to the impact of componentization of property, plant and equipment and revision in the estimated useful life as required by IAS 16. This increase was partly offset by a combined asset impairment loss of \$14.3 million recognized on certain Pipeline and Pipe Services segment fixed assets.

Under IFRS, impairment testing is performed by comparing the carrying amount to the recoverable amount, calculated using the value in use method, which uses a risk adjusted pre-tax rate to discount cash flows (i.e. a higher rate than under CGAAP) to their net present value. Under CGAAP, there is a two step process:

- a) A reasonability test using the sum of the undiscounted cash flows and comparing them to the carrying value, and if the test fails
- b) the amount of impairment is calculated using a risk adjusted post tax rate to discount the cash flows (i.e. a lower rate than under IFRS) to their net present value.

Under CGAAP, no impairment existed on the above assets as at December 31, 2009 and during the year ended December 31, 2010.

ShawCor recognized an additional impairment at December 31, 2010 on these fixed assets under IFRS in the amount of \$14.9 million. The impairment recognized has been expensed in the Statement of Income for the year ended December 31, 2010.

(b) Employee Benefits

Under IFRS, the \$14.1 million adjustment results from ShawCor's election to use the IFRS 1 exemption and adopt IAS 19 on a prospective basis. This 'fresh start or prospective approach' allows that the unrecognized actuarial gains/losses at December 31, 2009 for all plans be immediately recognized through an adjustment to the opening retained earnings and an increase to the liability for employee future benefits. The accrued employee future benefit obligation under IFRS was \$3.3 million lower than that under CGAAP due to the application of IFRIC 14 on transition to IFRS and the application of IAS 19 on a prospective basis.

(c) Decommissioning liabilities

As at June 30, 2010, the impact on shareholders' equity of \$1.2 million is mainly driven by the property, plant and equipment balance associated with decommissioning liabilities, which increased due to the use of lower discount rates in effect during the period under IFRS. The use of lower discount rates also resulted in the calculation of higher decommissioning liability balances throughout 2010 under IFRS.

(d) Deferred Income Tax Effect

These are the required deferred tax effects related to the various IFRS adjustments (i.e. property, plant and equipment; employee future benefits; decommissioning liabilities etc). The rates used were based on the statutory tax rates in the jurisdiction where the adjustment was made.

(e) Amortization of property plant and equipment

The 2010 income statement adjustment was due to the recalculation of depreciation expense of all fixed assets due to the application of a more detailed componentization analysis including their expected useful lives, which in a number of cases was extended. This resulted in a decrease in the amortization cost under IFRS versus CGAAP of \$1.0 million for the quarter ended June 30, 2010 and \$2.5 million for the six month period ended June 30, 2010.

(f) Foreign Exchange

Foreign exchange losses increased by \$0.2 million for the three months ended June 30, 2010 and decreased by \$0.05 million for the six months ended June 30, 2010 primarily due to the change in the translation method for certain entities accounted for under the Temporal Method under CGAAP to the Current Rate Method under IFRS, and the foreign exchange component relating to the accounting for decommissioning liabilities. The adoption of IAS 21 had an impact on shareholders' equity of \$0.8 million as at June 30, 2010, and was primarily due to the change in the translation method for certain entities accounted for under the Temporal Method under CGAAP to the Current Rate Method under IFRS.

(g) Selling, General and Administration Expense

The selling, general and administrative expenses decreased by \$0.8 million and \$1.2 million for the three and six month periods ended June 30, 2010, mainly due to the transitional IFRS adjustments related to employee future benefits and decommissioning liabilities. The Employee Defined Pension expense under IFRS was \$0.1 million and \$0.3 million lower in the three and six month periods ended June 30, 2010, respectively, than that under CGAAP due to the application of IFRIC 14 on transition to IFRS and the application of IAS 19 on a prospective basis; in addition, lower charges for decommissioning liabilities further contributed to the reduction in selling, general and administrative expenses for the three and six month periods ended June 30, 2010, from CGAAP to IFRS.

(h) Interest Expense, Other

In accordance with financial statement disclosure requirements for IFRS, accretion expense of \$0.05 million and \$0.1 million for the three and six months ended June 30, 2011, respectively, was reclassified from the *selling general and administrative expenses* account to the *Interest, Other* account.

(i) ***Adjustment to the consolidated statement of cash flows***

The changes to the consolidated statement of income and consolidated balance sheet have resulted in various reclassifications on the consolidated statement of cash flows; however, there were no material changes to the net cash flows. As a result, no reconciliations have been presented.

7. Outlook

The outlook for market activity in the Company's Pipeline and Pipe Services Segment and in the Petrochemical and Industrial Segment is outlined below:

Pipeline Segment - North America

The increased level of well drilling and completions throughout North America has bolstered demand for the Company's small diameter pipe coating, composite pipe, and joint protection products on a year over year basis. The improvements have been particularly significant in the U.S. where the Company has experienced strong growth in pipe coating and has made major advances in gaining market share with the Flexpipe spoolable composite small diameter pipe. The trend of improvement is expected to continue, particularly now that the spring break up in Western Canada is complete and well completion activity can start up. Also expected to benefit revenue and operating income in the second half of 2011 will be the start up of the \$40 million Jack St. Malo project at the Brigden facility in Beaumont, Texas, with this project reaching full production in the fourth quarter and continuing through the first quarter of 2012.

Pipeline Segment - Latin America

The Company continued to experience weak market conditions in both Mexico and Brazil in the second quarter. In Mexico, a gradual improvement in activity is expected in the second half based on increased production at the pipe coating plants in Veracruz and Monterrey. In Brazil, a significant improvement in revenue will be realized once the \$20 million P55 Risers pipe coating project launches production. The P55 Risers project will commence in the third quarter with product validation, however full production will not be reached until the fourth quarter of 2011.

Pipeline Segment - EMAR

As expected, project activity in the "EMAR" region was impacted by the gap in the production schedule for the U.S.\$93 million Total Laggan-Tormore project. The Laggan project is being executed in stages with the 18" pipe portion of the project having been completed in the first quarter and the 30" pipe portion not scheduled to reach full production until the third quarter. The Company's pipe coating facility in Leith, Scotland is expected to operate at a high level of utilization in the second half of 2011 based on both the Laggan project and the Gundrun concrete weight coating project which will start production in September. Also expected to have improved utilization will be the Orkanger, Norway flow assurance insulation facility based on the receipt of several letters of intent for coating projects that are expected to be in full production by the fourth quarter.

Pipeline Segment - Asia Pacific

The Company's Asia Pacific region is now expecting a reduction in activity in the second half of 2011 compared with the first half as a result of the deferral of a number of large projects to 2012. The Company has secured the PTTEP Zawtika Development Project pipe coating contract with a value in excess of \$60 million, however, the schedule for the receipt of pipe on this project indicates that coating production will not commence until early 2012. Other large projects in Indonesia and Malaysia that the Company has bid are now estimated to commence production in 2012. In the second half of 2011, the Company will complete the PNG LNG project, however it is now probable that full year revenue for 2011 will be significantly lower than the \$268 million reported in 2010. The Company's outlook for 2012 is, however, very encouraging based both on the level of projects booked and those that have been bid for which orders are expected by year end. It remains the Company's view that the Asia Pacific region will be a strong source of revenue and profit growth in 2012 and 2013.

Petrochemical and Industrial Segment

The improved revenue and operating income generated by the Petrochemical and Industrial segment businesses is expected to continue in the second half of 2011. Key factors underlying this outlook are the continued ramp up in demand for heat shrink tubular products and wire and cable.

Order Backlog

The Company's order backlog, representing customer orders expected to be completed within one year, improved in the second quarter to \$369 million from a total of \$333 million at March 31, 2011, primarily as a result of having secured the Zawtika Development Project in Asia Pacific with a contract value in excess of \$60 million. The Company continues to have outstanding firm project bids totaling in excess of \$1.5 billion. These bids relate to projects that are progressing towards client final investment approval decisions. ShawCor's backlog has the potential to increase as these bids translate into firm production orders.

8. 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 its projections, businesses, results of operations and financial condition. There were no material changes in the nature or magnitude of such business risks during the quarter. A more complete outline of the risks and uncertainties facing the Company is included in the annual MD&A contained in the Company's 2010 Annual Report.

9. Environmental matters

While environmental related liabilities are considered immaterial to the Company's financial results, they are important to the Company from a social responsibility standpoint. Refer to the Company's 2010 Annual Report for additional information with respect to the Company's environmental matters.

As at June 30, 2011, the accruals on the unaudited consolidated balance sheet related to environmental matters and included as decommissioning liabilities were \$20.6 million. The Company believes the accruals to be sufficient to satisfy and reasonably estimate environmental liabilities related to known environmental matters.

10. Reconciliation of non-GAAP measures

The Company evaluates its performance using a number of different measures that are not in accordance with GAAP and should not be considered as an alternative to net income or any other measure of performance under GAAP. The Company's method of calculating these measures may differ from other entities and as a result may not necessarily be comparable to measures used by other entities.

EBITDA

EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. The Company believes that EBITDA is a useful supplemental measure that provides a meaningful indication of the Company's results from principle business activities prior to the consideration of how these activities are financed or the tax impacts in various jurisdictions. Refer to section "2.1 – Financial Highlights – Selected Annual Information" of this report, for a reconciliation of the Company's EBITDA to its net income in accordance with GAAP.

DSO

DSO is defined as the number of days that trade accounts receivable - net are outstanding based on a 90 day cycle and is calculated by dividing the average accounts receivable balance by revenue for the quarter, and multiplying by 90 days. DSO approximates the measure of the average number of days from when the

Company recognizes revenue until the cash is collected from the customer. The following table sets forth the calculation for the Company's DSO as at:

(in thousands of C\$)	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Revenue for the quarter	\$ 264,541	\$ 292,086
Average trade accounts receivables – net	<u>255,073</u>	<u>218,398</u>
DSO	87	67

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 balance by the cost of goods sold for the quarter and multiplying by 90 days.

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

(in thousands of C\$)	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Cost of goods sold for the quarter	\$ 169,895	\$ 176,293
Average accounts payable and accrued liabilities	<u>137,597</u>	<u>120,348</u>
DPO	73	61

Working Capital Ratio

Working capital ratio is defined as current assets divided by current liabilities. This metric provides management with an indication of the current liquidity available to the Company before considering long-term debt.

The following table sets forth the calculation for the Company's working capital ratio as at:

(in thousands of C\$)	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Current assets	\$ 539,362	\$ 555,209
Current liabilities	<u>239,396</u>	<u>265,176</u>
Working capital ratio	2.25	2.09

Fixed Charge Coverage Ratio

Fixed Charge Coverage Ratio is defined as EBITDA divided by interest expense - net. The Company is required to maintain a fixed charge coverage ratio of more than 2.5 to 1 under the terms of its credit facilities.

The following table sets forth the calculation of the Company's fixed charge coverage ratio for the six month period ended June 30, 2011:

(in thousands of C\$)	<u>June 30, 2011</u>
EBITDA	\$ 77,138
Interest expense – net	<u>2,213</u>
Fixed charge coverage ratio	35

The Company is in compliance with this debt covenant as at June 30, 2011.

Debt to Total Capitalization Ratio

Debt to total capitalization ratio is defined as the sum of the Company's long-term debt and long-term bonds divided by the sum of shareholders' equity, long-term debt and long-term bonds. The Company is required to maintain a debt to total capitalization ratio of no more than 0.45 to 1. The Company is in compliance with this debt covenant as at June 30, 2011.

11. Summary of Quarterly Results

The following is a summary of selected financial information for the nine most recently completed quarters.^(b)

(in thousands of Canadian dollars except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue					
2011	279,466	264,541	–	–	–
2010	224,572	234,546	282,959	292,086	1,034,163
2009 ^(a)	307,464	312,791	302,812	260,911	1,183,978
Income from operations					
2011	30,095	22,660	–	–	–
2010	18,485	18,895	42,632	47,333	127,345
2009 ^(a)	50,455	53,471	50,029	38,564	192,519
Net income					
2011	20,485	15,703	–	–	–
2010	11,739	12,031	32,126	49,679	105,575
2009 ^(a)	31,541	34,636	33,747	31,526	131,450
Income from operations per share (Classes A and B)					
Basic					
2011	0.43	0.32	–	–	–
2010	0.26	0.27	0.60	0.67	1.80
2009 ^(a)	0.72	0.76	0.71	0.54	2.73
Diluted					
2011	0.42	0.32	–	–	–
2010	0.26	0.26	0.60	0.66	1.78
2009 ^(a)	0.72	0.76	0.70	0.53	2.71
Net income per share (Classes A and B)					
Basic					
2011	0.29	0.22	–	–	–
2010	0.17	0.17	0.46	0.70	1.50
2009 ^(a)	0.45	0.49	0.48	0.44	1.86
Diluted					
2011	0.29	0.21	–	–	–
2010	0.16	0.17	0.45	0.70	1.48
2009 ^(a)	0.45	0.49	0.48	0.43	1.85

- (a) Quarterly revenue, income from operations and net income figures have been prepared under CGAAP and have been restated to reflect the change in accounting policy for deferred project costs adopted in the second quarter of 2009.
- (b) Effective January 1, 2010, all financial information has been presented in accordance with IFRS

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 87% of the Company's consolidated revenue, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The comparability of the quarterly information disclosed above is also impacted by movements in exchange rates as the majority of the Company's revenue is transacted in currencies other than Canadian dollars, primarily 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.

12.0 Forward-Looking Information

This document includes certain statements that reflect management's expectations and objectives for Company's future performance, opportunities and growth, which statements constitute forward-looking information under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward-looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward-looking information in respect of, among other things, the impact of global economic activity on the demand for the Company's products as well as the prices of commodities used by the Company, the impact of changing energy demand, supply and prices, the impact of changes in competitive conditions in the markets in which the Company participates, the impact of changing laws for environmental compliance on the Company's capital and operating costs, and the adequacy of the Company's existing accruals in respect thereof, the Company's relationships with its employees, the continued establishment of international operations, the effect of continued development in emerging economies, as well as the Company's plans as they relate to research and development activities and the maintenance of its current dividend policies, the outlook for revenue and operating income and the expected development in the Company's order backlog.

Forward-looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward-looking information. We caution readers not to place undue reliance on forward looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward looking information. Significant risks facing the Company include, but are not limited to: changes in global economic activity and changes in energy supply and demand which impact on the level of drilling activity and pipeline construction; exposure to product and other liability claims; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; fluctuations in foreign exchange rates, as well as other risks and uncertainties, as more fully described herein under the heading "Risks and Uncertainties".

These statements of forward-looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include assumptions in respect of the potential for improvement in demand for the Company's products and services as a result of continued global economic recovery, the potential for increased investment in global energy infrastructure as a result of stabilization of capital markets, the Company's ability to execute projects under contract, the continued supply of and stable pricing for commodities used by the Company and the availability of personnel resources sufficient for the Company to operate its businesses. 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. ShawCor Ltd. 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.

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

ShawCor will be hosting a Shareholder and Analyst Conference Call and Webcast on Thursday August 11th, at 10:00 AM EDT, which will discuss the company's second quarter financial results.

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

For further information, please contact:

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