

August 5, 2009

**SHAWCOR LTD.**  
**(TSX: SCL.A, SCL.B)**
**PRESS RELEASE**
**SHAWCOR LTD. ANNOUNCES SECOND QUARTER 2009 RESULTS**
**Financial Summary**

(in thousands of Canadian dollars except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	<b>2009</b>	2008	<b>2009</b>	2008
		Restated (note 1)		Restated (note 1)
<b>Operating Results</b>				
Revenue	\$ <b>312,791</b>	\$ 295,118	\$ <b>620,255</b>	\$ 588,475
EBITDA (note 2)	<b>68,926</b>	40,215	<b>135,597</b>	94,506
Operating income from continuing operations	<b>53,178</b>	27,189	<b>103,612</b>	68,108
Income from continuing operations	<b>34,343</b>	17,825	<b>65,863</b>	44,746
Income (loss) from discontinued operations	<b>293</b>	10,553	<b>314</b>	10,484
Net income	<b>34,636</b>	28,378	<b>66,177</b>	55,230
Net income (loss) per share (Class A and B) – Basic				
Continuing operations	<b>0.49</b>	0.25	<b>0.94</b>	0.63
Discontinued operations	<b>0.00</b>	0.15	<b>0.00</b>	0.15
Total	<b>0.49</b>	0.40	<b>0.94</b>	0.78
Net income (loss) per share (Class A and B) - Diluted				
Continuing operations	<b>0.49</b>	0.25	<b>0.93</b>	0.62
Discontinued operations	<b>0.00</b>	0.15	<b>0.00</b>	0.15
Total	<b>0.49</b>	0.40	<b>0.93</b>	0.77
<b>Cash Flow</b>				
Cash provided by continuing operating activities	<b>58,075</b>	66,040	<b>96,820</b>	54,471
Additions to property, plant and equipment	<b>6,031</b>	26,653	<b>20,174</b>	38,914
<b>Financial Position</b>				
Working capital			<b>239,297</b>	175,524
Total assets			<b>1,145,955</b>	1,140,636
Shareholders' equity per share (Class A and B) (note 3)			\$ <b>10.67</b>	\$ 9.01

Note 1: Restated for change in accounting policy. Refer to note 1 to the interim consolidated financial statements for the three and six months ended June 30, 2009.

Note 2: EBITDA is a non-GAAP measure calculated by adding back to income from continuing operations, the sum of interest (income)/expense, taxes and depreciation/amortization of property, plant and equipment and intangible assets. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures prescribed by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. The following is the calculation of EBITDA for the periods presented above:

Income from continuing operations	\$ <b>34,343</b>	\$ 17,825	\$ <b>65,863</b>	\$ 44,746
Add (deduct):				
Income taxes	<b>17,263</b>	8,313	<b>34,514</b>	22,653
Interest expense - net	<b>1,572</b>	895	<b>3,235</b>	982
Amortization of property, plant and equipment	<b>14,653</b>	13,182	<b>29,795</b>	26,125
Amortization of intangible assets	<b>1,095</b>	-	<b>2,190</b>	-
EBITDA	\$ <b>68,926</b>	\$ 40,215	\$ <b>135,597</b>	\$ 94,506

Note 3: Shareholders' equity per share is a non-GAAP measure calculated by dividing shareholders' equity by the number of Class A and Class B shares outstanding at the date of the balance sheet.

ShawCor Ltd. (“ShawCor” or the “Company”) is a growth-oriented, global energy services company specializing in technology-based products and services for the Pipeline and Pipe Services and the Petrochemical and Industrial markets. The Company operates seven divisions with over seventy manufacturing, sales and service facilities located around the world.

### **Second Quarter 2009 Highlights**

Consolidated revenue from continuing operations for the second quarter of 2009 totaled \$312.8 million, 6.0% higher than the second quarter of 2008. The increase was due to increased revenue in the Pipeline and Pipe Services segment of the Company, primarily as a result of the impact of the weaker Canadian dollar on the translation of the Company’s U.S. dollar denominated revenue partially offset by lower revenue from the Company’s Petrochemical and Industrial segment.

During the second quarter of 2009, the effect of foreign exchange fluctuations on the translation of foreign currency operating results had a favourable impact on revenue, operating income from continuing operations and net income of approximately \$25.1 million, \$7.2 million and \$3.8 million, respectively compared to the second quarter of 2008.

Net income in the quarter totaled \$34.6 million (\$0.49 per share, diluted) compared to \$28.4 million (\$0.40 per share, diluted) in the second quarter of 2008, an increase of \$6.2 million or 21.8%. The improvement in earnings per share was primarily due to the increase in net income together with the benefit of the reduction in shares outstanding due to the repurchase of 602 thousand Class A Subordinate Voting shares under the Normal Course Issuer Bid over the preceding twelve months.

### **First Six Months of 2009 Highlights**

Consolidated revenue from continuing operations in the first six months of 2009 was \$620.2 million, compared to \$588.5 million in the first six months of 2008, an increase of \$31.7 million or 5.4%. The increase was primarily due to revenue of \$23.6 million in the first six months of 2009 that was not present in the first six months of 2008 related to the Flexpipe Systems Inc. (“Flexpipe”) acquisition on June 27, 2008 and the favourable effect of foreign exchange fluctuations.

During the first six months of 2009, the effect of foreign exchange fluctuations on the translation of foreign currency operating results had a favourable impact on revenue, operating income from continuing operations and net income of approximately \$56.0 million, \$19.1 million and \$12.5 million, respectively compared to the first six months of 2008.

The Company’s backlog at June 30, 2009 of \$301.5 million declined 25.1% from the level at the beginning of the quarter as strong revenue exceeded new order bookings. While the backlog may decline further in subsequent quarters, bidding activity remains high and the Company continues to pursue several large offshore pipe coating projects. These projects, if awarded to the Company, could generate significant revenues. Overall, consolidated revenue in 2009 is expected to be slightly below the record levels achieved in 2008; however, the Company expects that operating margins in 2009 will meet or exceed those achieved in 2008 as a result of several initiatives including programs to reduce costs and improve efficiencies.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following Management Discussion and Analysis (“MD&A”) is intended to help the reader understand the results of operations and financial condition of the Company. The MD&A should be read in combination with the Consolidated Financial Statements and accompanying notes, and the MD&A included in the Company’s 2008 Annual Report. All dollar amounts in the MD&A are in thousands of Canadian dollars except per share amounts or unless otherwise stated.

## Revenue, Income from Operations and Net Income

ShawCor classifies its revenue and income from operations into two industry segments: Pipeline and Pipe Services, and Petrochemical and Industrial. Discussion of the consolidated operating results and operating results for each of these segments follows:

### Consolidated Results

Three months ended (in thousands of Canadian dollars)	June 30, 2009	March 31, 2009	June 30, 2008 Restated <sup>(a)</sup>
Revenue from continuing operations	<b>\$312,791</b>	<b>\$307,464</b>	\$295,118
Operating income from continuing operations	<b>\$53,178</b>	<b>\$50,434</b>	\$27,189
Operating margin	<b>17.0%</b>	<b>16.4%</b>	9.2%

(a) Restated for a change in accounting policy – refer to note 1 to the interim consolidated financial statements for the period ended June 30, 2009.

### Second Quarter 2009 versus Second Quarter 2008

Consolidated revenue from continuing operations for the second quarter of 2009 totaled \$312.8 million, an increase of \$17.7 million or 6%, compared to the second quarter of 2008. The increase was primarily a result of higher revenue in the Pipeline and Pipe Services segment, partially offset by a decrease in the Petrochemical and Industrial segment.

During the second quarter of 2009, the effect of foreign exchange fluctuations on the translation of foreign currency operating results had a favourable impact on revenue, operating income from continuing operations and net income of approximately \$25.1 million, \$7.2 million and \$3.8 million, respectively compared to the second quarter of 2008.

Operating income from continuing operations totaled \$53.2 million (17.0% of revenue from continuing operations) in the second quarter, representing a 95.6% increase over \$27.2 million (9.21% of revenue from continuing operations) achieved in the second quarter of 2008, with the improvement reflecting the increased revenue in the period together with improved operating margins in the Pipeline and Pipe Services segment.

Net income in the quarter totaled \$34.6 million (\$0.49 per share, diluted) compared to \$28.4 million (\$0.40 per share, diluted) in the second quarter of 2008, an increase of \$6.2 million or 21.8%. The improvement in earnings per share was primarily due to the increase in net income together with the benefit of the reduction in shares outstanding due to the repurchase of 602 thousand Class A Subordinate Voting shares under the Normal Course Issuer Bid (“NCIB”) over the preceding twelve months.

### Second Quarter 2009 versus First Quarter 2009

Consolidated revenue from continuing operations in the second quarter of 2009 was marginally higher than the results from the first quarter of 2009. The increase was primarily due to an increase in the Pipeline and Pipe Services segment, partially offset by the unfavourable impact of foreign exchange rate fluctuations.

During the second quarter of 2009, the effect of foreign exchange fluctuations on the translation of foreign currency operating results had an unfavourable impact on revenue, operating income from continuing operations and net income of approximately \$14.4 million, \$2.8 million and \$1.3 million, respectively, compared to the first quarter of 2009.

Operating income from continuing operations and net income in the second quarter of 2009 increased \$2.7 million or 5.4% and \$3.1 or 9.8%, respectively, compared to the first quarter of 2009, primarily due to the increase in consolidated revenue together with improved operating margins. The improvement in operating margins was as a result of greater manufacturing efficiencies and reduced manufacturing input costs, while net income was also favourably impacted by a lower effective income tax rate.

#### *First six months of 2009 versus First six months of 2008*

Consolidated revenue from continuing operations in the first six months of 2009 was \$620.3 million, compared to \$588.5 million in the first six months of 2008, an increase of \$31.8 million or 5.4%. The increase was primarily due to revenue of \$23.6 million in the first six months of 2009 that was not present in the first six months of 2008 related to the Flexpipe acquisition on June 27, 2008 and the favourable effect of foreign exchange fluctuations.

During the first six months of 2009, the effect of foreign exchange fluctuations on the translation of foreign currency operating results had a favourable impact on revenue, operating income from continuing operations and net income of approximately \$56.0 million, \$19.1 million and \$12.5 million, respectively compared to the first six months of 2008.

Operating income from continuing operations in the first six months of 2009 increased \$35.5 million or 52.1%, compared to the first six months of 2008. The increase was primarily due to the increase in revenue and improved operating margins, the result of greater manufacturing efficiencies and reduced manufacturing input costs.

Net income for the first six months of 2009 increased \$10.9 million or 19.8%, compared to the first six months of 2008, primarily due to the higher operating income, partially offset by higher interest costs and a higher effective income tax rate.

#### *Pipeline and Pipe Services*

Three months ended (in thousands of Canadian dollars)	<b>June 30, 2009</b>	March 31, 2009	June 30, 2008 Restated (a)
Revenue from continuing operations	<b>\$283,888</b>	\$279,951	\$258,984
Operating income from continuing operations	<b>\$58,853</b>	\$56,646	\$28,160
Operating margin	<b>20.7%</b>	20.2%	10.9%

(a) Restated for a change in accounting policy – refer to note 1 to the interim consolidated financial statements for the period ended June 30, 2009.

#### *Second Quarter 2009 versus Second Quarter 2008*

In the Pipeline and Pipe Services segment, revenue in the second quarter of 2009 totaled \$283.9 million and was \$24.9 million or 9.6% higher than in the second quarter of 2008, primarily due to an increase in revenue from Bredero Shaw and the inclusion of revenue from Flexpipe, which was acquired on June 27, 2008.

Revenue for Bredero Shaw in the second quarter of 2009 increased compared to the second quarter of 2008 with the favourable impact of the weaker Canadian dollar on the translation of the division's mainly U.S. dollar-based revenue as well as growth in the division's America's region offsetting a weakening of activity in the division's other regions. In the America's region, revenue in the second quarter of 2009 increased by 28% from the second quarter of 2008, mainly due to strong growth in Mexico and the commencement of the North East Offshore and Tobago pipeline projects in Trinidad, partially offset by a decrease in small diameter pipe coating activity in Western Canada and the United States, which declined by 72% and 43%, respectively. In the Asia Pacific region,

revenue in the second quarter of 2009 decreased 24.5% over the second quarter of the prior year as a result of project delays experienced at the division's plant in Kabil, Indonesia. In the Europe, Africa and Russia region, and in the Middle East region, revenue in the quarter was 55% and 41.6% lower, respectively, than in the second quarter of 2008, reflecting reduced pipe coating project activity in those regions.

Operating income from continuing operations in the quarter for the segment totaled \$58.8 million (20.7% of revenue from continuing operations) and increased 109.0% from \$28.1 million (10.9% of revenue from continuing operations) in the second quarter of 2008. The improvement resulted from higher revenue combined with an operating margin improvement of 9.7 percentage points reflecting improved manufacturing efficiencies associated with higher factory utilization, reduced material prices and a \$6.3 million reduction in fixed costs stemming from the reorganization of Bredero Shaw's Europe, Africa and Russia region.

#### *Second Quarter 2009 versus First Quarter 2009*

Revenue in the second quarter of 2009 in the Pipeline and Pipe Services segment was marginally higher than the levels achieved in the first quarter of 2009 as increases at Bredero Shaw and Shaw Pipeline Services of 8% and 33%, respectively were almost entirely offset by decreases at Flexpipe and Canusa-CPS.

Revenue in the quarter at Bredero Shaw increased mainly due to revenue relating to the Trinidad project, partially offset by lower small diameter pipe coating volumes in North America and the impact of the winding down of several large diameter pipe coating projects in the Middle East and Europe, Africa and Russia regions. Revenue in the quarter at Shaw Pipeline Services increased primarily due to increased offshore activity, partially offset by lower levels of U.S. land based activity. Revenue for Flexpipe decreased mainly as a result of lower demand for the division's small diameter composite pipe systems due to spring breakup in Western Canada and the build up of inventories of small diameter steel line pipe throughout North America following the dramatic decline in well completions. The decrease at Canusa-CPS was primarily due to a decrease in small diameter pipeline activity in Western Canada.

Operating income from continuing operations in the quarter was marginally higher than the level achieved in the prior quarter, primarily as a result of the increase in revenue in the second quarter of 2009. Operating margin in the second quarter of 2009 improved 0.5 percentage points when compared to the first quarter of 2009, reflecting improved factory utilization and continued reductions in manufacturing input costs.

#### **First six months of 2009 versus First six months of 2008**

Revenue in the first six months of 2009 in the Pipeline and Pipe Services segment was \$49.1 million or 9.5% higher than in the first six months of 2008. The increase was primarily due to the inclusion of revenue from Flexpipe, which was acquired on June 27, 2008, increased project activity at Bredero Shaw and the favourable impact of the weaker Canadian dollar on the translation of foreign currency operating results.

Operating income from continuing operations in the first six months of 2009 was \$115.5 million compared to \$66.4 million for the first six months of 2008, an increase of \$49.1 million or 74.0%. The increase was primarily due to the increase in revenue during the period and a 7.3 percentage point increase in operating margins, the result of improved operational efficiencies and a decrease in manufacturing input costs.

#### ***Petrochemical and Industrial***

Three months ended (in thousands of Canadian dollars)	<b>June 30, 2009</b>	March 31, 2009	June 30, 2008
Revenue from continuing operations	<b>\$30,100</b>	<b>\$29,318</b>	\$36,585
Operating income from continuing operations	<b>\$2,208</b>	<b>\$325</b>	\$5,316
Operating margin	<b>7.3%</b>	<b>1.1%</b>	14.5%

*Second Quarter 2009 versus Second Quarter 2008*

In the Petrochemical and Industrial segment, revenue in the second quarter of 2009 totaled \$30.1 million compared to \$36.6 million in the second quarter of 2008, a decrease of \$6.5 million or 17.7%. The decrease was due to reduced business activity levels at both DSG-Canusa and ShawFlex as a result of the significantly weaker demand in industrial and automotive markets in North America and Western Europe.

Operating income from continuing operations in the quarter for the segment totaled \$2.2 million (7.3% of revenue from continuing operations) compared to \$5.3 million (14.5% of revenue from continuing operations) in the second quarter of 2008 and reflected the impact of the lower revenue in the period.

*Second Quarter 2009 versus First Quarter 2009*

Revenue for the segment in the second quarter of 2009 increased 2.7% over levels in the first quarter of 2009 and reflected some improvement in business activity at DSG-Canusa and ShawFlex.

Operating income in the quarter increased \$1.8 million from the prior quarter reflecting the favourable impact on costs resulting from the restructuring of DSG-Canusa's European operations.

*First six months of 2009 versus First six months of 2008*

Revenue for the Petrochemical and Industrial segment in the first six months of 2009 was \$59.4 million compared to \$74.7 million for the first six months of 2008, a decrease of \$15.3 million or 20.5%. The decrease was mainly due to declines at both DSG-Canusa and ShawFlex reflecting the current global economic downturn, especially in the automotive industry. ShawFlex revenue was negatively impacted during the first six months of 2009 due to lower industry wire and cable prices as a result of the lower price of copper compared to the first six months of 2008.

Operating income in the first six months of 2009 was \$2.5 million and in the first six months of 2008 was \$11.4 million, a decrease of \$8.9 million or 78.1%. The decrease was primarily as a result of the decrease in revenue during the period and a 11.0 percentage point decrease in operating margins, resulting from the impact of lower revenue on factory utilization and an increase in fixed costs related to restructuring at DSG-Canusa.

***Financial and Corporate***

Financial and corporate costs consist of corporate office costs not charged to the operating divisions and other non-operating items including foreign exchange gains and losses on cash balances. Financial and corporate costs for the second quarter of 2009, before net foreign exchange losses of \$1.5 million, totaled \$6.3 million compared to \$5.4 million in the second quarter of 2008, before net foreign exchange losses of \$1.1 million. The increase in corporate costs reflects compensation and other costs associated with an increase in personnel active in the deployment of the Company's operational improvement programs.

***Net Interest Expense***

Net interest expense totaled \$1.6 million in the second quarter of 2009, compared to \$895 thousand in the second quarter of 2008, an increase of \$705 thousand, primarily due to lower cash balances compared to the second quarter of 2008 as a result of the Flexpipe acquisition on June 27, 2008 and cash employed to repurchase shares under the NCIB and pay dividends totaling \$36.5 million over the twelve month period.

***Income Taxes***

Income tax expense related to continuing operations in the second quarter of 2009 was \$17.2 million, an effective rate of 33.5%, compared to \$8.3 million or an effective rate of 31.6% in the second quarter of 2008 and \$17.3

million, an effective rate of 35.4%, in the first quarter of 2009. The effective tax rate in the second quarter of 2009 was higher than the Company's expected tax rate of 31%, primarily as a result of foreign withholding taxes on inter-corporate dividends and the impact of certain costs which are not deductible for income tax purposes.

### **Cash Flow**

Cash provided by continuing operating activities in the second quarter of 2009 totaled \$58.1 million, compared to \$66.0 million in the second quarter of 2008 and \$38.7 million in the first quarter of 2009 with the changes reflecting the changes in income from continuing operations as well as the movement in net working capital. During the quarter, the change in non-cash working capital and foreign exchange was a decrease of \$5.6 million, with reduced accounts receivable, inventory, prepaid project expenses and higher taxes payable, partially offset by lower accounts payable and deferred revenue.

Cash used in continuing investing activities in the second quarter of 2009 totaled \$10.6 million, compared to \$14.0 million in the first quarter of 2009 and \$145.4 million in the second quarter of 2008, and was comprised of capital expenditures on property, plant and equipment of \$6 million and a long-term notes receivable of \$4.2 million advanced to an unrelated party to support the construction of port facilities for the Bredero Shaw plant in Kabil, Indonesia. The expanded port facilities are necessary to support major international pipeline projects that are anticipated to occur in the region over the next few years.

Cash used in continuing financing activities in the second quarter of 2009 totaled \$51.6 million, compared to \$18.7 million last quarter and cash provided by continuing financing activities of \$59.4 million in the second quarter of 2008, and consisted of dividends paid to shareholders of \$22.9 million and the repayment of the Senior Notes of \$28.7 million.

### **Other Comprehensive Loss**

Other comprehensive loss in the quarter totaled \$28.8 million and was comprised of an unrealized foreign currency translation loss, net of hedging activities, primarily due to the favourable impact of foreign exchange fluctuations and a gain on foreign exchange related to the \$28.7 million repayment on the Senior Notes transferred to net income in the current quarter.

### **Liquidity and Capitalization**

At June 30, 2009, the Company recorded a working capital ratio (the ratio of current assets to current liabilities) of 1.85 to 1 compared to 1.65 to 1 at December 31, 2008. Operating working capital, excluding cash and cash equivalents, bank indebtedness, the current portion of long-term debt, current future taxes and working capital of discontinued operations, decreased \$17.8 million during the quarter to \$176.4 million, reflecting lower accounts receivables and inventory levels.

### **Change in Accounting Policies**

The following are changes in the Company's accounting policies which came into effect in the first quarter of 2009:

*a) Goodwill and Intangible Assets*

On January 1, 2009, the Company adopted CICA Handbook section 3064, *Goodwill and Intangible Assets*. Also as of this date, as is required on adoption of this section, the Company no longer applies Emerging Issues Committee Abstract EIC-27, *Revenues and Expenditures During the Pre-operating Period*. As required, this accounting standard has been adopted retrospectively with restatement of prior year figures. The following adjustments were made to the Company's consolidated financial statements as a result of adopting this accounting standard:

## Change in Consolidated Balance Sheets:

(in thousands of Canadian dollars)	As at Dec. 31, 2008	As at Dec. 31, 2007
Increase in inventories	\$ 1,678	\$ 2,501
Decrease in other assets	(3,285)	(5,067)
Increase in future taxes	484	770
Decrease in total assets	<u>\$ (1,123)</u>	<u>\$ (1,796)</u>
Future income taxes	\$ -	\$ -
Decrease in retained earnings	(1,123)	(1,796)
Decrease in total liabilities and shareholders' equity	<u>\$ (1,123)</u>	<u>\$ (1,796)</u>

## Change in Consolidated Statement of Income:

(in thousands of Canadian dollars)	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Increase in cost of goods sold	\$ 6,260	\$ 6,560
Decrease in income taxes	(1,878)	(1,968)
Decrease in income from continuing operations	<u>\$ 4,382</u>	<u>\$ 4,592</u>
Decrease in net income	<u>\$ 4,382</u>	<u>\$ 4,592</u>

## Earnings per share

Basic			
Continuing operations	\$ (0.06)	\$ (0.06)	
Total	\$ (0.06)	\$ (0.06)	
Diluted			
Continuing operations	\$ (0.06)	\$ (0.06)	
Total	\$ (0.06)	\$ (0.06)	

The following is a description of the revised accounting policy adopted by the Company as a result of implementing this accounting change:

Costs incurred in the mobilization of project-specific plants for fixed term projects are included in work-in-process inventories and are charged to costs of goods sold on a percentage-of-completion basis. Such costs are to be included in inventories only if incurred after the Company is awarded the project and if directly related to the performance of the contract.

*b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

On January 1, 2009, the Company adopted EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The adoption of this accounting standard had no effect on the Company's consolidated financial statements.

### International Financial Reporting Standards

During 2008, the AcSB confirmed that publicly accountable enterprises, including the Company, will be required to adopt International Financial Reporting Standards ("IFRS") in place of Canadian Generally Accepted Accounting Principles ("GAAP") for interim and annual reporting purposes. The required changeover date is for fiscal years beginning on or after January 1, 2011.

The Company has commenced the process to transition to IFRS and has developed a project plan, which was described in the Company's 2008 Annual Report to Shareholders.

The Company is currently engaged in the solution development phase of the project, which involves the training of project team members and the development of new IFRS accounting policies and implementation guidance. This phase of the project is expected to be completed by the end of the fourth quarter of 2009.

During the implementation phase, the Company will execute the changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting that will be required to implement IFRS. This phase of the project is expected to be completed by the end of the second quarter of 2010.

At this time, the impact on the Company's consolidated financial statements is not reasonably determinable.

### Financial Instruments

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at June 30, 2009:

<u>(in thousands)</u>		<u>June 30, 2009</u>
<b>U.S. dollars sold for Canadian dollars</b>		
Less than one year	<b>US\$</b>	<b>12,000</b>
Weighted-average rate		<b>1.1544</b>
<b>Euros sold for U.S. dollars</b>		
Less than one year	<b>Euro</b>	<b>2,150</b>
Weighted-average rate		<b>1.4490</b>
One year to two years	<b>Euro</b>	<b>2,200</b>
Weighted-average rate		<b>1.4465</b>

As of June 30, 2009, the Company had notional amounts of \$20.8 million of forward contracts outstanding (\$25.5 million as of December 31, 2008) with the fair value of the Company's net benefit from all foreign exchange forward contracts totaling \$128 thousand (\$1.5 million, net obligation, as of December 31, 2008).

### Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities 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 were materially unchanged during the quarter, as compared to those disclosed in the Company's last annual MD&A contained in the Company's 2008 Annual Report.

### 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 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 are included in the annual MD&A contained in the Company's 2008 Annual Report.

## Contractual Obligations

There were no material changes to the Company's contractual obligations during the quarter, other than those that would be expected in the ordinary course of business.

## Summary of Quarterly Results

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

(in thousands of Canadian dollars except per share amounts)	First	Second	Third	Fourth	Full Year
<b>Revenue</b> (Restated – see note below)					
<b>2009</b>	\$ 307,464	\$ 312,791	\$ -	\$ -	\$ -
2008	293,357	295,118	357,249	433,853	1,379,577
2007	221,329	276,440	264,892	285,438	1,048,099
<b>Operating income from continuing operations</b> (Restated – see note below)					
<b>2009</b>	50,434	53,178	-	-	-
2008	40,919	27,189	52,315	75,588	196,011
2007	27,074	39,764	52,149	43,081	162,068
<b>Income from continuing operations</b> (Restated – see note below)					
<b>2009</b>	31,520	34,343	-	-	-
2008	26,952	17,825	33,962	56,013	134,752
2007	22,679	25,177	34,845	36,565	119,266
<b>Income (loss) from discontinued operations</b> (Restated – see note below)					
<b>2009</b>	21	293	-	-	-
2008	(69)	10,553	(82)	609	11,011
2007	(55)	(48)	(59)	(30,300)	(30,462)
<b>Net income</b> (Restated – see note below)					
<b>2009</b>	31,541	34,636	-	-	-
2008	26,852	28,378	33,880	56,623	145,733
2007	22,624	25,129	34,786	6,265	88,804
<b>Operating income from continuing operations per share (Classes A and B)</b> (Restated – see note below)					
<b>Basic</b>					
<b>2009</b>	0.72	0.76	-	-	-
2008	0.57	0.38	0.74	1.07	2.76
2007	0.37	0.55	0.73	0.60	2.23
<b>Diluted</b>					
<b>2009</b>	0.72	0.76	-	-	-
2008	0.57	0.38	0.73	1.07	2.74
2007	0.36	0.54	0.72	0.59	2.21

(in thousands of Canadian dollars except per share amounts)

	First	Second	Third	Fourth	Full Year
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**Income from continuing operations per share (Classes A and B)** (Restated – see note below)

**Basic**

<b>2009</b>	<b>0.45</b>	<b>0.49</b>	-	-	-
2008	0.38	0.25	0.48	0.79	1.90
2007	0.31	0.35	0.49	0.51	1.64

**Diluted**

<b>2009</b>	<b>0.45</b>	<b>0.49</b>	-	-	-
2008	0.37	0.25	0.47	0.78	1.88
2007	0.30	0.34	0.48	0.51	1.62

**Income (loss) from discontinued operations per share (Classes A and B)** (Restated – see note below)

**Basic**

<b>2009</b>	<b>0.00</b>	<b>0.00</b>	-	-	-
2008	0.00	0.15	0.00	0.01	0.16
2007	0.00	0.00	0.00	(0.42)	(0.42)

**Diluted**

<b>2009</b>	<b>0.00</b>	<b>0.00</b>	-	-	-
2008	0.00	0.15	0.00	0.01	0.15
2007	0.00	0.00	0.00	(0.42)	(0.41)

**Net income per share (Classes A and B)** (Restated – see note below)

**Basic**

<b>2009</b>	<b>0.45</b>	<b>0.49</b>	-	-	-
2008	0.38	0.40	0.48	0.80	2.06
2007	0.31	0.35	0.49	0.09	1.22

**Diluted**

<b>2009</b>	<b>0.45</b>	<b>0.49</b>	-	-	-
2008	0.37	0.40	0.47	0.79	2.03
2007	0.30	0.34	0.48	0.09	1.21

*Note: Quarterly revenue and operating income from continuing operations figures have been restated to reflect the change in accounting policy for deferred project costs adopted in the first quarter of 2009. Refer to note 1 to the interim consolidated financial statements for the quarter ended June 30, 2009.*

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

The Company's operations in the Pipeline and Pipe Services segment, representing more than 90% 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.

### **Outstanding Share Capital**

As at July 28, 2009, the Company had 57,389,017 Class A Subordinate Voting Shares outstanding and 13,060,209 Class B Multiple Voting Shares outstanding. Each Class B share is convertible into a Class A share at the option of the holder. In addition, as at July 28, 2009, the Company had stock options outstanding to purchase up to 2,907,386 Class A shares.

### **Management's Health, Safety and Environmental Commitment**

The Company is committed to providing a safe and healthy workplace and ensuring that all business activities are conducted in a manner that protects the environment. This commitment includes designing and operating its plants and individual processes in compliance with applicable government requirements regulating the discharge of substances into the environment or otherwise relating to the protection of the environment. The Company's program for health, safety and environmental management is further described in the Company's Annual Information Form under Health, Safety, and Environmental Policy.

### **Outlook**

The Company's international business continues to be strong and includes several major projects that are currently being executed. These include the Kumang Cluster and Gumusut projects in Asia and the NEO project in Trinidad. Bidding activity remains high and the Company continues to pursue several large offshore pipe coating projects. These projects, if awarded to the Company, could generate significant revenues. The Company's consolidated order backlog at June 30, 2009, representing the value of firm customer purchase orders expected to be completed within one year, totaled \$301.5 million, 25.1% lower than at the beginning of the quarter. Due to project timing, the Company expects that revenue will soften in the fourth quarter.

On a full year basis, the Company's current outlook is for pipeline activity to decline marginally from the levels experienced in 2008 with full year 2009 consolidated revenues for the Company expected to be slightly below the record levels achieved in the prior year. However, the Company expects that operating margins in 2009 will meet or exceed those achieved in 2008 as a result of several initiatives including programs to reduce costs and improve efficiencies.

### **Forward Looking Information**

This document includes certain statements that reflect management's expectations and objectives for ShawCor's future performance, opportunities and growth which constitute forward-looking information under applicable securities laws. Such statements, except to the extent that they contain historical facts, are forward-looking and accordingly involve 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. These statements are based on assumptions, estimates and analysis made by ShawCor 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. Although ShawCor believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions in light of currently available information, ShawCor can give no assurance that such expectations will be achieved.

Forward-looking statements involve known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted, expressed or implied by the forward-looking statements. Significant risks facing ShawCor 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; political, economic and other risks arising from ShawCor's international operations; compliance with environmental, trade and other laws;

liability claims; fluctuations in foreign exchange rates; fluctuations in prices of raw materials, as well as other risks and uncertainties.

Other information relating to the Company, including its Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

ShawCor will be hosting a Shareholder and Analyst conference call and webcast on August 6, 2009 at 10:00 am ET to discuss the Company's second quarter 2009 financial results. Please visit our website at [www.shawcor.com](http://www.shawcor.com) for future details.

For further information, please contact:

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**SHAWCOR LTD.**  
**INTERIM FINANCIAL INFORMATION (Unaudited)**  
(in thousands of Canadian dollars except per share data)

**CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008 Restated-note 1	2009	2008 Restated-note 1
Revenue	\$ 312,791	\$ 295,118	\$ 620,255	\$ 588,475
Cost of goods sold	184,039	201,284	367,988	389,238
Gross profit	128,752	93,834	252,267	199,237
Selling, general and administrative expenses (notes 2 and 3)	56,174	50,634	111,769	103,642
Amortization of property, plant and equipment	14,653	13,182	29,795	26,125
Amortization of intangible assets	1,095	-	2,190	-
Foreign exchange losses (gains)	1,556	1,106	185	(2,039)
Research and development expenses	2,096	1,723	4,716	3,401
Operating income from continuing operations	53,178	27,189	103,612	68,108
Interest income on short-term deposits	81	610	316	2,062
Interest expense on bank indebtedness	(404)	(315)	(975)	(671)
Interest expense on long-term debt	(1,249)	(1,190)	(2,576)	(2,373)
Income before income taxes and non-controlling interest	51,606	26,294	100,377	67,126
Income taxes	17,263	8,313	34,514	22,653
Income before non-controlling interest	34,343	17,981	65,863	44,473
Non-controlling interest	-	(156)	-	273
Income from continuing operations	34,343	17,825	65,863	44,746
Income from discontinued operations (note 4)	293	10,553	314	10,484
Net income	\$ 34,636	\$ 28,378	\$ 66,177	\$ 55,230
Earnings per shares (note 19)				
Basic				
Continuing operations	\$ 0.49	\$ 0.25	\$ 0.94	\$ 0.63
Discontinued operations	-	0.15	-	0.15
Total	\$ 0.49	\$ 0.40	\$ 0.94	\$ 0.78
Diluted				
Continuing operations	\$ 0.49	\$ 0.25	\$ 0.93	\$ 0.62
Discontinued operations	-	0.15	-	0.15
Total	\$ 0.49	\$ 0.40	\$ 0.93	\$ 0.77

**SEGMENTED INFORMATION**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008 Restated-note 1	2009	2008 Restated-note 1
Revenue				
Pipeline and Pipe Services	\$ 283,888	\$ 258,984	\$ 563,839	\$ 514,778
Petrochemical and Industrial	30,100	36,585	59,418	74,722
Intersegment Eliminations	(1,197)	(451)	(3,002)	(1,025)
	\$ 312,791	\$ 295,118	\$ 620,255	\$ 588,475
Income (loss) from operations				
Pipeline and Pipe Services	\$ 58,853	\$ 28,160	\$ 115,499	\$ 66,368
Petrochemical and Industrial	2,208	5,316	2,533	11,391
Financial and Corporate	(7,883)	(6,287)	(14,420)	(9,651)
	\$ 53,178	\$ 27,189	\$ 103,612	\$ 68,108

**SHAWCOR LTD.**  
**INTERIM FINANCIAL INFORMATION (Unaudited)**  
**(in thousands of Canadian dollars)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008 Restated-note 1	2009	2008 Restated-note 1
Operating activities:				
Income from continuing operations	\$ 34,343	\$ 17,825	\$ 65,863	\$ 44,746
Items not requiring an outlay of cash:				
Amortization of property, plant and equipment	14,653	13,182	29,795	26,125
Amortization of intangible assets	1,095	-	2,190	-
Amortization of transaction costs	112	110	222	220
Asset retirement obligation expense (note 10)	672	666	2,460	1,732
Stock-based compensation (note 2)	774	806	1,622	1,693
Future income taxes	1,087	3,469	1,650	(265)
Loss on disposal of property, plant and equipment	189	112	333	103
Gain on short-term investments	(1,129)	-	(1,129)	-
Impairment of available-for-sale financial assets	-	-	336	1,498
Non-controlling interest in earnings of subsidiaries	-	156	-	(273)
Gain on disposal of subsidiary	-	(1,063)	-	(1,063)
Settlement of asset retirement obligations (note 10)	(17)	(415)	(1,964)	(1,374)
Change in employee future benefits	730	866	1,815	1,632
Change in non-cash working capital and foreign exchange	5,566	30,326	(6,373)	(20,303)
Cash provided by continuing operating activities	<u>58,075</u>	<u>66,040</u>	<u>96,820</u>	<u>54,471</u>
Investing activities:				
Purchases of property, plant and equipment	(6,031)	(26,653)	(20,174)	(38,914)
Proceeds on disposal of property, plant and equipment	7	-	105	32
Acquisition of subsidiaries (note 21)	-	(124,376)	-	(124,376)
Increase in long-term notes receivable	(4,248)	-	(4,248)	-
Proceeds on disposal of subsidiaries	-	5,635	-	5,635
Cash used in continuing investing activities	<u>(10,272)</u>	<u>(145,394)</u>	<u>(24,317)</u>	<u>(157,623)</u>
Financing activities:				
Increase (decrease) in bank indebtedness	(482)	62,961	(14,729)	62,970
Repayment of long-term debt	(28,705)	-	(28,705)	-
Issue of shares (note 11)	456	976	485	1,435
Purchase of shares for cancellation	-	-	-	(12,642)
Dividends paid to shareholders	(22,855)	(4,533)	(27,355)	(8,548)
Cash provided by (used in) continuing financing activities	<u>(51,586)</u>	<u>59,404</u>	<u>(70,304)</u>	<u>43,215</u>
Foreign exchange on foreign cash and cash equivalents	(4,437)	(1,225)	(3,916)	4,493
Net cash used in continuing operations	(8,220)	(21,175)	(1,717)	(55,444)
Net cash provided by discontinued operations (note 4)	789	2,676	677	3,936
Cash and cash equivalents at beginning of period	<u>85,323</u>	<u>142,008</u>	<u>78,932</u>	<u>175,017</u>
Cash and cash equivalents at end of period	<u>\$ 77,892</u>	<u>\$ 123,509</u>	<u>\$ 77,892</u>	<u>\$ 123,509</u>

**SHAWCOR LTD.**  
**INTERIM FINANCIAL INFORMATION (Unaudited)**  
**(in thousands of Canadian dollars)**

**CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2009</b>	December 31, 2008 Restated-Note 1
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 5)	\$ 77,892	\$ 78,932
Short-term investments	1,129	-
Accounts receivable	260,489	307,933
Taxes receivable	11,363	9,261
Inventories	138,595	152,284
Prepaid expenses	15,844	14,635
Derivative financial instruments	548	523
Current future income taxes	2,972	3,532
Current assets of discontinued operation (note 4)	11,509	12,256
	<u>520,341</u>	<u>579,356</u>
Property, plant and equipment, net	291,840	307,735
Goodwill	223,146	229,549
Intangible assets (note 6)	64,962	66,452
Future income taxes	30,702	31,173
Derivative financial instruments	105	-
Other assets (note 7)	14,859	13,024
	<u>\$ 1,145,955</u>	<u>\$ 1,227,289</u>
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness (note 8)	\$ 689	\$ 15,418
Accounts payable and accrued liabilities	159,032	193,675
Taxes payable	58,502	53,405
Derivative financial instruments	524	2,049
Deferred revenues	33,471	54,692
Current portion of long-term debt	28,755	30,672
Current liabilities of discontinued operation (note 4)	71	455
	<u>281,044</u>	<u>350,366</u>
Long-term debt	28,466	60,554
Future income taxes	74,768	73,939
Other non-current liabilities (note 9)	9,840	9,978
	<u>394,118</u>	<u>494,837</u>
<b>Shareholders' Equity</b>		
Capital stock (note 11)	202,734	202,073
Contributed surplus (note 12)	15,958	14,512
Retained earnings	640,229	601,407
Accumulated other comprehensive loss (note 13)	(107,084)	(85,540)
	<u>751,837</u>	<u>732,452</u>
	<u>\$ 1,145,955</u>	<u>\$ 1,227,289</u>

**SHAWCOR LTD.**  
**INTERIM FINANCIAL INFORMATION (Unaudited)**  
(in thousands of Canadian dollars)

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	2008 Restated-note 1	<b>2009</b>	2008 Restated-note 1
Balance at beginning of period	\$ 628,448	\$ 499,642	\$ 601,407	\$ 489,836
Transitional adjustment (note 1)	-	-	-	(1,796)
Adjusted balance at beginning of year	<u>628,448</u>	<u>499,642</u>	<u>601,407</u>	<u>488,040</u>
Net income	<u>34,636</u>	<u>28,378</u>	<u>66,177</u>	<u>55,230</u>
	<u>663,084</u>	<u>528,020</u>	<u>667,584</u>	<u>543,270</u>
Excess of purchase price paid over stated value of shares (note 11)	-	-	-	(11,235)
Dividends declared	(22,855)	(4,533)	(27,355)	(8,548)
Balance at end of period	<u>\$ 640,229</u>	<u>\$ 523,487</u>	<u>\$ 640,229</u>	<u>\$ 523,487</u>

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	2008 Restated-note 1	<b>2009</b>	2008 Restated-note 1
Net income	\$ 34,636	\$ 28,378	\$ 66,177	\$ 55,230
Other comprehensive income (loss), net of income taxes:				
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	(33,438)	1,197	(25,552)	23,300
Loss on translating financial statements of self-sustaining foreign operations transferred to net income in the current period	678	-	678	-
Gain (loss) on hedges of unrealized foreign currency translation	4,215	1,060	3,488	(2,218)
Income tax benefit (expense)	(282)	-	(158)	-
Unrealized foreign currency translation gain, net of hedging activities	<u>(28,827)</u>	<u>2,257</u>	<u>(21,544)</u>	<u>21,082</u>
Unrealized loss on available-for-sale financial assets arising during the period	-	-	(336)	(911)
Unrealized loss on available-for-sale financial assets transferred to net income in the current period	-	-	336	1,498
Income tax expense transferred to net income in the period	-	-	-	253
Change in unrealized loss on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>840</u>
Gain on derivatives designated as cash flow hedges	-	-	-	-
Income tax expense	-	-	-	-
Gain on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	-	-	-	(1,508)
Income tax expenses transferred to net income in the current period	-	-	-	512
Change in loss on derivatives designated as cash flow hedges	<u>-</u>	<u>-</u>	<u>-</u>	<u>(996)</u>
	<u>(28,827)</u>	<u>2,257</u>	<u>(21,544)</u>	<u>20,926</u>
Comprehensive income	<u>\$ 5,809</u>	<u>\$ 30,635</u>	<u>\$ 44,633</u>	<u>\$ 76,156</u>

## ShawCor Ltd.

### Notes to the Consolidated Financial Statements (Unaudited)

(in thousands of Canadian Dollars, except per share amounts, unless otherwise stated)

#### 1. Accounting policies

The accompanying unaudited interim consolidated financial statements of ShawCor Ltd. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for the preparation of interim financial statements. They do not include all of the information and disclosures required by GAAP for annual consolidated financial statements. Except as noted below, these unaudited interim consolidated financial statements have been prepared in accordance with accounting policies outlined in the Company's audited consolidated financial statements for the year ended December 31, 2008. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements.

##### a) Goodwill and Intangible Assets

On January 1, 2009, the Company adopted CICA Handbook section 3064, Goodwill and Intangible Assets. Also as of this date, as is required on adoption of this section, the Company no longer applies Emerging Issues Committee Abstract EIC-27, Revenues and Expenditures during the Pre-operating Period. As required, this accounting standard has been adopted retrospectively with restatement of prior year figures. The following adjustments were made to the Company's consolidated financial statements as a result of adopting this accounting standard:

##### Change in Consolidated Balance Sheets:

	As at December 31, 2008	As at December 31, 2007
Increase in inventories	\$ 1,678	\$ 2,501
Decrease in other assets	(3,285)	(5,067)
Increase in future taxes	484	770
Decrease in total assets	<u>\$ (1,123)</u>	<u>\$ (1,796)</u>
Future income taxes	\$ -	\$ -
Decrease in retained earnings	(1,123)	(1,796)
Decrease in total liabilities and shareholders' equity	<u>\$ (1,123)</u>	<u>\$ (1,796)</u>

##### Change in Consolidated Statement of Income:

Increase in cost of goods sold	\$ 6,260	\$ 6,560
Decrease in income taxes	(1,878)	(1,968)
Decrease in income from continuing operations	<u>\$ 4,382</u>	<u>\$ 4,592</u>
Decrease in net income	<u>\$ 4,382</u>	<u>\$ 4,592</u>

##### Earnings per share

###### Basic

Continuing operations	\$ (0.06)	\$ (0.06)
Total	\$ (0.06)	\$ (0.06)

###### Diluted

Continuing operations	\$ (0.06)	\$ (0.06)
Total	\$ (0.06)	\$ (0.06)

Three Months	Six Months
Ended,	Ended,
June 30, 2008	June 30, 2008

The following is a description of the revised accounting policy adopted by the Company as a result of implementing this accounting change:

Costs incurred in the mobilization of project-specific plants for fixed term projects are included in work-in-process inventories and are charged to costs of goods sold on a percentage-of-completion basis. Such costs are to be included in inventories only if incurred after the Company is awarded the project and if directly related to the performance of the contract.

*b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

On January 1, 2009, the Company adopted EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The adoption of this accounting standard had no effect on the Company's consolidated financial statements.

## 2. Stock-based compensation

The Board of Directors approved the granting of 490,200 stock options on February 24, 2009 and 20,000 on March 12, 2009 under the 2001 Employee Plan. The total fair value of the stock options granted during the six months ended June 30, 2009 was \$2.6 million (2008 - \$4.1 million) and the weighted average fair value of the options was \$5.58 (2008 - \$10.54), calculated using the Black-Scholes pricing model with the following assumptions:

	<u>2009</u>	<u>2008</u>
Expected life of options	6.25 years	6.25 years
Expected stock price volatility	34.68%	29.30%
Expected dividend yield	1.55%	0.75%
Risk-free interest rate	2.38%	3.68%

The fair value of options granted under the 2001 Employee Plan will be amortized to compensation expense over the 5 year vesting period of options. The compensation cost from the continuing amortization of granted stock options for the three and six months ended June 30, 2009, included in selling, general and administrative ("SG&A") expenses, was \$774 thousand and \$1.6 million, respectively (\$806 thousand and \$1.7 million, for the three and six months ended June 30, 2008, respectively).

## 3. Employee future benefits

The Company's cost under both defined benefit and defined contribution arrangements included in selling, general and administrative expenses for the three and six months ended June 30, 2009 was \$2.1 million and \$4.9 million, respectively (\$2.4 million and \$4.8 million, for the three and six months ended June 30, 2008, respectively).

## 4. Discontinued operations

On November 2, 2004, the Company announced its decision to close the Mobile, Alabama pipe coating facility (the "Mobile Facility") and by December 31, 2005, operations at the Mobile Facility had ceased. The Company adopted discontinued operation accounting treatment for the Mobile Facility in 2005. The Mobile Facility was part of the Pipeline and Pipe Services market segment.

The following table summarizes the financial results and cash flows from discontinued operations for the three and six months ended June 30, 2009 and 2008 and the asset and liabilities as of those dates:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
Revenue	\$ -	\$ -	\$ -	\$ -
Income (loss) from operations	<b>293</b>	17,156	<b>314</b>	17,087
Interest expense	-	-	-	-
Income (loss) from discontinued operations before income taxes	<b>293</b>	17,156	<b>314</b>	17,087
Income tax recovery (expense)	-	(6,603)	-	(6,603)
Income (loss) from discontinued operations	<b>\$ 293</b>	<b>\$ 10,553</b>	<b>\$ 314</b>	<b>\$ 10,484</b>
Cash flow used in operating activities	\$ <b>789</b>	\$ 2,676	\$ <b>677</b>	\$ 3,936
Cash flow from (used in) investing activities	-	-	-	-
Cash flow used in operating activities	<b>\$ 789</b>	<b>\$ 2,676</b>	<b>\$ 677</b>	<b>\$ 3,936</b>
Current assets			\$ <b>11,509</b>	\$ 9,785
Property, plant and equipment, net			\$ -	\$ -
Current liabilities			\$ <b>71</b>	\$ 38,198

## 5. Cash and cash equivalents

	<b>June 30, 2009</b>	December 31, 2008
Cash	\$ <b>77,892</b>	\$ 78,932
Cash equivalents	-	-
	<b>\$ 77,892</b>	<b>\$ 78,932</b>

## 6. Intangible assets

	<b>June 30, 2009</b>	December 31, 2008 Restated - note 1
Cost		
Intellectual property with limited life	\$ <b>57,576</b>	\$ 57,576
Intangible assets with limited life	<b>9,547</b>	8,847
Intangible assets with indefinite life	<b>1,931</b>	1,931
	<b>\$ 69,054</b>	<b>\$ 68,354</b>
Accumulated amortization	<b>4,092</b>	1,902
	<b>\$ 64,962</b>	<b>\$ 66,452</b>

Intellectual property represents the costs of certain technology and know-how and patents obtained in acquisitions. Intangible assets include trademarks, brand names and customer relationships obtained in acquisitions.

## 7. Other assets

	<u>June 30, 2009</u>	December 31, 2008 <u>Restated - note 1</u>
Long-term investment	\$ 24	\$ 360
Long-term prepaid expenses	5,314	5,931
Long-term notes receivable	4,248	-
Accrued employee future benefit asset	5,273	6,733
	<u>\$ 14,859</u>	<u>\$ 13,024</u>

Long-term investment as of June 30, 2009 represents an investment in Garneau Inc., a Canadian-based, publicly traded pipe coating company. The Company has reviewed the 2008 financial performance of Garneau, as outlined in its public filings, and the protracted decline in its share price and has concluded that the decrease in fair value, based on quoted market prices, of the investment from original cost is other than temporary. The Company has recorded a charge to SG&A expense, in the financial and corporate segment, during the three and six months ended June 30, 2009 of \$nil and \$336 thousand, respectively (\$nil and \$1.5 million for the three and six months ended June 30, 2008, respectively).

Long-term notes receivable as of June 30, 2009 relates to amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia.

## 8. Bank indebtedness and long-term debt

As of June 30, 2009, the Company had total operating credit lines of \$275.5 million (\$293.5 million as of December 31, 2008), of which \$74.5 million has been drawn for various standby letters of credit for performance, bid and surety bonds (\$81.5 million as of December 31, 2008), to yield unutilized credit facilities of \$201.0 million (\$198.0 million as of December 31, 2008), excluding the Company's proportionate share of the bank indebtedness of its joint venture, Arabian Pipecoating Company Limited of \$689 thousand (\$15.4 million as of December 31, 2008).

Under the terms of the Company's 5.11% Senior Notes ("Senior Notes"), the Company is required to repay the Senior Notes in three equal annual installments of USD\$25 million. On June 30, 2009, the Company made the first repayment of \$28.7 million ("Repayment") using the current exchange rate. As at June 30, 2009, \$57.1 million was outstanding under the Senior Notes, of which \$28.8 has been reclassified as current portion of long-term debt. The Repayment was funded by USD\$25.0 million that was permanently repatriated from the Company's U.S. dollar based operations ("Repatriation"). The Repatriation gave rise to a net foreign exchange loss of \$678 thousand and was transferred from accumulated other comprehensive income to the consolidated statement of income during the second quarter of 2009.

## 9. Other non-current liabilities

	<u>June 30, 2009</u>	December 31, 2008 <u>Restated - note 1</u>
Non-current asset retirement obligations (note 10)	\$ 6,187	\$ 6,680
Accrued employee future benefit obligations	3,653	3,298
	<u>\$ 9,840</u>	<u>\$ 9,978</u>

**10. Assets retirement obligations**

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Balance, at beginning of year	\$ 22,606	\$ 14,082
Liabilities settled in year	(1,964)	(891)
Liabilities incurred in year	1,208	8,675
Revisions to cash flow estimates	673	-
Accretion expense	579	703
Translation of self-sustaining foreign operations	356	37
	<u>\$ 23,458</u>	<u>\$ 22,606</u>

Asset retirement obligations are included in the consolidated balance sheets as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Accounts payable and accrued liabilities	\$ 17,271	\$ 15,926
Other non-current liabilities	6,187	6,680
	<u>\$ 23,458</u>	<u>\$ 22,606</u>

The total undiscounted cash flows which are estimated to be required to settle all asset retirement obligations is \$26.4 million (\$24.0 million as of December 31, 2008) and the credit-adjusted risk-free rates at which the estimated cash flows have been discounted range between 5.11% and 7.0%.

**11. Capital stock**

The following shares were outstanding as of June 30, 2009 and December 31, 2008:

Balance, beginning of the period	57,358,537	58,234,570
Issued - stock options	30,480	113,234
Conversions Class B to Class A	-	17,933
Purchase - normal course issuer bid	-	(1,007,200)
Balance, end of the period	<u>57,389,017</u>	<u>57,358,537</u>
Number of shares: Class B	<u>13,060,209</u>	<u>13,060,209</u>
Total number of shares	<u>70,449,226</u>	<u>70,418,746</u>

**Stated value:**

Balance, beginning of the period	\$ 201,070	\$ 202,248
Issued - stock options	485	1,763
Conversions Class B to Class A	-	1
Purchase - normal course issuer bid	-	(3,518)
Compensation cost on exercised options	176	576
Balance, end of the period	<u>201,731</u>	<u>201,070</u>
Stated value: Class B	<u>1,003</u>	<u>1,003</u>
Total stated value	<u>\$ 202,734</u>	<u>\$ 202,073</u>

During the six months ended June 30, 2009, the Company repurchased and cancelled nil Class A Subordinated Voting Shares (405,000 during the six months ended June 30, 2008) under the terms of a Normal Course Issuer Bid. The excess of cost over stated capital of the acquired shares, which for the six months ended June 30, 2009 totaled \$nil (\$11.2 million for the six months ended June 30, 2008), was charged to retained earnings.

## 12. Contributed surplus

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Balance, beginning of period	\$ 15,351	\$ 12,415	\$ 14,512	\$ 11,729
Stock compensation expense (note 2)	774	806	1,622	1,693
Fair value of stock options exercised	(167)	(297)	(176)	(498)
Balance, end of period	<u>\$ 15,958</u>	<u>\$ 12,924</u>	<u>\$ 15,958</u>	<u>\$ 12,924</u>

## 13. Accumulated other comprehensive loss

	June 30, 2009	December 31, 2008
Unrealized foreign currency translation losses, net of hedging activities	\$ (107,084)	\$ (85,540)
Unrealized loss on available-for-sale financial asset	-	-
Gain on derivatives designated as cash flow hedges	-	-
	<u>\$ (107,084)</u>	<u>\$ (85,540)</u>

## 14. Stock option plans

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

	June 30, 2009		December 31, 2008	
	Total Shares	Weighted Average Exercise Price	Total Shares	Weighted Average Exercise Price
Balance outstanding, beginning of period	2,470,466	\$ 19.14	2,173,980	\$ 17.24
Granted	510,200	15.58	428,600	30.03
Exercised	(30,480)	15.93	(113,234)	15.56
Forfeited	(42,800)	21.32	(16,880)	19.24
Expired	-	-	(2,000)	15.94
Balance outstanding, end of period	<u>2,907,386</u>	<u>\$ 18.85</u>	<u>2,470,466</u>	<u>\$ 19.14</u>

Options Outstanding				Options Exercisable	
Range of exercise prices	Outstanding as at June 30, 2009	Weighted average remaining contractual life in years	Weighted average exercise price	Exercisable at June 30, 2009	Weighted average exercise price
\$10.00 to \$15.00	470,166	3.91	\$12.64	470,166	\$12.64
\$15.01 to \$20.00	1,642,420	6.18	\$16.47	952,844	\$16.80
\$20.01 to \$25.00	40,000	6.01	\$20.90	25,600	\$20.96
\$25.01 to \$30.00	724,800	7.95	\$27.61	212,840	\$26.79
\$30.01 to \$35.00	30,000	8.51	\$31.77	6,000	\$31.77
	<u>2,907,386</u>			<u>1,667,450</u>	

Options Outstanding				Options Exercisable	
Range of exercise prices	Outstanding at December 31, 2008	Weighted average remaining contractual life in years	Weighted average exercise price	Exercisable at December 31, 2008	Weighted average exercise price
\$10.00 to \$15.00	474,966	4.41	\$12.63	444,486	\$12.73
\$15.01 to \$20.00	1,181,100	5.41	\$16.84	791,304	\$16.77
\$20.01 to \$25.00	40,000	6.50	\$20.90	18,400	\$21.03
\$25.01 to \$30.00	744,400	8.54	\$27.62	69,560	\$25.02
\$30.01 to \$35.00	30,000	9.01	\$31.77	-	\$0.00
	<u>2,470,466</u>			<u>1,323,750</u>	

## 15. Financial instruments and financial risk management

### *a) Categories of Financial Assets and Financial Liabilities*

Under GAAP, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, derivatives and other financial liabilities. The Company has classified its financial instruments as follows:

	<b>June 30, 2009</b>		December 31, 2008
<b>Financial assets:</b>			
Held for trading, measured at fair value			
Cash	\$ 77,892	\$	78,932
Short-term investments	\$ 1,129		-
Loans and receivables, recorded at amortized cost			
Accounts receivable	\$ 260,489	\$	307,933
Taxes receivable	\$ 11,363	\$	9,261
Long-term notes receivable	\$ 4,248	\$	-
Available for sale, measured at fair value			
Long-term investments	\$ 24	\$	360
Derivatives, measured at fair value			
Derivative financial instruments	\$ 653	\$	523
<b>Financial liabilities:</b>			
Other liabilities, recorded at amortized cost			
Bank indebtedness	\$ 689	\$	15,418
Accounts payable and accrued liabilities	\$ 159,032	\$	193,675
Taxes payable	\$ 58,502	\$	53,405
Current portion of long-term debt	\$ 28,755	\$	30,672
Long-term debt	\$ 28,466	\$	60,554
Derivatives, measured at fair value			
Derivative financial instruments	\$ 524	\$	2,049

Short-term investments have been classified as held for trading and carried at fair value, based on quoted market prices with changes in those fair values recognized in net income.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

*b) Foreign Exchange Forward Contracts and Other Hedging Arrangements*

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

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as of June 30, 2009:

	<u>June 30,</u> <u>2009</u>	
<b>U.S. dollars sold for Canadian dollars</b>		
Less than one year	US\$	12,000
Weighted-average rate		1.1544
<b>Euros sold for U.S. dollars</b>		
Less than one year	Euro	2,150
Weighted-average rate		1.4490
One year to two years	Euro	2,200
Weighted-average rate		1.4465

As of June 30, 2009, the Company had notional amounts of \$20.8 million of forward contracts outstanding (\$25.5 million as of December 31, 2008) with the fair value of the Company's net benefit from all foreign exchange forward contracts totaling \$129 thousand (\$1.5 million, net obligation, as of December 31, 2008).

### *c) Financial Risk Management*

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

#### *Foreign exchange risk*

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position, may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As of June 30, 2009, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, operating income from continuing operations and income from continuing operations for the three months then ended by approximately \$12.8 million, \$3.4 million and \$2.7 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total shareholders' equity by \$56.3 million, \$24.0 million and \$32.3 million, respectively. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk from its underlying customer contracts. The Company does not enter into foreign exchange contracts for speculative purposes.

The Company's Senior Notes and associated interest expense are denominated in U.S. dollars. Fluctuations in the exchange rate between the Canadian and U.S. dollar would impact the carrying value of the Senior Notes in terms of Canadian dollars as well as the amount of interest expense when 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"). On April 1, 2009, The Company de-designated USD\$25.0 million of the hedge against the Net Investment. As a result, on April 1, 2009 the remaining balance of the Senior Notes of USD\$50.0 million was hedged against the Net Investment. The de-designation gave rise to a \$2.1 million foreign exchange gain during the second quarter of 2009, which was recognized in the consolidated statement of income. Foreign exchange gains and losses from the hedged portion of the Senior Notes are not included in the consolidated statement of income, but are shown in accumulated other comprehensive income. As of June 30, 2009, fluctuations of +/- 5% in the Canadian dollar, relative to the U.S. dollar, would impact the Company's accumulated other comprehensive income by \$2.5 million for the three months then ended.

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

#### *Interest rate risk*

The following table summarizes the Company's exposure to interest rate risk at June 30, 2009:

	<u>Floating rate</u>	<u>Fixed interest rate</u>		<u>Total</u>
		<u>Maturing in one year or less</u>	<u>Maturing after one year</u>	
<b>Financial assets</b>				
Cash and cash equivalents	\$ 77,892	\$ -	\$ -	\$ 77,892
Long-term notes receivable	4,248	-	-	4,248
Total	<u>\$ 82,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,140</u>
<b>Financial liabilities</b>				
Bank indebtedness	\$ 689	-	\$ -	\$ 689
Current portion of long-term debt	-	28,755	-	28,755
Long-term debt	-	-	28,466	28,466
Total	<u>\$ 689</u>	<u>\$ 28,755</u>	<u>\$ 28,466</u>	<u>\$ 57,910</u>
Weighted-average fixed rate of debt	<u>-</u>	<u>5.11%</u>	<u>5.11%</u>	

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

#### *Credit risk*

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

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

The carrying value of accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the income statement with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses. As at June 30, 2009, \$9.7 million, or 4.0% of trade accounts receivable, were more than 90 days overdue, which is consistent with prior period aging analysis.

The following is an analysis of the change in the allowance for doubtful accounts for the six months ended June 30, 2009 and 2008:

	<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	\$ 6,237	\$ 4,165
Bad debt expense	503	295
Write-offs of bad debts	(629)	(251)
Recovery of previously written-off amounts	(413)	-
Impact of change in foreign exchange rates	(3)	(58)
Balance, end of period	<u>\$ 5,695</u>	<u>\$ 4,151</u>

### *Liquidity Risk*

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As of June 30, 2009, the Company has cash and cash equivalents totaling \$77.9 million (\$78.9 million as of December 31, 2008) and has unutilized lines of credit available to use of \$201.0 million (\$198.0 million as of December 31, 2008). The following are the contractual maturities of the Company's financial liabilities as of June 30, 2009:

	Less than 1 Year	1 - 2 Years	3 - 4 Years	Thereafter	<b>Total</b>
Accounts payable and accrued liabilities	\$136,673	\$4,669	\$438	-	\$141,780
Asset retirement obligations	17,252	943	1,310	6,930	26,435
Bank indebtedness	689	-	-	-	689
Long-term debt	28,755	28,466	-	-	57,221
Obligations under capital leases	228	519	146	-	893
Interest on obligations under capital leases	22	42	15	-	79
Interest on financial instruments	2,934	1,467	-	-	4,401
Derivative financial instruments	524	-	-	-	524
Total	<u>\$187,077</u>	<u>\$36,106</u>	<u>\$1,909</u>	<u>\$6,930</u>	<u>\$232,022</u>

## 16. Capital management

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

As of June 30, 2009, total managed capital was \$809.6 million (\$839.2 million as of December 31, 2008), comprised of shareholders equity of \$751.8 million (\$732.5 million as of December 31, 2008), long-term debt of \$28.4 million (\$60.6 million as of December 31, 2008), current portion of long-term debt of \$28.7 million (\$30.7 million as of December 31, 2008) and bank indebtedness of \$689 thousand (\$15.4 million as of December 31, 2008).

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the underlying assets and business investment opportunities. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, or adjust the amount of cash, cash equivalents, bank indebtedness or long-term debt balances. The Company's capital is not subject to any capital requirements imposed by any regulators; however, it is limited by the terms of its credit facility and long-term debt agreements. Specifically, the Company is required to maintain a Fixed Charge Coverage Ratio (Earnings Before Interest, Taxes, Depreciation and Amortization ["EBITDA"] divided by interest expense) of more than 2.5 to 1 and a debt to total capitalization ratio of less than 0.45 to one. The Company's capital structure at June 30, 2009 was within the parameters established by these agreements.

## 17. Segmented information

The Company classifies its operations into two general segments of the global energy industry: Pipeline and Pipe Services and Petrochemical and Industrial. Revenue and income (loss) from operations for the three months and six months ended June 30, 2009 and 2008, and goodwill and total assets as of those dates by segment are as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
		2008		2008
		Restated -		Restated -
	<b>2009</b>	note 1	<b>2009</b>	note 1
Revenue				
Pipeline and Pipe Services	\$ <b>283,888</b>	\$ 258,984	\$ <b>563,839</b>	\$ 514,778
Petrochemical and Industrial	<b>30,100</b>	36,585	<b>59,418</b>	74,722
Intersegment Eliminations	<b>(1,197)</b>	(451)	<b>(3,002)</b>	(1,025)
	<u>\$ <b>312,791</b></u>	<u>\$ 295,118</u>	<u>\$ <b>620,255</b></u>	<u>\$ 588,475</u>
Income (loss) from operations				
Pipeline and Pipe Services	\$ <b>58,853</b>	\$ 28,160	\$ <b>115,499</b>	\$ 66,368
Petrochemical and Industrial	<b>2,208</b>	5,316	<b>2,533</b>	11,391
Financial and Corporate	<b>(7,883)</b>	(6,287)	<b>(14,420)</b>	(9,651)
	<u>\$ <b>53,178</b></u>	<u>\$ 27,189</u>	<u>\$ <b>103,612</b></u>	<u>\$ 68,108</u>
Goodwill				
Pipeline and Pipe Services			\$ <b>204,098</b>	\$ 190,779
Petrochemical and Industrial			<b>19,048</b>	18,629
			<u>\$ <b>223,146</b></u>	<u>\$ 209,408</u>
Total assets				
Pipeline and Pipe Services			\$ <b>1,336,802</b>	\$ 1,193,716
Petrochemical and Industrial			<b>78,863</b>	84,242
Financial and Corporate			<b>840,636</b>	945,539
Elimination			<b>(1,110,346)</b>	(1,082,861)
			<u>\$ <b>1,145,955</b></u>	<u>\$ 1,140,636</u>

## 18. Joint venture operations

The Company's joint venture operations have been accounted for through proportionate consolidation with the Company's share of each joint venture's assets, liabilities, revenue, expenses, net income and cash flows consolidated based on the Company's ownership position. The figures related to these joint ventures included in the Company's consolidated financial statements are summarized as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u> Restated - note 1	<u>2009</u>	<u>2008</u> Restated - note 1
Revenue	\$ 15,998	\$ 21,277	\$ 34,577	\$ 37,965
Operating and other expenses	12,313	17,180	26,119	31,339
Net income before income taxes	3,685	4,097	8,458	6,626
Provision for taxes	716	820	1,771	1,221
Net income	<u>\$ 2,969</u>	<u>\$ 3,277</u>	<u>\$ 6,687</u>	<u>\$ 5,405</u>
<b>Cash provided by (used in):</b>				
Operating activities	\$ 10,092	\$ 4,099	\$ 14,497	\$ 5,404
Investing activities	\$ (651)	\$ (1,627)	\$ (1,832)	\$ (3,799)
Financing activities	\$ (6,734)	\$ -	\$ (8,479)	\$ (2,872)
Current assets			\$ 28,197	\$ 26,621
Property, plant and equipment, net			\$ 14,071	\$ 14,426
Goodwill			\$ 4,747	\$ 5,135
Current liabilities			\$ 14,664	\$ 16,610
Long-term Liabilities			\$ 733	\$ 7,405

## 19. Earnings per share

The weighted average number of common shares for the purpose of the earnings per share calculations was as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u> Restated - note 1	<u>2009</u>	<u>2008</u> Restated - note 1
Basic				
Class A	57,375,956	57,874,420	57,367,680	57,922,183
Class B	13,060,209	13,077,909	13,060,209	13,077,909
Total	<u>70,436,165</u>	<u>70,952,329</u>	<u>70,427,889</u>	<u>71,000,092</u>
Dilutive effect of stock options				
Class A	357,549	796,673	175,496	873,513
Class B	-	-	-	-
Total	<u>357,549</u>	<u>796,673</u>	<u>175,496</u>	<u>873,513</u>
Diluted				
Class A	57,733,505	58,671,093	57,543,176	58,795,696
Class B	13,060,209	13,077,909	13,060,209	13,077,909
Total	<u>70,793,714</u>	<u>71,749,002</u>	<u>70,603,385</u>	<u>71,873,605</u>

## **20. Recent accounting pronouncements**

On February 13, 2008, The Accounting Standards Board (“AcSB”) confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in Canada for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011 and the Company will be required to report using IFRS beginning on this date. The Company has begun the process of evaluating the effect of and the planning for the transition to IFRS. The impact of the ultimate adoption of IFRS on the Company has not yet been finalized.

In January 2009, the AcSB issued the following new Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These standards are effective January 1, 2011. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

## **21. Comparative figures**

Comparative figures have been reclassified from statements previously stated to conform to the presentation of the current year consolidated financial statements, and to show the effects of retrospective application of a new accounting policy (see note 1).