

August 2, 2007

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

(In thousands of Canadian dollars except per share amounts)	Three Months Ended Jun. 30		Six Months Ended Jun. 30	
	2007	2006	2007	2006
Operating Results		Restated		Restated
Revenue	\$ 276,440	\$ 269,433	\$ 497,769	\$ 531,980
EBITDA (note 1)	57,050	44,513	95,457	92,157
Operating income from continuing operations	47,036	35,835	75,008	73,313
Income from continuing operations	30,267	24,898	53,575	49,653
Income (loss) from discontinued operations	(48)	(192)	(103)	(227)
Net income (loss)	30,219	24,706	53,472	49,426
Net income (loss) per share (Class A and B) - Basic				
Continuing operations	0.41	0.34	0.73	0.67
Discontinued operations	0.00	0.00	0.00	0.00
Total	0.41	0.34	0.73	0.67
Net income (loss) per share (Class A and B) - Diluted				
Continuing operations	0.41	0.34	0.72	0.67
Discontinued operations	0.00	0.00	0.00	0.00
Total	0.41	0.34	0.72	0.67
Cash Flow				
Cash from continuing operating activities	30,828	29,599	54,107	78,151
Purchases of property, plant and equipment	23,868	13,008	39,361	19,881
Financial Position				
Working capital			284,231	300,979
Total assets			921,442	959,116
Shareholders' equity per share (Class A and B)			\$ 8.08	\$ 6.16

Note 1: 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. 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.

Note 2: 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.

Note 3: During the fourth quarter of 2006, ShawCor Ltd. adopted the proportionate consolidation method of accounting for its 30% investment in the Arabian Pipecoating Company Limited ("APCO"). The Company previously accounted for this investment using the equity method. This change in accounting policy has been applied retroactively and as a result, revenue, operating expenses and certain balance sheet accounts for previous periods have been restated. Refer to note 2 of the 2006 annual financial statements.

Consolidated revenue for the quarter totaled \$276.4 million compared to \$221.3 million during the first quarter of 2007 and \$269.4 million in the second quarter of 2006. The 25% improvement over the first quarter was mainly the result of increased pipe coating activity at Bredero Shaw's Far East and North Sea regions and in the United States. Compared with the second quarter of last year, revenue at Bredero Shaw was essentially unchanged with growth in the Americas region offsetting reductions in the Far East. The Company's other divisions reported modest year over year revenue growth despite the impact

of the strengthening Canadian dollar. On a year-to-date basis, revenue totaled \$497.8 million compared to \$532.0 in the first six months of 2006.

Consolidated income from continuing operations totaled \$30.3 million (\$0.41 per share) in the quarter compared to \$23.3 million (\$0.31 per share) in the prior quarter and \$24.9 million (\$0.34 per share) in the second quarter of last year, with the improvement reflecting the higher revenue in the quarter together with improved pipe coating project performance and improved efficiencies. On a year-to-date basis, consolidated income from continuing operations totaled \$53.6 million (\$0.72 per share) compared to \$49.7 million (\$0.67 per share) for the six months ended June 30, 2006.

The Company's backlog at June 30 remained strong at \$377.1 million, although decreased 6% during the quarter reflecting the quarter's high level of business activity during the period. This strong backlog together with continuing high levels of bidding activity should result in full year revenue similar to levels achieved in 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

The following is management's interim discussion and analysis of operations and financial position and should be read in conjunction with the Consolidated Financial Statements and Management's Discussion and Analysis included in the Company's 2006 Annual Report.

Revenue and Income from Operations

ShawCor classifies its revenue and income from operations in two industry segments: Pipeline and Pipe Services, and Petrochemical and Industrial.

Consolidated revenue from continuing operations totaled \$276.4 million in the quarter, an increase of 25% over the prior quarter with the improvement mainly driven by higher levels of business activity at Bredero Shaw, the Company's pipe coating division. Consolidated second quarter revenue increased 3% over the second quarter of last year with business activity improved in both of the Company's market segments. Consolidated income from continuing operations totaled \$30.3 million (\$0.41 per share) in the quarter compared to \$23.3 million (\$0.31 per share) last quarter and \$24.9 million (\$0.34 per share) in the second quarter of last year, with the improvement reflecting the higher revenue in the quarter together with improved operating margin performance in both market segments. On a year-to-date basis, consolidated revenue from continuing operations totaled \$497.8 million compared to \$532.0 million in the same period of last year, while consolidated income from continuing operations totaled \$53.6 million (\$0.72 per share) compared to \$49.7 million (\$0.67 per share) in the first six months of 2006.

In the Pipeline and Pipe Services segment, revenue from continuing operations totaled \$239.0 million in the quarter, 31% higher than in the prior quarter. The growth in revenue compared with the prior quarter was attributable to the Bredero Shaw division where the Far East, North Sea and United States operations saw increased project activity. Revenue in the Far East region was buoyed by the Bunga Orkid, Medgas and Angels projects, while the North Sea benefited from the Tyrihans deep water insulation project at the region's pipe coating facility at Orkanger, Norway. In the United States, pipe coating activity was favorably impacted by several projects including the Shenzi project which was

executed at the division's Pearland, Texas plant. Lower revenue at the division's Middle East region, the result of the temporary shut-down and upgrade of the division's plant in Ras al Khaimah, partially offset the increased revenue in other regions of Bredero Shaw. An upgrade to the Ras al Khaimah facility is presently under construction and is expected to be completed, and the plant on-line, in the fourth quarter of this year.

Compared with the second quarter of 2006, revenue in the Pipeline and Pipe Services segment increased by 2%. At Bredero Shaw, revenue was slightly higher year over year on a significant increase in North American large diameter pipe coating project activity. This growth was partially offset by a reduction in activity in the Far East where volumes in the second quarter 2006 had reached record levels. Revenue in the quarter at the Pipeline and Pipe Services segment's other divisions all improved over the second quarter of 2006.

Operating income from continuing operations for the Pipeline and Pipe Services segment totaled \$46.4 million (19.4% of revenue from continuing operations) compared to \$24.5 million (13.5%) last quarter and \$36.3 million (15.5%) in the second quarter of last year. The improvement in operating margins in the quarter reflected improved capacity utilization from the higher revenue together with a favourable project mix, particularly in the Far East region, and continued gains in pipe coating project execution. On a year-to-date basis, revenue for the Pipeline and Pipe Services segment totaled \$421.3 million compared to \$461.5 million in the first six months of 2006. Operating income from continuing operations for the segment totaled \$70.9 million for the first six months of the year compared to \$73.6 million in the corresponding period of last year.

In the Petrochemical and Industrial segment, revenue totaled \$38.2 million in the quarter, compared to \$39.5 million last quarter and \$36.2 million in the second quarter of 2006. The decrease from the prior quarter reflected lower business activity at DSG-Canusa where revenue declined modestly to more typical levels after a particularly strong first quarter. Compared with the second quarter of 2006, both DSG-Canusa and ShawFlex reported higher revenue from underlying market growth. Operating income from continuing operations for the segment totaled \$6.5 million (17.0% of revenue) in the quarter, compared to \$7.0 million (17.7% of revenue) last quarter and \$3.9 million (10.8% of revenue) in the second quarter of last year. On a year-to-date basis, revenue for the segment totaled \$77.7 million compared to \$71.2 million in the same period of 2006 while operating income from continuing operations totaled \$13.5 million compared to \$8.6 million in the first six months of last year.

Finance

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 quarter, before net foreign exchange losses of \$1.8 million, totaled \$4.1 million compared to \$4.3 million in the prior quarter, before net foreign exchange gains of \$721 thousand. In the second quarter of last year, financial and corporate costs totaled \$4.3 million, before foreign exchange gains of \$54 thousand.

Net interest income totaled \$1.2 million in the quarter, compared to \$1.6 million in the prior quarter and \$395 thousand in the second quarter of 2006, with the improvement over the second quarter of last year reflecting the improved cash position of the Company.

Income tax expense in the quarter was \$18.3 million compared to \$6.7 million last quarter and \$10.4 million in the second quarter of last year. The effective tax rate (income taxes as a percentage of income from continuing operations before income taxes and non-controlling interest) was 37.8% in the quarter and was adversely impacted by losses at the Company's Nigerian operations for which tax benefits were not recognized. In addition, the Company's tax losses carried forward in the United States, which had favourably impacted effective tax rates in the past several quarters, were fully utilized in the second quarter.

Cash Flow

Cash flow generated from continuing operating activities in the quarter totaled \$30.8 million compared to \$23.3 million last quarter and \$29.6 million in the second quarter of 2006, with the improvement mainly reflecting the improved earnings in the period. On a year-to-date basis, cash flow from continuing operating activities totaled \$54.1 million compared to \$78.2 million in the first six months of 2006.

Cash flow used in continuing investing activities in the quarter totaled \$26.6 million, compared to \$15.4 million last quarter and \$13.0 million in the second quarter of last year, and was comprised of capital expenditures of \$23.9 million, \$2.6 million paid on the acquisition of a new subsidiary and \$301 thousand paid to purchase shares in a company accounted for as a portfolio investment, partially offset by \$101 thousand of proceeds received on the disposal of property, plant and equipment. Major capital expenditures in the quarter included the ongoing capacity expansions at the Company's pipe coating plants in Camrose, Alberta and Ras al Khaimah, U.A.E. Cash flow used in continuing investing activities for the first six months of the year totaled \$42.0 million compared to \$19.8 million in the corresponding period of 2006.

Cash flow used in continuing financing activities in the quarter totaled \$70.6 million, compared to \$14.5 million last quarter and \$6.8 million in the second quarter of last year, and was comprised of \$66.1 million used to purchase 2,155,100 Class A Subordinate Voting Shares ("Class A Shares") under the terms of the Company's Normal Course Issue Bid, dividends paid to shareholders of \$4.2 million and \$2.7 million paid to reduce bank indebtedness, partially offset by \$2.4 million received on the issuance of 153,040 Class A Shares on the exercise of stock options. On a year-to-date basis, cash flow used in continuing financing activities totaled \$85.1 million compared to \$7.7 million in the same period of 2006.

Liquidity and Capitalization

At June 30, 2007, the Company recorded a working capital ratio of 2.30 to 1 compared to 2.49 to 1 at the beginning of the quarter and 2.39 to 1 at December 31, 2006. Operating working capital, excluding cash and cash equivalents, increased \$15.1 million in the quarter to \$64.9 million with the change mainly the result of increased accounts receivable and inventory balances consistent with the increased level of business activity in the quarter.

Change in Accounting Policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation*; and Section 3865, *Hedges*. These changes require the Company to classify all financial assets as held-for-trading, designated at fair value, available-for-sale, held-to-maturity, or loans and receivables. The new accounting standards also require the Company to measure all financial assets, including derivatives and excluding loans and receivables, debt securities classified as held-to-maturity and available-for-sale equities that do not have quoted market values in an active market, at fair values. Changes in the fair values of financial assets classified as held-for-trading and of derivatives that are not considered effective hedges are charged to net income. Changes in the fair values of financial assets classified as available-for-sale and derivatives that are considered effective hedges are charged to other comprehensive income. As required, these new accounting standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income. Prior period figures have not been restated. Refer to note 1 to the second quarter 2007 interim financial statements for further information.

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, 2007: (in thousands)

Maturity	
U.S. dollars sold for Canadian dollars	
Less than one year	US\$22,500
Weighted average rate	1.1261
Canadian dollars sold for U.S. dollars	
Less than one year	CAD\$1,150
Weighted average rate	0.8697

At June 30, 2007, the Company had notional amounts of \$23.0 million of forward contracts outstanding (December 31, 2006 - \$38.7 million) with the fair value of the Company's net benefit of all foreign exchange forward contracts totaling \$1.3 million (December 31, 2006 - \$3.1 million liability).

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian Generally Accepted Accounting Principles ("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.

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 the Company's projections, business, 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 Management's Discussion and Analysis.

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
Revenue (Restated – see note below)					
2007	\$ 221,329	\$ 276,440	\$	\$	\$
2006	262,547	269,433	251,324	276,315	1,059,619
2005	244,952	231,995	241,639	293,867	1,012,453
Operating income from continuing operations (Restated – see note below)					
2007	27,972	47,036			
2006	37,478	35,835	23,677	41,790	138,780
2005	29,326	12,509	21,882	31,737	95,454
Income from continuing operations					
2007	23,308	30,267			
2006	24,755	24,898	16,549	26,722	92,924
2005	18,688	7,516	34,806	21,780	82,790
Income (loss) from discontinued operations					
2007	(55)	(48)			
2006	(35)	(192)	7	(69)	(289)
2005	(930)	2,224	55,946	(1,190)	56,050
Net income (loss)					
2007	23,253	30,219			
2006	24,720	24,706	16,556	26,653	92,635
2005	17,758	9,740	90,752	20,590	138,840

(Classes A and B)	First	Second	Third	Fourth	Full Year
Basic					
2007	0.38	0.64			
2006	0.51	0.48	0.32	0.56	1.87
2005	0.39	0.17	0.29	0.42	1.27
Diluted					
2007	0.37	0.63			
2006	0.51	0.48	0.32	0.56	1.87
2005	0.39	0.17	0.29	0.42	1.27
Income from continuing operations per share (Classes A and B)					
Basic					
2007	0.31	0.41			
2006	0.33	0.34	0.22	0.36	1.25
2005	0.25	0.10	0.45	0.30	1.10
Diluted					
2007	0.31	0.41			
2006	0.33	0.34	0.22	0.36	1.25
2005	0.25	0.10	0.45	0.30	1.10
Income (loss) from discontinued operations per share (Classes A and B)					
Basic and Diluted					
2007	0.00	0.00			
2006	0.00	0.00	0.00	0.00	0.00
2005	(0.01)	0.03	0.75	(0.02)	0.75
Net income (loss) per share (Classes A and B)					
Basic					
2007	0.31	0.41			
2006	0.33	0.34	0.22	0.36	1.25
2005	0.24	0.13	1.20	0.28	1.85
Diluted					
2007	0.31	0.41			
2006	0.33	0.34	0.22	0.36	1.25
2005	0.24	0.13	1.20	0.28	1.85

Note: Quarterly revenue and operating income from continuing operations figures have been restated to reflect the change in accounting treatment for the Company's investment in the Arabian Pipecoating Company Limited adopted in the fourth quarter of 2006. Please refer to note 2 to the 2006 annual Consolidated Financial Statements.

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 80% 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 following are additional key factors impacting the comparability of the quarterly information disclosed above:

The majority of the Company's revenue is transacted in currencies other than Canadian dollars, with a majority transacted in 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.

On November 3, 2004, the Company announced the closure of its Mobile, Alabama facility. This event had a significant impact on the financial results for the fourth quarter of 2004. Operations at the facility ceased in the fourth quarter of 2005 and discontinued operations accounting treatment was adopted in that quarter with prior quarters restated on a comparable basis.

On September 30, 2005, the Company completed the sale of its OMSCO drill pipe manufacturing division. The division has been accounted for as a discontinued operation.

Outstanding Share Capital

As at July 25, 2007, the Company had 58,906,890 Class A Subordinate Voting Shares ("Class A") outstanding and 13,078,142 Class B Multiple Voting Shares ("Class B") outstanding. Each Class B share is convertible into a Class A share at the option of the holder. In addition, as at July 25, 2007, the Company had stock options outstanding to purchase up to 2,304,760 Class A shares.

Outlook

The Company's consolidated order backlog, representing the value of firm customer purchase orders expected to be completed within one year, totaled \$377.1 million at June 30, 2007 compared to \$402.7 million at the beginning of the quarter, with the decrease reflecting the high level of pipe coating activity in the quarter. Although somewhat lower than at the beginning of the quarter, the current backlog remains very strong.

The Company's current outlook is for pipe coating activity to continue to be strong during the remainder of the year with the result that full year 2007 revenue should be similar to the level achieved in 2006. The Company continues to pursue significant business opportunities globally, and is currently preparing to bid major offshore pipeline projects in Northern Europe. Success in securing these projects, together with the buoyant market outlook in North America, the Middle East and the Far East could result in significant revenue growth during the next few years.

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.

ShawCor will be hosting a Shareholder and Analyst Conference Call and Webcast on August 3, 2007 at 10:00 a.m. EDT to discuss the Company's second quarter 2007 financial results. Please visit our website at www.shawcor.com for further details.

For further information, please contact:

Gary Love
Vice President, Finance and CFO
Telephone: 416.744.5818
e-mail: glove@shawcor.com
website: www.shawcor.com

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006 Restated (note 1)	2007	2006 Restated (note 1)
Revenue	\$ 276,440	\$ 269,433	\$ 497,769	\$ 531,980
Operating expenses (notes 2, 3 and 4)	217,934	222,516	399,789	435,952
Amortization	9,751	9,633	19,733	19,818
Research and development	1,719	1,448	3,239	2,897
	<u>229,404</u>	<u>233,597</u>	<u>422,761</u>	<u>458,667</u>
Operating income from continuing operations	47,036	35,835	75,008	73,313
Interest income (note 5)	1,229	395	2,828	483
Income before income taxes and non-controlling interest	48,265	36,230	77,836	73,796
Income taxes (note 6)	18,261	10,377	24,977	23,169
Income before non-controlling interest	30,004	25,853	52,859	50,627
Non-controlling interest	263	(955)	716	(974)
Income from continuing operations	30,267	24,898	53,575	49,653
Loss from discontinued operations (note 7)	(48)	(192)	(103)	(227)
Net income	<u>\$ 30,219</u>	<u>\$ 24,706</u>	<u>\$ 53,472</u>	<u>\$ 49,426</u>
Earnings per share, Class A and B - Basic				
Continuing operations	\$ 0.41	\$ 0.34	\$ 0.73	\$ 0.67
Discontinued operations	-	-	-	-
Total	<u>\$ 0.41</u>	<u>\$ 0.34</u>	<u>\$ 0.73</u>	<u>\$ 0.67</u>
Earnings per share Class A and B - Diluted				
Continuing operations	\$ 0.41	\$ 0.34	\$ 0.72	\$ 0.67
Discontinued operations	-	-	-	-
Total	<u>\$ 0.41</u>	<u>\$ 0.34</u>	<u>\$ 0.72</u>	<u>\$ 0.67</u>

SEGMENTED INFORMATION

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006 Restated (note 1)	2007	2006 Restated (note 1)
Revenue				
Pipeline and Pipe Services	\$ 238,964	\$ 233,563	\$ 421,332	\$ 461,488
Petrochemical and Industrial	38,179	36,207	77,698	71,233
Intersegment Eliminations	(703)	(337)	(1,261)	(741)
	<u>\$ 276,440</u>	<u>\$ 269,433</u>	<u>\$ 497,769</u>	<u>\$ 531,980</u>
Income (loss) from operations				
Pipeline and Pipe Services	\$ 46,378	\$ 36,305	\$ 70,914	\$ 73,592
Petrochemical and Industrial	6,500	3,928	13,483	8,564
Financial and Corporate	(5,842)	(4,398)	(9,389)	(8,843)
	<u>\$ 47,036</u>	<u>\$ 35,835</u>	<u>\$ 75,008</u>	<u>\$ 73,313</u>

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006 Restated (note 1)	2007	2006 Restated (note 1)
Operating activities:				
Income from continuing operations	\$ 30,267	\$ 24,898	\$ 53,575	\$ 49,653
Items not requiring an outlay of cash:				
Amortization	9,751	9,633	19,733	19,818
Stock-based compensation (note 2)	697	819	1,372	1,401
Future income taxes	792	(2,281)	635	(2,887)
Non-controlling interest in earnings of subsidiaries	(263)	955	(716)	974
Change in non-cash working capital and other	(10,416)	(4,425)	(20,492)	9,191
Cash provided by continuing operating activities	<u>30,828</u>	<u>29,599</u>	<u>54,107</u>	<u>78,150</u>
Investing activities:				
Purchases of property, plant and equipment	(23,868)	(13,008)	(39,361)	(19,881)
Proceeds on disposal of property, plant and equipment	101	-	202	41
Acquisition of subsidiary (note 18)	(2,579)	-	(2,579)	-
Investment in shares	(301)	-	(301)	-
Cash used in continuing investing activities	<u>(26,647)</u>	<u>(13,008)</u>	<u>(42,039)</u>	<u>(19,840)</u>
Financing activities:				
Increase (decrease) in bank indebtedness	(2,700)	237	(3,667)	(766)
Issue of shares	2,359	478	3,684	578
Purchase of shares for cancellation	(66,104)	(4,188)	(76,762)	(4,188)
Dividends paid to shareholders	(4,171)	(3,282)	(8,359)	(3,282)
Cash used in continuing financing activities	<u>(70,616)</u>	<u>(6,755)</u>	<u>(85,104)</u>	<u>(7,658)</u>
Foreign exchange on foreign cash and cash equivalents	<u>(11,921)</u>	<u>(7,585)</u>	<u>(11,766)</u>	<u>(5,721)</u>
Net cash provided by (used in) continuing operations	<u>(78,356)</u>	<u>2,251</u>	<u>(84,802)</u>	<u>44,931</u>
Net cash provided by (used in) discontinued operations (note 7)	<u>(1,267)</u>	<u>(548)</u>	<u>(1,946)</u>	<u>262</u>
Cash and cash equivalents at beginning of period	<u>302,197</u>	<u>243,825</u>	<u>309,322</u>	<u>200,335</u>
Cash and cash equivalents at end of period	<u>\$ 222,574</u>	<u>\$ 245,528</u>	<u>\$ 222,574</u>	<u>\$ 245,528</u>

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

12 of 24

CONSOLIDATED BALANCE SHEETS

	June. 30	Dec. 31
	2007	2006
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Assets		
Current assets		
Cash and cash equivalents	\$ 222,574	\$ 309,322
Accounts receivable	181,709	188,865
Inventories	82,785	79,662
Taxes receivable	4,802	4,293
Prepaid expenses	14,451	12,897
Derivative financial instruments	1,235	-
Future income taxes	807	-
Current assets of discontinued operation (note 7)	2	156
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	508,365	595,195
Property, plant and equipment, net	216,771	202,078
Goodwill	167,121	175,813
Other assets (note 8)	29,653	34,940
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	\$ 921,910	\$ 1,008,026
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Liabilities		
Current liabilities		
Bank indebtedness (note 9)	\$ 427	\$ 4,094
Accounts payable and accrued liabilities	152,528	169,387
Deferred revenues	16,338	10,907
Taxes payable	46,185	57,010
Current liabilities of discontinued operation (note 7)	5,792	7,789
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	221,270	249,187
Long-term debt	78,853	87,480
Non-controlling interest in subsidiaries	3,536	5,013
Other non-current liabilities (note 10)	37,630	36,419
	<hr/>	<hr/>
	341,289	378,099
	<hr/> <hr/>	<hr/> <hr/>
Shareholders' Equity		
Capital stock (note 11)	203,091	206,852
Contributed surplus (note 12)	10,823	10,603
Retained earnings	474,950	498,001
Accumulated other comprehensive loss (note 13)	(108,243)	(85,529)
	<hr/>	<hr/>
	580,621	629,927
	<hr/>	<hr/>
	\$ 921,910	\$ 1,008,026
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Balance at beginning of period	\$ 507,715	\$ 446,267	\$ 498,001	\$ 421,547
Net income	30,219	24,706	53,472	49,426
	<u>537,934</u>	<u>470,973</u>	<u>551,473</u>	<u>470,973</u>
Excess of purchase price paid over stated value of shares	(58,813)	(3,399)	(68,164)	(3,399)
Dividends paid	(4,171)	(3,282)	(8,359)	(3,282)
Balance at end of period	<u>\$ 474,950</u>	<u>\$ 464,292</u>	<u>\$ 474,950</u>	<u>\$ 464,292</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Net income	\$ 30,219	\$ 24,706	\$ 53,472	\$ 49,426
Other comprehensive income (loss), net of income taxes:				
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	(28,133)	(7,558)	(29,225)	(4,275)
Gain on hedges of unrealized foreign currency translation	6,893	-	7,275	-
Income tax expense	(1,237)	-	(1,237)	-
Unrealized foreign currency translation gain (loss), net of hedging activities	(22,477)	(7,558)	(23,187)	(4,275)
Unrealized loss on available-for-sale financial assets arising during the period	(643)	-	(1,283)	-
Income tax benefit	218	-	436	-
Change in unrealized loss on available-for-sale financial assets	(425)	-	(847)	-
Gain on derivatives designated as cash flow hedges	2,028	-	2,145	-
Income tax expense	(688)	-	(728)	-
Loss (gain) on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	(104)	-	34	-
Income tax expense	35	-	(12)	-
Change in gain on derivatives designated as cash flow hedges	1,271	-	1,439	-
Other comprehensive loss	(21,631)	(7,558)	(22,595)	(4,275)
Comprehensive income	<u>\$ 8,588</u>	<u>\$ 17,148</u>	<u>\$ 30,877</u>	<u>\$ 45,151</u>

Notes to the Consolidated Financial Statements (Unaudited)**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 for the exception noted below, these unaudited interim financial statements have been prepared in accordance with accounting policies outlined in the Company’s audited financial statements for the year ended December 31, 2006. Accordingly, these interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements.

In the fourth quarter of 2006, the Company adopted the proportionate consolidation method of accounting for its 30% investment in the Arabian Pipecoating Company. This change in accounting policy was applied retroactively with comparative figures restated. The Company previously accounted for this investment using the equity method.

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants’ Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*, Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation*; and Section 3865, *Hedges*. As required, these new accounting standards have been adopted prospectively with an adjustment to accumulated other comprehensive income. Prior period figures have not been restated. The following adjustments were made to the Company’s balance sheet as a result of these changes:

(in thousands of Canadian dollars)	Jan. 1, 2007
Increase (decrease) in assets	
Other assets	\$ 193
Total increase (decrease) in assets	<u>\$ 193</u>
Increase (decrease) in liabilities	
Derivative financial instruments liability	\$ 925
Current future taxes payable	(315)
Future taxes	253
Long-term debt	(1,504)
Total increase (decrease) in liabilities	<u>(641)</u>
Increase (decrease) in shareholders' equity	
Accumulated other comprehensive income related to available-for-sale financial assets	491
Accumulated other comprehensive income related to cash flow hedges	(611)
Total increase (decrease) in shareholders' equity	<u>(119)</u>
Total increase (decrease) in liabilities and shareholders' equity	<u>\$ (760)</u>

The following is a description of the accounting policies adopted by the Company as a result of implementing these accounting changes:

a) Comprehensive income

The Company's comprehensive income is comprised of net income and other comprehensive income, which is made up of unrealized foreign currency gains or losses on the translation of the financial statements of self-sustaining foreign operations, gains or losses on available-for-sale financial assets and changes in unrealized gains or losses on derivatives designated as effective cash flow hedges.

b) Accumulated other comprehensive income

Accumulated other comprehensive income is included on the consolidated balance sheet as a separate component of shareholders' equity and includes accumulated unrealized foreign currency gains or losses on the translation of the financial statements of self-sustaining foreign operations, accumulated gains or losses on available-for-sale financial assets and accumulated changes in unrealized gains or losses on derivatives designated as effective cash flow hedges.

c) Financial instruments

Held-for-trading financial assets are financial assets which are acquired for resale prior to maturity. Held-for trading financial assets are reflected in the consolidated balance sheet at fair value with changes in fair value during a period charged to operating expenses. Held-to-maturity financial assets are non-derivative financial assets with a fixed maturity which the Company intends to hold until maturity. Such assets are measured at amortized cost. Available-for-sale financial assets are those non-derivative financial assets which are so designated by the Company or that do not fall into another category. Available-for-sale financial assets are carried on the consolidated balance sheet at fair value with gains or losses from changes in fair value in a period included in other comprehensive income. Derivative financial instruments designated as effective cash flow hedges are reflected in the consolidated balance sheet at fair value with any gains or losses resulting from fair value changes included in other comprehensive income. Derivatives with positive exposures are classified as assets while those with negative exposures are classified as liabilities. Derivative financial instruments not designated as effective cash flow hedges are carried at fair value in the consolidated balance sheet with gains or losses resulting from changes in fair value in a period charged to operating expenses. Loans and receivables are accounted for at amortized cost.

The following is a summary of the classes of financial instruments included in the Company's consolidated balance sheet as well as their designation by the Company under the new accounting standards:

Balance sheet item	Designation
Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Long-term investments	Available-for-sale
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

d) Transaction costs

Transaction costs related to the acquisition or issue of held-for-trading financial instruments are charged to net income as incurred. Transaction costs related to financial instruments not designated as held-for-trading are included in the financial instrument's initial recognition amount.

2. Stock-based compensation

The compensation cost from the continuing amortization of granted stock options for the three months and six months ended June 30, 2007, included in operating expenses, is \$697 thousand and \$1.4 million, respectively (June 30, 2006 - \$819 thousand and \$1.4 million, respectively).

3. Foreign exchange gains and losses

Included in operating expenses for the three months ended June 30, 2007 are foreign exchange losses totaling \$1.8 million, while foreign exchange losses for the six months ended June 30, 2007 totaled \$1.0 million (June 30, 2006 - \$54 thousand and \$496 thousand, respectively). These losses arise from foreign currency transactions and from the translation of the financial statements of foreign integrated subsidiaries.

4. Employee future benefits

The Company's cost under both defined benefit and defined contribution arrangements included in operating expenses for the three months and six months ended June 30, 2007 is \$2.5 million and \$4.9 million, respectively (June 30, 2006 - \$2.8 million and \$5.2 million, respectively)

5. Interest income (expense)

(in thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Interest on short-term deposits	\$ 2,625	\$ 2,295	\$ 5,808	\$ 4,038
Interest on bank indebtedness	(109)	(598)	(306)	(858)
Interest on long-term debt	(1,288)	(1,302)	(2,675)	(2,697)
	<u>\$ 1,229</u>	<u>\$ 395</u>	<u>\$ 2,828</u>	<u>\$ 483</u>

Net interest received during the three months and six months ended June 30, 2007 totaled \$1.4 million and \$2.5 million, respectively (June 30, 2006 - \$16 thousand and \$409 thousand, respectively).

6. Income taxes

Net income taxes paid during the three months and six months ended June 30, 2007 totaled \$13.8 million and \$38.0 million, respectively (June 30, 2006 - \$18.6 million and \$23.0 million, respectively).

7. Discontinued operations

On November 2, 2004, the Company announced its decision to close the Mobile, Alabama pipe-coating facility and operations at the facility ceased in the fourth quarter of 2005. The Company adopted discontinued operations accounting treatment for the Mobile facility in the fourth quarter of 2005.

The following table summarizes the financial results and cash flows from discontinued operations for the three months and six months ended June 30, 2007 and 2006 and the assets and liabilities of the discontinued operations as at those dates, respectively:

(in thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Revenue	\$ -	\$ 4	\$ -	60
Loss from operations	(48)	(192)	(103)	(227)
Interest expenses			-	-
Loss from discontinued operations before income taxes	(48)	(192)	(103)	(227)
Income tax expense	-	-	-	-
Loss from discontinued operations	\$ (48)	\$ (192)	\$ (103)	\$ (227)
Cash flow from (used in) operating activities	\$ (1,267)	\$ (548)	\$ (1,946)	\$ 262
Current assets			\$ 2	\$ -
Property, plant and equipment, net			-	4,830
Current liabilities			\$ 5,792	\$ 8,797

8. Other assets

(in thousands of Canadian dollars)	June 30	Dec. 31
	2007	2006
Long-term investment	\$ 2,637	\$ 2,875
Deferred financing costs	517	2,089
Accrued employee future benefit asset	4,026	4,572
Future income taxes	22,473	25,404
Total	\$ 29,653	\$ 34,940

Other assets include a long-term investment in Garneau Inc., a Canadian-based, publicly traded pipe-coating company. This investment is classified as available-for-sale under the new accounting standards related to financial instruments and accordingly, subsequent to January 1, 2007, is carried at fair value with changes in fair value charged to other comprehensive income.

9. Bank indebtedness

At June 30, 2007, the Company had operating credit lines of \$187.0 million (December 31, 2006 - \$204.1 million), net of \$69.8 million of various standby letters of credit for performance and bid bonds (December 31, 2006 - \$74.1 million) and bank indebtedness of nil (December 31, 2006 - \$3.0 million), excluding the Company's proportionate share of the bank indebtedness of its joint venture, Arabian Pipecoating Company Limited.

10. Other non-current liabilities

(in thousands of Canadian dollars)	Jun. 30	Dec. 31
	2007	2006
Non-current asset retirement obligations	\$ 4,616	\$ 3,561
Accrued employee future benefit obligations	3,578	2,362
Future income taxes	29,436	30,496
Total	<u>\$ 37,630</u>	<u>\$ 36,419</u>

11. Capital stock

(in thousands of Canadian dollars except share information)	June. 30, 2007	Dec. 31, 2006
Number of shares: Class A		
Balance, beginning of the period	60,914,175	61,006,045
Issued - stock options	239,915	331,157
Conversions Class B to Class A	-	9,873
Purchase and cancelled under Normal Course Issuer Bid	<u>(2,540,100)</u>	<u>(432,900)</u>
Balance, end of the period	<u>58,613,990</u>	60,914,175
Number of shares: Class B	<u>13,078,142</u>	13,078,142
Total number of shares	<u>71,692,132</u>	<u>73,992,317</u>
Stated value: Class A		
Balance, beginning of the period	\$ 205,848	\$ 203,716
Issued – stock options	4,837	3,573
Conversion Class B to Class A	-	-
Purchased and cancelled under Normal Course Issuer Bid	<u>(8,598)</u>	<u>(1,441)</u>
Compensation cost on exercised options		
Balance, end of the period	<u>202,087</u>	205,848
Stated Value: Class B	<u>1,004</u>	1,004
Total stated value Class A and Class B	<u>\$ 203,091</u>	<u>\$ 206,852</u>

During the three months and six months ending June 30, 2007, the Company repurchased and cancelled 2,155,100 and 2,540,100 Class A Subordinated Voting Shares (“Class A shares”), respectively (2006 – 235,900 for the three and six months ended June 30) under the terms of a Normal Course Issuer Bid (“NCIB”). The excess of cost over stated capital of the acquired shares, which for the three and six months ended June 30, 2007 totaled \$58.8 million and \$68.2 million, respectively (2006 – \$3.4 million for the three and six months ended June 30), was charged to retained earnings. Under the terms of the NCIB, which expires on November 30, 2007, the Company is entitled to repurchase up to 2,709,900 more Class A shares.

12. Contributed surplus

(in thousands of Canadian dollars)	Three Months Ended June. 30		Six Months Ended June. 30	
	2007	2006	2007	2006
Balance, beginning of period	\$ 10,830	\$ 9,719	\$ 10,603	\$ 9,231
Adjustment for stock-based compensation	-	-	-	-
Stock compensation expense (note 2)	697	819	1,373	1,401
Fair value of stock options exercised	(704)	(187)	(1,153)	(281)
Balance, end of period	<u>\$ 10,823</u>	<u>\$ 10,351</u>	<u>\$ 10,823</u>	<u>\$ 10,351</u>

13. Accumulated other comprehensive loss

(in thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Balance, beginning of period	\$ (86,612)	\$ (96,977)	\$ (85,529)	\$ (100,260)
Transitional adjustment on adoption of new accounting policies (note 1)	-	-	(119)	-
Unrealized foreign currency translation gains (losses), net of hedging activities	(22,477)	(7,558)	(23,187)	(4,275)
Unrealized loss on available-for-sale financial assets	(425)	-	(847)	-
Gain on derivatives designated as cash flow hedges	1,271	-	1,439	-
Balance, end of period	<u>\$ (108,243)</u>	<u>\$ (104,535)</u>	<u>\$ (108,243)</u>	<u>\$ (104,535)</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, 2007				Dec. 31, 2006	
	Market Growth Plan (1)	Other Plans	Total Shares	Weighted Average Exercise Price	Total Shares	Weighted Average Exercise Price
Balance outstanding, beginning of year	7,875	2,261,520	2,269,395	\$15.76	2,578,165	\$ 15.76
Granted	-	371,800	371,800	25.02	457,700	17.27
Exercised	(2,955)	(236,960)	(239,915)	15.58	(331,157)	16.43
Forfeited	-	-	-	-	(66,890)	15.75
Expired	(4,920)	(91,600)	(96,520)	16.62	(368,423)	17.31
Balance outstanding, end of period	-	2,304,760	2,304,760	17.23	2,269,395	\$ 15.76

(1) This maximum number is achieved only when the market value of the shares at the time of exercise is equal to no less than four times the value at the date of the grant.

Options Outstanding				Options Exercisable	
Range of exercise prices	Outstanding at June 30, 2007	Weighted average remaining contractual life in years	Weighted average exercise price	Exercisable at June 30, 2007	Weighted average exercise price
\$10.00 to \$15.00	542,640	5.73	\$ 12.71	401,792	\$12.81
\$15.01 to \$20.00	1,352,320	6.94	\$ 16.81	645,108	\$16.68
\$20.01 to \$25.00	40,000	8.01	\$20.90	-	-
\$25.01 to \$30.00	369,800	9.51	\$25.02	-	-
	2,304,760			1,046,900	
Options Outstanding				Options Exercisable	
Range of exercise prices	Outstanding at Dec. 31, 2006	Weighted average remaining contractual life in years	Weighted average exercise price	Exercisable at Dec. 31, 2006	Weighted average exercise price
\$10.00 to \$15.00	626,920	6.13	\$12.78	626,920	\$12.78
\$15.01 to \$20.00	1,600,475	7.26	\$16.79	1,237,275	\$16.75
\$20.01 to \$25.00	42,000	8.53	\$20.90	4,000	\$21.90
	2,269,395			1,868,195	

15. Financial instruments

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. 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. The methods and assumptions used to estimate the fair value of financial instruments as well as related interest rate credit and foreign exchange risk are described below:

a) Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and income taxes

Due to the short period to maturity of the financial instruments, the carrying values as presented in the consolidated balance sheet are reasonable estimates of fair values.

b) Long-term debt

The fair value of the Company's long-term debt is based on current rates for debt with similar terms and maturities and is not materially different from its carrying values.

The following are key risks associated with the Company's financial instruments:

a) Interest rate risk

The following table summarizes the Company's exposure to interest rate risk at June 30, 2007:

(in thousands of Canadian dollars)	Fixed interest rate maturing in			Total
	Floating rate	1 year or less	Greater than 1 year	
Financial assets				
Cash and cash equivalents	\$ 222,574	\$ -	\$ -	\$ 222,574
Total	\$222,574	\$ -	\$ -	\$ 222,574
Financial liabilities				
Bank indebtedness	\$ 427	\$ -	\$ -	\$ 427
Long-term debt	-	-	78,853	78,853
Total	\$ 427	\$ -	\$ 78,853	\$ 79,280
Average fixed rates of debt	-	-	5.11%	

b) Credit risk

Certain of the Company's financial assets are exposed to credit risk.

Cash and cash equivalents consist of deposits with major commercial banks and short-term investments which are readily convertible into cash.

The Company, in the normal course of business, is exposed to credit risk from its customers, substantially all of which are in the energy industry. These accounts receivable are subject to normal industry credit risks.

The Company is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Company mitigates this credit risk by dealing with counterparties who are major financial institutions and which the Company anticipates will satisfy their obligations under the contracts.

c) Foreign exchange risk

The Company operates in several countries, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk from its underlying customer contracts. In particular, the Company uses foreign exchange forward contracts for the sole purpose of hedging a portion of its projected foreign currency inflows, consisting primarily of foreign currency sales to the Company's customers. Gains or losses on these hedging instruments are recognized in the same period as, and as part of, the hedged transactions. The Company does not enter into foreign exchange contracts for speculative purposes. The Company does not generally attempt to hedge the net investment and equity of self-sustaining foreign operations, except that the U.S. dollar long-term note payable is designated as a hedge of a portion of its net investment in Bredero Shaw's U.S. dollar-based operations. 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, 2007:

(in thousands)

Maturity	
U.S. dollars sold for Canadian dollars	
Less than one year	US\$22,500
Weighted average rate	1.1261
Canadian dollars sold for U.S. dollars	
Less than one year	CAD\$1,150
Weighted average rate	0.8697

Foreign exchange options and forward exchange contracts are used to hedge foreign exchange exposures related to commercial activities. They are not used by the Company for speculative purposes. At June 30, 2007, the Company had notional amounts of \$23.0 million of forward contracts outstanding (December 31, 2006 - \$38.7 million). These amounts are used to express the volume of transactions and are not recognized in the consolidated financial statements. These financial instruments are contracted with major, chartered banks; as a result, credit and liquidity risks related to these instruments are considered to be low.

The fair values of foreign exchange forward contracts represent an approximation of the amounts the Company would have paid to or received from counterparties to unwind its positions at June 30, 2007. The fair value of the Company's net benefit for all foreign exchange forward contracts at June 30, 2007 was \$1.3 million (December 31, 2006 - \$3.1 million net liability) and has been recognized on the consolidated balance sheet through a charge to other comprehensive income. If these contracts ceased to be effective as hedges, unrecognized gains or losses pertaining to the portion of the hedging transactions in excess of projected foreign-denominated cash flows would be transferred from accumulated other comprehensive income and recognized in net income at the time this condition was identified.

16. Segmented information

(in thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Revenue				
Pipeline and Pipe Services	\$ 238,964	\$ 233,563	\$ 421,332	\$ 461,488
Petrochemical and Industrial	38,178	36,207	77,698	71,233
Intersegment Eliminations	(702)	(337)	(1,261)	(741)
	<u>\$ 276,440</u>	<u>\$ 269,433</u>	<u>\$ 497,769</u>	<u>\$ 531,980</u>
Income (loss) from operations				
Pipeline and Pipe Services	\$ 46,378	\$ 36,305	\$ 70,914	\$ 73,592
Petrochemical and Industrial	6,500	3,928	13,483	8,564
Financial and Corporate	(5,842)	(4,398)	(9,389)	(8,843)
	<u>\$ 47,036</u>	<u>\$ 35,835</u>	<u>\$ 75,008</u>	<u>\$ 73,313</u>
Goodwill				
Pipeline and Pipe Services			\$ 150,122	\$ 148,908
Petrochemical and Industrial			16,999	16,595
			<u>\$ 167,121</u>	<u>\$ 165,503</u>
Total assets			\$	\$
Pipeline and Pipe Services			911,997	962,119
Petrochemical and Industrial			80,400	79,612
Financial and Corporate			1,143,581	1,170,083
Elimination			(1,214,068)	(1,252,698)
			<u>\$ 921,910</u>	<u>\$ 959,116</u>

17. Joint venture operations

The Company's joint venture operations consist of its 50% interests in Bredero Shaw Revestimentos de Tubos Ltda. and Thermotite Brasil Ltda. and its 30% interest in the jointly controlled Arabian Pipecoating Company Limited. These investments 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:

(in thousands of Canadian dollars)	Three Months Ended		Six Months Ended	
	Jun 30		Jun 30	
	2007	2006	2007	2006
Revenue	\$ 12,203	\$ 11,321	\$ 25,743	\$ 16,138
Operating and other expenses	8,715	8,326	19,002	11,848
Net income before income taxes	3,488	2,995	6,741	4,290
Provision for taxes	312	230	710	334
Net income	\$ 3,175	\$ 2,765	\$ 6,030	\$ 3,956
Cash provided by (used in):				
Operating activities	\$ (1,170)	\$ (199)	\$ (2,335)	\$ (587)
Investing activities	-	(773)	-	(1,120)
Financing activities	-	949	-	1,661
Current assets			\$ 19,238	\$ 10,399
Property, plant and equipment, net			10,695	4,135
Goodwill			5,013	-
Current liabilities			13,463	7,023

18. Acquisition

On June 6, 2007, the Company purchased all of the outstanding shares of X-Tek Industrial Limited from X-Tek Systems Limited. The name of the company was subsequently changed to Shaw Inspection Systems Limited ("SISL"). SISL provides specialized, real-time/digital non-destructive weld testing services to the onshore and offshore pipeline industry and is based in the United Kingdom. The allocation of the purchase price has not yet been finalized pending the completion of an appraisal of the acquired assets and liabilities. This is expected to be completed in the third quarter of the year. The following are the preliminary details of the acquisition. These details may be adjusted pending the finalization of the purchase equation:

(in thousands of Canadian dollars)	
Net assets acquired at assigned values:	
Current assets	1,708
Property, plant and equipment	1,059
Goodwill	1,335
Current liabilities	(1,523)
	2,579
Consideration given:	
Cash	2,579
	2,579

19. Comparative figures

Comparative figures have been reclassified where necessary to correspond with the current year's presentation.