Shawcor Ltd.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

June 30, 2021

Shawcor Ltd.

Interim Consolidated Statements of Income (Loss) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands of Canadian dollars, except per share amounts)	**2021**	2020	**2021**	2020
Revenue				
Sale of products	**$ 154,530**	$ 117,829	**$ 281,988**	$ 264,947
Rendering of services	**151,365**	148,289	**303,238**	320,198
	305,895	266,118	**585,226**	585,145
Cost of Goods Sold and Services Rendered	**216,016**	198,342	**421,612**	432,064
Gross Profit	**89,879**	67,776	**163,614**	153,081
Selling, general and administrative expenses	**54,008**	56,882	**105,373**	130,771
Research and development expenses	**1,748**	3,390	**3,708**	6,797
Foreign exchange (gains) losses	**(999)**	3,219	**645**	5,180
Depreciation and amortization	**19,487**	23,356	**39,458**	47,932
Impairment (note 11)	**–**	–	**–**	203,084
Restructuring costs, net (note 5)	**5,201**	17,094	**8,596**	17,300
Income (Loss) from Operations	**10,434**	(36,165)	**5,834**	(257,983)
Income (loss) from investments in associates	**157**	(72)	**(33)**	92
Finance costs, net (note 6)	**(5,765)**	(5,186)	**(12,798)**	(11,395)
Net monetary loss	**(1,751)**	(370)	**(2,873)**	(855)
Income (Loss) before Income Taxes	**3,075**	(41,793)	**(9,870)**	(270,141)
Income tax expense (recovery) (note 7)	**483**	(4,904)	**3,330**	1,827
Net Income (Loss)	**$ 2,592**	$ (36,889)	**$ (13,200)**	$ (271,968)
Net Income (Loss) Attributable to:				
Shareholders of the Company	**$ 2,647**	$ (36,775)	**$ (12,725)**	$ (271,678)
Non-controlling interests	**(55)**	(114)	**(475)**	(290)
Net Income (Loss)	**$ 2,592**	$ (36,889)	**$ (13,200)**	$ (271,968)
Earnings (Loss) per Share ("EPS") (note 8)				
Basic	**$ 0.04**	$ (0.52)	**$ (0.18)**	$ (3.86)
Diluted	**$ 0.04**	$ (0.52)	**$ (0.18)**	$ (3.86)
Weighted Average Number of Shares Outstanding (000s) (note 8)				
Basic	**70,473**	70,409	**70,454**	70,308
Diluted	**70,989**	70,409	**70,454**	70,308

Shawcor Ltd.

Interim Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands of Canadian dollars)	**2021**	2020	**2021**	2020
Net Income (Loss)	**$ 2,592**	$ (36,889)	**$ (13,200)**	$ (271,968)
Other Comprehensive (Loss) Income to be Reclassified to Net Loss in Subsequent Periods				
Exchange differences on translation of foreign operations	**(6,276)**	(27,106)	**(16,408)**	43,005
Other comprehensive loss attributable to investments in associates	**(52)**	(433)	**(101)**	(3)
Net Other Comprehensive (Loss) Income to be Reclassified to Net Income (Loss) in Subsequent Periods	**(6,328)**	(27,539)	**(16,509)**	43,002
Other Comprehensive Loss not to be Reclassified Reclassified to Net Loss in Subsequent Periods				
Actuarial gain (loss) on defined benefit plans	**6**	(47)	**(3)**	(1,955)
Income tax (expense) recovery	**(6)**	12	**1**	507
Net Other Comprehensive Loss not to be Reclassified to Net Income (Loss) in Subsequent Periods	**–**	(35)	**(2)**	(1,448)
Other Comprehensive (Loss) Income, Net of Income Tax	**(6,328)**	(27,574)	**(16,511)**	41,554
Total Comprehensive Loss	**$ (3,736)**	$ (64,463)	**$ (29,711)**	$ (230,414)
Comprehensive Loss Attributable to:				
Shareholders of the Company	**$ (3,805)**	$ (64,071)	**$ (29,269)**	$ (230,162)
Non-controlling interests	**69**	(392)	**(442)**	(252)
Total Comprehensive Loss	**$ (3,736)**	$ (64,463)	**$ (29,711)**	$ (230,414)

Shawcor Ltd.

Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)		**June 30, 2021**		December 31, 2020
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**139,994**	$	214,514
Accounts receivable		**210,594**		200,871
Contract assets		**45,435**		52,530
Income taxes receivable		**10,796**		12,304
Inventory		**125,885**		126,328
Prepaid expenses		**9,435**		12,446
Derivative financial instruments (note 2)		**–**		691
Total current assets		**542,139**		619,684
Non-current Assets				
Property, plant and equipment		**339,989**		360,329
Right-of-use assets (note 13)		**57,546**		67,352
Intangible assets		**189,908**		200,168
Investments in associates (note 4)		**5,118**		11,594
Deferred income tax assets		**28,404**		31,633
Other assets		**973**		3,266
Goodwill		**228,483**		231,570
Total non-current assets		**850,421**		905,912
TOTAL ASSETS	**$**	**1,392,560**	$	1,525,596
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**170,697**	$	177,140
Provisions		**18,060**		18,394
Income taxes payable		**16,702**		17,924
Derivative financial instruments (note 2)		**191**		728
Contract liabilities		**22,396**		32,377
Lease liabilities (note 13)		**16,915**		18,590
Other liabilities		**5,578**		4,434
Total current liabilities		**250,539**		269,587
Non-current Liabilities				
Long-term debt (note 12)		**359,216**		433,387
Lease liabilities (note 13)		**45,227**		53,576
Provisions		**16,511**		17,857
Employee future benefits		**19,049**		19,807
Deferred income tax liabilities		**2,137**		6,874
Other liabilities		**11,448**		7,815
Total non-current liabilities		**453,588**		539,316
Total liabilities		**704,127**		808,903
Equity				
Share capital (note 15)		**720,903**		719,615
Contributed surplus		**26,657**		26,494
Retained deficit		**(64,411)**		(51,686)
Non-controlling interests		**3,553**		3,995
Accumulated other comprehensive income		**1,731**		18,275
Total equity		**688,433**		716,693
TOTAL LIABILITIES AND EQUITY	**$**	**1,392,560**	$	1,525,596

Shawcor Ltd.

Interim Consolidaed Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)	**Share Capital**	**Contributed Surplus**	**Retained (Deficit) Earnings**	**Non-controlling Interests**	**Accumulated Other Comprehensive Income (Loss)**	**Total Equity**
	$	$	$	$	$	$
Balance – December 31, 2020	**719,615**	**26,494**	**(51,686)**	**3,995**	**18,275**	**716,693**
Net loss	**–**	**–**	**(12,725)**	**(475)**	**–**	**(13,200)**
Other comprehensive income (loss)	**–**	**–**	**–**	**33**	**(16,544)**	**(16,511)**
Comprehensive loss	**–**	**–**	**(12,725)**	**(442)**	**(16,544)**	**(29,711)**
Compensation cost on exercised Restricted Share Units	**1,288**	**(1,288)**	**–**	**–**	**–**	**–**
Share-based compensation expense	**–**	**1,451**	**–**	**–**	**–**	**1,451**
Balance – June 30, 2021	**720,903**	**26,657**	**(64,411)**	**3,553**	**1,731**	**688,433**
Balance – December 31, 2019	710,563	32,615	193,027	4,647	9,095	949,947
Net loss	–	–	(271,678)	(290)	–	(271,968)
Other comprehensive income	–	–	–	38	41,516	41,554
Comprehensive (loss) income	–	–	(271,678)	(252)	41,516	(230,414)
Compensation cost on exercised Restricted Share Units	8,310	(8,310)	–	–	–	–
Share-based compensation expense	–	1,576	–	–	–	1,576
Dividends declared and paid to shareholders (note 15)	–	–	(10,546)	–	–	(10,546)
Balance – June 30, 2020	718,873	25,881	(89,197)	4,395	50,611	710,563

Shawcor Ltd.

Interim Consolidated Statement of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating Activities				
Net income (loss)	**$ 2,592**	$ (36,889)	**$ (13,200)**	$ (271,968)
Add (deduct) items not affecting cash				
Depreciation and amortization	**19,487**	23,356	**39,458**	47,932
Impairment	**–**	–	**–**	203,084
Interest expense on right-of-use assets leases (note 6)	**839**	964	**1,506**	1,956
Share-based compensation and incentive-based compensation (note 9)	**3,024**	(1,165)	**3,997**	(2,936)
Deferred income taxes	**(1,673)**	(5,033)	**(2,331)**	(1,006)
Gain on disposal of property, plant and equipment (note 5)	**(3,075)**	(407)	**(6,694)**	(516)
Gain on sale of land and other item	**–**	–	**–**	–
Unrealized loss on derivative financial instruments	**43**	928	**154**	254
(Income) Loss from investments in associates	**(157)**	72	**33**	(92)
Other	**373**	(1,258)	**903**	(4,643)
Change in non-cash working capital and foreign exchange (note 10)	**3,228**	46,041	**(18,398)**	54,653
Cash Provided by Operating Activities	**$ 24,681**	$ 26,609	**$ 5,428**	$ 26,718
Investing Activities				
(Increase) decrease in loans receivable	**(500)**	325	**(500)**	748
Purchase of property, plant and equipment	**(4,956)**	(3,738)	**(9,293)**	(13,613)
Proceeds on disposal of property, plant and equipment	**5,055**	1,629	**6,784**	1,816
Decrease in other assets	**212**	277	**1,537**	407
Proceeds from redemption of investment in associate (note 4)	**–**	–	**6,342**	8,878
Cash (Used in) Provided by Investing Activities	**$ (189)**	$ (1,507)	**$ 4,870**	$ (1,764)
Financing Activities				
Decrease in bank indebtedness and long-term debt	**(75,072)**	(585)	**(75,265)**	(882)
Repayment of lease liabilities	**(4,806)**	(5,125)	**(10,394)**	(11,138)
Dividends paid to shareholders (note 15)	**–**	–	**–**	(10,546)
Cash Used in Financing Activities	**$ (79,878)**	$ (5,710)	**$ (85,659)**	$ (22,566)
Effect of Foreign Exchange on Cash and Cash Equivalents	**1,070**	(2,014)	**841**	3,115
Net (decrease) increase in Cash and Cash Equivalents	**(54,316)**	17,378	**(74,520)**	5,503
Cash and Cash Equivalents – Beginning of Period	**194,310**	86,343	**214,514**	98,218
Cash and Cash Equivalents – End of Period	**$ 139,994**	$ 103,721	**$ 139,994**	$ 103,721
Cash	**138,714**	102,761	**138,714**	102,761
Cash Equivalents	**1,280**	960	**1,280**	960
Total Cash and Cash Equivalents	**139,994**	103,721	**139,994**	103,721

Shawcor Ltd.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Shawcor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange. Shawcor Ltd., together with its wholly owned subsidiaries (collectively referred to as the "Company" or "Shawcor"), is a growth oriented, global energy services company serving the Pipeline and Pipe Services, Composite Systems and the Automotive and Industrial segments of the energy industry. The Company operates seven divisions with manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 3.

The head office, principal address and registered office of the Company is 25 Bethridge Road, Toronto, Ontario, M9W 1M7, Canada.

1 Basis of Financial Statement Preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and thus should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2020 ("Annual Consolidated Financial Statements"). The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the Annual Consolidated Financial Statements.

Basis of Presentation

a) Statement of Compliance

The interim consolidated financial statements have been prepared on the historical cost basis, except for certain current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in the Company's Annual Consolidated Financial Statements.

The interim consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company's equity accounted interests in joint ventures and associates. The results of the subsidiaries acquired during the period are included from the date of the acquisition. Adjustments are made, where necessary, to the financial statements of the subsidiaries, joint arrangements and associates to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The interim consolidated financial statements and accompanying notes as at and for the three and six-month period ended June 30, 2021 were authorized for issue by the Company's Board of Directors on August 10, 2021.

b) Use of Estimates and Judgements

The preparation of interim consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these interim consolidated financial statements, are described in note 2 of the Company's Annual Consolidated Financial Statements and below.

The global COVID-19 pandemic, along with the continued volatility in the oil and gas markets, has impacted global commercial activity, created uncertainty in equity and debt markets, and impacted the Company's operations. The extent and duration of the impact of COVID-19 and continued challenges in the energy markets remains unclear. In the preparation of the interim consolidated financial statements, the Company has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, the Company's going concern assessment and the reported amount of earnings for the reporting periods using the best available information as of June 30, 2021, including internally generated forecasts. Actual results could differ materially from those estimates. The estimates and assumptions that the Company considers critical and/or could be impacted by COVID-19 include those underlying the assumptions used in impairment of goodwill and intangibles, the Company's going concern assessment, the estimate of any expected credit losses on accounts receivable and determining the values of financial instruments for disclosure purposes.

In response to the uncertainty caused by the COVID-19 global pandemic and the volatility in the energy markets, the Company completed several restructuring initiatives in 2020, including a significant reduction in salaried headcount, the closure of several facilities, the suspension of its dividend and the disposal of certain assets, to deliver significant cost savings and improve its cash position. In addition, the Company successfully negotiated an amending agreement with its syndicate bank in July 2020 that provides covenant relief through December 2021. In the first half of 2021, the Company has completed additional restructuring initiatives, including reductions in salaried headcount and facility closures, to deliver further improvements to its operating cost base . In April 2021, the Company also repaid $75 million of the outstanding debt on its syndicated credit facility based on an improved liquidity outlook. After considering its actions completed to date and its future plans, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for a period of 12 months from the consolidated balance sheet date.

2 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)		**June 30, 2021**		December 31, 2020
Measured at Amortized Cost				
Cash and cash equivalents	**$**	**139,994**	**$**	214,514
Accounts receivable		**210,594**		200,871
Deposit guarantee		**248**		260
Fair Value through Profit or Loss				
Derivative financial instruments – assets		**–**		691
Derivative financial instruments – liabilities		**191**		728
Other Financial Liabilities, Measured at Amortized Cost				
Accounts payable		**73,564**		78,986
Long-term debt (note 12)		**359,216**		433,387

Fair Value

IFRS 13, *Fair Value – Measurement*, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those that reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs which are used to measure fair value fall into the following three levels of the fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical instruments that are observable.
- Level 2 – Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

The following table presents the fair value of financial assets and liabilities in the fair value hierarchy as at June 30, 2021:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	**$ 139,994**	**$ 139,994**	**$ –**	**$ –**
Deposit guarantee	**248**	**–**	**248**	**–**
	$ 140,242	**$ 139,994**	**$ 248**	**$ –**
Liabilities				
Long-term debt (note 12)	**$ 359,216**	**$ –**	**$ 359,216**	**$ –**
Derivative financial instruments	**191**	**–**	**191**	**–**
	$ 359,407	**$ –**	**$ 359,407**	**$ –**

The derivative financial instruments relate to foreign exchange forward contracts entered into by the Company (as described below) and are valued by comparing the rates at the time the derivatives are acquired to the period-end rates quoted in the market.

Financial Risk Management

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

Market Risk

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in many countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are denominated 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 amounts are translated into Canadian dollars. As at June 30, 2021, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, loss from operations, and net loss (attributable to shareholders of the Company) for the six-month period ended June 30, 2021 by approximately $24.1 million, $0.5 million and ($0.7) million, respectively, prior to foreign exchange forward contract activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by approximately $40.5 million, $11.1 million and $29.4 million, respectively, as at June 30, 2021.

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 flows 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 forward contracts for speculative purposes. With the exception of the Company's US dollar based operations, the Company does not hedge translation exposures.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates.

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, 2021:

(in thousands, except weighted average rate amounts)	
US dollars sold for Euros	
Less than one year	**US$ 20,519**
Weighted average rate	**0.84**
Canadian dollars sold for British pounds	
Less than one year	**CDN$ 7,374**
Weighted average rate	**0.58**

The Company does not apply hedge accounting to account for its foreign exchange forward contracts.

As at June 30, 2021, the Company had notional amounts of $32.8 million of foreign exchange forward contracts outstanding (December 31, 2020 – $49.0 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling $0.2 million (December 31, 2020 – $0.1 million net loss).

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at June 30, 2021:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Cash equivalents	$ –	$ –	$ 1,280	$ 1,280
	$ –	**$ –**	**$ 1,280**	**$ 1,280**
Standard letters of credit for performance, bid and surety bonds (note 12)	$ 45,830	$ –	$ –	$ 45,830
Long-term debt (note 12)	–	359,216	–	359,216
	$ 45,830	**$ 359,216**	**$ –**	**$ 405,046**

The Company's interest rate risk arises primarily from the floating rate on its Credit Facility and is not currently considered to be material.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, foreign exchange forward 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.

For each of the three and six-month period ended June 30, 2021 and 2020, there was no customer who generated more than 10% of total consolidated revenue. As at June 30, 2021 and December 31, 2020, there was no customer who accounted for more than 10% of the Company's total trade accounts receivable.

Liquidity Risk

As at June 30, 2021, the Company had cash and cash equivalents totalling $140.0 million (December 31, 2020 – $214.5 million) and had unutilized lines of credit available to use subject to compliance with debt covenants of $299.2 million (December 31, 2020 – $246.3 million).

3 Segment Information

Shawcor's operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ("CODM") in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on segment operating income or loss, which is measured differently than income from operations in the consolidated interim financial statements. Income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at June 30, 2021, the Company had three reportable operating segments: Pipeline and Pipe Services, Composite Systems and Automotive and Industrial. Inter-segment transactions among Pipeline and Pipe Services, Composite Systems and Automotive and Industrial are accounted for at negotiated transfer prices. The aggregation of the reportable segments is based on the customers and markets that the Company services. The three reportable operating segments remain unchanged from what has been reported on note 9 of the Annual Consolidated Financial Statements.

Segment

The following table sets forth information by segment for the quarter ended June 30:

	2021					
(in thousands of Canadian dollars)	**Pipeline and Pipe Services**	**Composite Systems**	**Automotive and Industrial**	**Financial and Corporate**	**Eliminations and Adjustments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	**142,477**	**96,756**	**66,662**	**–**	**–**	**305,895**
Inter-Segment	**78**	**–**	**–**	**–**	**(78)**	**–**
Total Revenue	**142,555**	**96,756**	**66,662**	**–**	**(78)**	**305,895**
(Loss) Income from Operations	**(2,202)**	**8,151**	**9,519**	**(5,034)**	**–**	**10,434**
Additions to property, plant and equipment, net of disposals	**1,720**	**612**	**1,301**	**197**	**–**	**3,830**

	2020					
(in thousands of Canadian dollars)	**Pipeline and Pipe Services**	**Composite Systems**	**Automotive and Industrial**	**Financial and Corporate**	**Eliminations and Adjustments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	156,082	67,095	42,941	–	–	266,118
Inter-Segment	223	–	219	–	(442)	–
Total Revenue	156,305	67,095	43,160	–	(442)	266,118
(Loss) Income from Operations	(23,977)	(4,356)	(124)	(7,708)	–	(36,165)
Additions to property, plant and equipment, net of disposals	(202)	1,538	565	(408)	–	1,493

The following table sets forth information by segment for the six months ended June 30:

2021						
(in thousands of Canadian dollars)	**Pipeline and Pipe Services**	**Composite Systems**	**Automotive and Industrial**	**Financial and Corporate**	**Eliminations and Adjustments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	**286,949**	**167,877**	**130,400**	**–**	**–**	**585,226**
Inter-Segment	**124**	**–**	**13**	**–**	**(137)**	**–**
Total Revenue	**287,073**	**167,877**	**130,413**	**–**	**(137)**	**585,226**
(Loss) Income from Operations	**(11,701)**	**8,818**	**20,955**	**(12,238)**	**–**	**5,834**
Additions to property, plant and equipment, net of disposals	**3,148**	**2,078**	**2,321**	**258**	**–**	**7,805**
As at June 30, 2021						
Goodwill	**68,424**	**142,704**	**17,355**	**–**	**–**	**228,483**
Total assets	**449,967**	**590,120**	**162,257**	**239,637**	**(49,421)**	**1,392,560**
Total liabilities	**184,820**	**140,962**	**44,044**	**330,555**	**3,746**	**704,127**

2020						
(in thousands of Canadian dollars)	**Pipeline and Pipe Services**	**Composite Systems**	**Automotive and Industrial**	**Financial and Corporate**	**Eliminations and Adjustments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	336,381	156,500	92,264	–	–	585,145
Inter-Segment	411	–	749	–	(1,160)	–
Total Revenue	336,792	156,500	93,013	–	(1,160)	585,145
(Loss) Income from Operations	(239,650)	(12,325)	7,473	(13,481)	–	(257,983)
Additions to property, plant and equipment, net of disposals	4,143	5,525	1,558	74	–	11,300
As at December 31, 2020						
Goodwill	70,627	142,514	18,429	–	–	231,570
Total assets	489,451	600,808	143,746	337,788	(46,197)	1,525,596
Total liabilities	220,761	132,451	37,972	411,558	6,161	808,903

Geographical Segment Revenue Information

The table below sets forth, by geographical region, revenue for the following periods for the Pipeline and Pipe Services Segment:

	Three Months Ended		**Six Months Ended**	
(in thousands of Canadian dollars)	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
North America	**$ 63,940**	$ 82,313	**$ 125,265**	$ 169,401
Latin America	**26,448**	6,215	**47,244**	26,277
EMAR[(a)]	**46,110**	45,110	**91,762**	102,674
Asia Pacific	**6,057**	22,667	**22,802**	38,440
Total revenue	**$ 142,555**	$ 156,305	**$ 287,073**	$ 336,792

(a) Refers to the Europe, Middle East, Africa and Russia geographic region.

The table below sets forth, by geographical region, revenue for the following periods for the Composite Systems Segment:

(in thousands of Canadian dollars)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
North America	**$ 95,619**	$ 65,884	**$ 165,388**	$ 153,829
Latin America	**552**	774	**1,301**	1,837
EMAR	**448**	374	**1,052**	771
Asia Pacific	**137**	63	**136**	63
Total revenue	**$ 96,756**	$ 67,095	**$ 167,877**	$ 156,500

The table below sets forth, by geographical region, revenue for the following periods for the Automotive and Industrial Segment:

(in thousands of Canadian dollars)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
North America	**$ 42,775**	$ 30,006	**$ 81,685**	$ 59,939
EMAR	**20,563**	9,988	**41,605**	28,132
Asia Pacific	**3,324**	3,166	**7,123**	4,942
Total revenue	**$ 66,662**	$ 43,160	**$ 130,413**	$ 93,013

4 Income from Investments in Associates

The Company has equity-accounted investments in Zedi Inc. ("Zedi") and Power-Feed-Thru Systems and Connectors, LLC ("PFT"). In the first quarter of 2021, the Company received $6.3 million of proceeds pertaining to the partial redemption of the investment in Zedi.

5 Restructuring Costs, Net

In the three months and six months ended June 30, 2021, the Company incurred $5.2 million and $8.6 million in restructuring and severance related costs, respectively. These costs are net of gains from the sale of scrap that result from the shutdown of sites and related restructuring activities of $2.9 million for the three months ended June 30, 2021 and $5.7 million for the six months ended June 30, 2021.

In the three months and six months ended June 30, 2020, the Company incurred $17.1 million and $17.3 million in restructuring and severance related costs, respectively.

6 Finance Costs

The following table sets forth the Company's finance costs for the periods ended:

(in thousands of Canadian dollars)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Interest income	**$ (79)**	$ (58)	**$ (121)**	$ (213)
Interest expense on bank indebtedness / long-term debt	**3,893**	3,365	**9,035**	7,906
Interest expense, other	**1,112**	915	**2,378**	1,746
Interest expense on ROU assets	**839**	964	**1,506**	1,956
Finance Costs – net	**$ 5,765**	$ 5,186	**$ 12,798**	$ 11,395

7 Income Taxes

The following table sets forth a reconciliation of the Company's effective income tax rate for the six months ended June 30:

	Six Months Ended June 30, 2021	2020
	%	%
Expected income tax expense based on statutory rate	**25.2**	25.7
Tax rate differential on earnings of foreign subsidiaries	**(6.9)**	(1.5)
Benefit of previously unrecognized tax losses	**14.1**	–
Deferred tax not recognized	**(43.4)**	(15.0)
Adjustment to prior year provisions	**(1.7)**	(0.3)
Non-deductible amounts	**(8.0)**	(9.6)
Withholding taxes	**(3.8)**	(0.2)
Argentina hyperinflation adjustment	**(14.2)**	(0.3)
Foreign exchange impact on non-monetary assets	**0.2**	(0.5)
Movement in uncertain tax positions	**5.4**	–
State tax and other	**(0.6)**	1.0
Effective Income Tax Rate	**(33.7)**	(0.7)

8 Earnings (Loss) Per Share

The following table details the weighted average number of shares outstanding for the purposes of calculating basic and diluted EPS:

(in thousands of Canadian dollars, except share and per share amounts)	Three Months Ended June 30, 2021	2020(a)	Six Months Ended June 30, 2021(a)	2020(a)
Net income (loss) used to calculate EPS				
Net income (loss) (attributable to shareholders of the Company) for the period	**$ 2,647**	$ (36,775)	**$ (12,725)**	$ (271,678)
Weighted average number of shares outstanding – basic (000s)	**70,473**	70,409	**70,454**	70,308
Dilutive effect of share-based compensation	**516**	–	–	–
Weighted average number of shares outstanding – diluted (000s)	**70,989**	70,409	**70,454**	70,308
Basic EPS	**$ 0.04**	$ (0.52)	**$ (0.18)**	$ (3.86)
Diluted EPS	**$ 0.04**	$ (0.52)	**$ (0.18)**	$ (3.86)

(a) All potentially dilutive instruments are anti-dilutive in the three months ended June 30, 2020 and six months ended June 30, 2021 and June 30, 2020 and therefore are not included in the calculation of EPS.

9 Share-based and Other Incentive-based Compensation

The Company employs a number of long-term incentive plans that include a stock option plan without Tandem Share Appreciation Rights, a stock option plan with Tandem Share Appreciation Rights (SARs), a Value Growth Plan (VGP), an Employee Share Unit Plan (ESUP), a Performance Incentive Plan (PIP), a Deferred Share Unit Plan (DSU) and a new Board approved Shawcor Ltd. Performance Plan (SPSP).

The following tables summarize the information related to these plans and set forth the incentive-based compensation expense for the period indicated.

(in thousands of Canadian dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
Stock option expense	**$ 333**	$ 252	**$ 621**	$ 529
VGP expense (recovery)	**54**	(2,662)	**(1,835)**	(2,120)
DSU expense (recovery)	**802**	530	**2,134**	(2,344)
RSU expense	**434**	488	**831**	1,047
SARs expense	**141**	40	**228**	65
PIP expense (recovery)	**141**	187	**201**	(113)
SPSP expense	**1,119**	–	**1,817**	–
Total share-based and other incentive-based compensation expense (recovery)	**$ 3,024**	$ (1,165)	**$ 3,997**	$ (2,936)

Six Months Ended June 30, 2021

	Stock Options without Tandem Share Appreciation Rights ("SARs")		Stock Options with Tandem Share Appreciation Rights		Restricted Share Units and Performance Share Units		Deferred Stock Units	
	Total Shares	**Weighted Average Exercise Price**	**Total Shares**	**Weighted Average Fair Value (a)**	**Total Shares**	**Weighted Average Grant Date Fair Value(b)**	**Total Shares**	**Weighted Average Grant Date Fair Value(b)**
Balance Outstanding – Beginning of Period	**1,239,952**	**$ 21.24**	**602,180**	**$ 6.00**	**475,017**	**$ 23.85**	**555,743**	**$ 16.45**
Granted	**308,249**	**7.48**	**183,324**	**5.44**	**285,886**	**6.62**	**123,996**	**5.79**
Exercised	**–**	**–**	**–**	**–**	**(46,700)**	**34.89**	**(176,315)**	**6.04**
Cancelled/Forfeited	**–**	**–**	**(10,200)**	**29.00**	**(17,370)**	**12.31**	**–**	**–**
Expired	**–**	**–**	**–**	**–**	**(866)**	**35.69**	**–**	**–**
Balance Outstanding – End of Period	**1,548,201**	**$ 18.50**	**775,304**	**$ 5.56**	**695,967**	**$ 16.30**	**503,424**	**$ 17.47**
Exercisable	**628,789**	**$ 27.01**	**322,556**	**$ 7.67**	**236,683**	**$ 28.75**	**–**	**$ –**

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.
(b) RSU, PSU, and DSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

The Board of Directors approved the granting of 308,249 stock options during the six-month period ended June 30, 2021 (June 30, 2020 – 350,352) under the 2001 Employee Plan. The total fair value of the stock options granted during the six-month period ended June 30, 2021 was $1.6 million (six-month period ended June 30, 2020 – $0.7 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

	Six Months Ended June 30, 2021	2020
Weighted average share price	**$ 7.48**	$ 8.23
Weighted average exercise price	**$ 7.48**	$ 8.23
Weighted average expected life of options	**6.25**	6.25
Weighted average expected stock price volatility	**88.3%**	32.2%
Weighted average expected dividend yield	**0.00%**	1.73%
Weighted average risk-free interest rate	**1.21%**	1.07%

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the expected life of the options.

The fair value of options granted will be amortized to compensation expense over the five-year vesting period of the options. The compensation cost from the amortization of stock options for the six-month period ended June 30, 2021, included in selling, general and administrative expenses, was $0.6 million (six-month period ended June 30, 2020 – $0.5 million).

The mark-to-market liability for the stock options with SARs as at June 30, 2021 is $0.3 million (December 31, 2020 – $0.1 million), all of which is included in current and non-current other liabilities on the interim consolidated balance sheets.

The mark-to-market liability for the DSUs as at June 30, 2021 is $3.0 million (December 31, 2020 – $2.0 million), all of which is included in current and non-current other liabilities on the interim consolidated balance sheet.

The VGP liability as at June 30, 2021 is $1.0 million (December 31, 2020 – $4.4 million).

<u>SPSP</u>

The SPSP is a cash-based awards plan which seeks to further align the interests of employees with those of the shareholders of the Company and associates a portion of the compensation of executives and key employees with the returns achieved by the Shareholders. In 2021 the units granted to participants are broken up into three equal tranches that vest on March 19th of three subsequent years. The value of the units is determined based on Shawcor's share performance as of the vesting date. The plan also includes a Total Shareholder Return ("TSR factor") which modifies the unit value based on Shawcor's share performance compared to its peer group. Compensation cost is recognized over the vesting periods and adjusted based on Shawcor's share price. All units granted under the SPSP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

As of June 30, 2021, there were 1.2 million SPSP units outstanding and the total liability was $1.8 million. This is a newly approved plan and hence no liability existed as of December 31, 2020.

10 Supplemental Cash Flow information

The following table sets forth the supplemental Cash Flow information on net change in non-cash working capital as at:

	Three Months Ended		Six Months Ended	
(in thousands of Canadian dollars)	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Accounts receivable	**$ (7,501)**	$ 49,778	**$ (9,723)**	$ 38,436
Inventories	**5,191**	1,666	**443**	(13,766)
Prepaid expenses	**3,172**	3,754	**3,011**	3,717
Contract assets	**(4,377)**	1,278	**7,095**	(6,654)
Contract liabilities	**1,988**	8,567	**(9,981)**	13,305
Total accounts payable and accrued liabilities, income taxes, and other liabilities	**5,730**	(9,680)	**(5,013)**	10,776
Foreign exchange (losses) gain and other	**(975)**	(9,322)	**(4,230)**	8,839
Total change in non-cash working capital	**$ 3,228**	$ 46,041	**$ (18,398)**	$ 54,653

11 Impairment

2021

The Company did not record any impairment charges for the six-months ended June 30, 2021.

2020

The following table sets forth the Company's impairment charges for the six-months ended June 30, 2020:

(in thousands of Canadian dollars)	**Shawcor Inspection Services**	**Bredero Shaw**	**Composite Production Systems**	**Total**
Impairment of property, plant and equipment	**$ –**	**$ 3,590**	**$ 9,828**	**$ 13,418**
Impairment of intangible assets	**46,039**	**–**	**–**	**46,039**
Impairment of goodwill	**–**	**143,627**	**–**	**143,627**
Total Impairment	**$ 46,039**	**$ 147,217**	**$ 9,828**	**$ 203,084**

The Company reviews its long-lived assets for impairment whenever events or circumstances indicate potential impairment. Due to the uncertain business climate brought about by COVID-19 and the turmoil in the energy markets, the Company was experiencing measurement uncertainty and exercised significant judgements and estimates and conducted a review of its impairment testing on property, plant and equipment, intangible assets and goodwill as at March 31, 2020. As a result of this exercise, the Company's estimated future operating cash flows were impacted and the Company determined certain impairment triggers had occurred for Shawcor Inspection Services, Pipeline Performance Group and Composite Production Systems. The assumptions for the impairment at March 31, 2020 were consistent with the disclosures in the annual financial statements.

12 Long-term Debt and Credit Facilities

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

(in thousands of Canadian dollars)		**June 30, 2021**		December 31, 2020
Borrowings on credit facility	**$**	**363,000**	$	438,000
Deferred transaction costs		**(3,784)**		(4,613)
Total long-term debt		**359,216**		433,387
Standard letters of credit for financial guarantees, performance and bid bonds		**45,830**		43,697
Total utilized credit facilities		**405,046**		477,084
Total available credit facilities[a]		**704,196**		723,355
Unutilized Credit Facilities	**$**	**299,150**	$	246,271

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

The Company has a syndicated credit facility (the "Credit Facility") with the maximum borrowing limit of US$500 million which expires in 2023. The Company pays a floating interest rate on this Credit Facility that is a function of the Company's Net Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), and before foreign exchange gains or losses and non-recurring and one-time items. Prior to the amendments to the Credit Facility referred to below, the Company was required to maintain an Interest Coverage Ratio of not less than 3.00:1.00 and a Net Debt to Adjusted EBITDA covenant (the "Leverage Ratio") of not greater than 3.50:1.00. For calculating the Leverage Ratio, Net Debt excludes the first $100 million of performance and bid bond letters of credit and all standard letters of credit that are guaranteed by Export Development Canada ("EDC").

Amendments to the Credit Facility

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

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

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

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

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

- increased interest rates and standby and other fees.

The Company was in full compliance with financial covenants as at June 30, 2021.

13 Leases

The following table sets forth the carrying amounts of the Company's ROU assets and lease liabilities and the movements for the six months ended June 30:

(in thousands of Canadian dollars)	ROU assets Real Estate Property	Vehicles	Equipment	Total	Lease liabilities
	$	$	$	$	$
As at December 31, 2020	62,521	706	4,125	67,352	72,166
Additions	1,667	220	348	2,235	2,963
ROU interest expense	–	–	–	–	1,506
Amortization expense	(8,672)	(214)	(584)	(9,470)	–
Disposals	(880)	(83)	(32)	(995)	(1,047)
Payments	–	–	–	–	(11,900)
Foreign exchange difference	(1,373)	(8)	(195)	(1,576)	(1,546)
As at June 30, 2021	**53,263**	**621**	**3,662**	**57,546**	**62,142**

Set out below, are the amounts recognized in the Statement of (Loss) Income for the three months and six months ended June 30:

(in thousands of Canadian dollars)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Depreciation expense – ROU assets	**$ 4,661**	$ 5,535	**$ 9,470**	$ 11,072
Interest expense on lease liabilities	**839**	964	**1,506**	1,956
Rent expense – short-term and low value asset leases	**1,061**	2,038	**2,218**	4,225
Rent expense – variable lease payments	**228**	448	**444**	997
Total	**$ 6,789**	$ 8,985	**$ 13,638**	$ 18,250

14 Commitments and Contingencies

Legal Claims

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

Performance, Bid and Surety Bonds

The Company provides standby letters of credit for performance, bid and surety bonds through financial intermediaries to various customers in support of project contracts for the successful execution of these contracts. If the Company fails to perform under the terms of the contract, the customer has the ability to draw upon all or a portion of the bond as compensation for the Company's failure to perform. The contracts that these performance bonds support generally have a term of one to three years, but could extend up to four years. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. Historically, the Company has not made and does not anticipate that it will be required to make material payments under these types of bonds.

The Company utilizes the Credit Facility to support its bonds. The Company has utilized total credit facilities of $45.8 million as at June 30, 2021 (December 31, 2020 – $43.7 million) for support of its bonds. In addition, as at June 30, 2021, the Company had $46.7 million of outstanding surety bonds through insurance companies (December 31, 2020 – $54.7 million).

15 Share Capital

The following table sets forth the changes in the Company's shares for the periods indicated:

(in thousands of Canadian dollars)	
Number of Shares	
Balance, December 31, 2020	**70,431,711**
Issued on exercise of RSUs	**46,700**
Balance, June 30, 2021	**70,478,411**

All shares have been issued and fully paid and have no par value. There is an unlimited number of common shares authorized. Holders of common shares are entitled to one vote per share.

Dividends declared and paid were as follows:

(in thousands of Canadian dollars, except per share amounts)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2021	2020	**2021**	2020
Dividends declared and paid to shareholders	**$ –**	$ –	**$ –**	$ 10,546
Dividends declared and paid per share	**$ –**	$ –	**$ –**	$ 0.15