Shawcor Ltd.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2021

Shawcor Ltd.

Interim Consolidated Statements of Loss (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended September 30, 2021	2020	Nine Months Ended September 30, 2021	2020
Revenue				
Sale of products	**$ 162,702**	$ 139,075	**$ 444,690**	$ 404,022
Rendering of services	**128,691**	128,584	**431,929**	448,782
	291,393	267,659	**876,619**	852,804
Cost of Goods Sold and Services Rendered	**207,499**	193,338	**629,111**	625,402
Gross Profit	**83,894**	74,321	**247,508**	227,402
Selling, general and administrative expenses	**48,410**	55,053	**153,783**	185,824
Research and development expenses	**2,342**	2,293	**6,050**	9,090
Foreign exchange losses (gains)	**948**	(938)	**1,593**	4,242
Depreciation and amortization	**19,198**	22,343	**58,656**	70,275
Gain on sale of land	**–**	(1,213)	**–**	(1,213)
Impairment (note 11)	**11,609**	3,623	**11,609**	206,707
Restructuring costs and other, net (note 5)	**(1,105)**	12,449	**7,491**	29,749
Income (Loss) from Operations	**2,492**	(19,289)	**8,326**	(277,272)
Income from investments in associates	**1,723**	8,083	**1,690**	8,175
Finance costs, net (note 6)	**(5,128)**	(6,673)	**(17,926)**	(18,068)
Net monetary loss	**(1,605)**	(390)	**(4,478)**	(1,245)
Loss before Income Taxes	**(2,518)**	(18,269)	**(12,388)**	(288,410)
Income tax expense (note 7)	**5,919**	136	**9,249**	1,963
Net Loss	**$ (8,437)**	$ (18,405)	**$ (21,637)**	$ (290,373)
Net Loss Attributable to:				
Shareholders of the Company	**$ (8,284)**	$ (18,311)	**$ (21,009)**	$ (289,989)
Non-controlling interests	**(153)**	(94)	**(628)**	(384)
Net Loss	**$ (8,437)**	$ (18,405)	**$ (21,637)**	$ (290,373)
Earnings (Loss) per Share (“EPS”) (note 8)				
Basic	**$ (0.12)**	$ (0.26)	**$ (0.30)**	$ (4.12)
Diluted	**$ (0.12)**	$ (0.26)	**$ (0.30)**	$ (4.12)
Weighted Average Number of Shares Outstanding (000s) (note 8)				
Basic	**70,479**	70,415	**70,463**	70,344
Diluted	**70,479**	70,415	**70,463**	70,344

Shawcor Ltd.

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

(in thousands of Canadian dollars)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net Loss	**$ (8,437)**	$ (18,405)	**$ (21,637)**	$ (290,373)
Other Comprehensive Income (Loss) to be Reclassified to Net Loss in Subsequent Periods				
Exchange differences on translation of foreign operations	**14,348**	(7,661)	**(2,060)**	35,344
Other comprehensive income (loss) attributable to investments in associates	**109**	(102)	**8**	(105)
Net Other Comprehensive Income (Loss) to be Reclassified to Net Income (Loss) in Subsequent Periods	**14,457**	(7,763)	**(2,052)**	35,239
Other Comprehensive Income (Loss) not to be Reclassified to Net Loss in Subsequent Periods				
Actuarial gain (loss) on defined benefit plans	**26**	(23)	**23**	(1,978)
Income tax (expense) recovery	**(7)**	6	**(6)**	513
Net Other Comprehensive Income (Loss) not to be Reclassified to Net Income (Loss) in Subsequent Periods	**19**	(17)	**17**	(1,465)
Other Comprehensive Income (Loss), Net of Income Tax	**14,476**	(7,780)	**(2,035)**	33,774
Total Comprehensive Income (Loss)	**$ 6,039**	$ (26,185)	**$ (23,672)**	$ (256,599)
Comprehensive Income (Loss) Attributable to:				
Shareholders of the Company	**$ 5,990**	$ (25,987)	**$ (23,279)**	$ (256,149)
Non-controlling interests	**49**	(198)	**(393)**	(450)
Total Comprehensive Income (Loss)	**$ 6,039**	$ (26,185)	**$ (23,672)**	$ (256,599)

Shawcor Ltd.

Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)		**September 30, 2021**		December 31, 2020
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**116,913**	$	214,514
Accounts receivable		**228,460**		200,871
Contract assets		**33,601**		52,530
Income taxes receivable		**11,655**		12,304
Inventory		**128,866**		126,328
Prepaid expenses		**14,981**		12,446
Derivative financial instruments (note 2)		**–**		691
Total current assets		**534,476**		619,684
Non-current Assets				
Property, plant and equipment		**329,376**		360,329
Right-of-use assets (note 13)		**54,543**		67,352
Intangible assets		**183,677**		200,168
Investments in associates (note 4)		**3,938**		11,594
Deferred income tax assets		**27,419**		31,633
Other assets		**565**		3,266
Goodwill		**229,874**		231,570
Total non-current assets		**829,392**		905,912
TOTAL ASSETS	**$**	**1,363,868**	$	1,525,596
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**175,332**	$	177,140
Provisions		**16,386**		18,394
Income taxes payable		**15,726**		17,924
Derivative financial instruments (note 2)		**449**		728
Contract liabilities		**24,913**		32,377
Lease liabilities (note 13)		**15,436**		18,590
Other liabilities		**6,157**		4,434
Total current liabilities		**254,399**		269,587
Non-current Liabilities				
Long-term debt (note 12)		**324,779**		433,387
Lease liabilities (note 13)		**43,135**		53,576
Provisions		**16,879**		17,857
Employee future benefits		**19,460**		19,807
Deferred income tax liabilities		**4,797**		6,874
Other liabilities		**5,199**		7,815
Total non-current liabilities		**414,249**		539,316
Total liabilities		**668,648**		808,903
Equity				
Share capital (note 15)		**720,945**		719,615
Contributed surplus		**27,363**		26,494
Retained Deficit		**(72,695)**		(51,686)
Non-controlling interests		**3,602**		3,995
Accumulated other comprehensive income		**16,005**		18,275
Total equity		**695,220**		716,693
TOTAL LIABILITIES AND EQUITY	**$**	**1,363,868**	$	1,525,596

Shawcor Ltd.

Interim Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Deficit	Non-controlling Interests	Accumulated Other Comprehensive Income	Total Equity
	$	$	$	$	$	$
Balance – December 31, 2020	**719,615**	**26,494**	**(51,686)**	**3,995**	**18,275**	**716,693**
Net loss	**–**	**–**	**(21,009)**	**(628)**	**–**	**(21,637)**
Other comprehensive income (loss)	**–**	**–**	**–**	**235**	**(2,270)**	**(2,035)**
Comprehensive loss	**–**	**–**	**(21,009)**	**(393)**	**(2,270)**	**(23,672)**
Compensation cost on exercised Restricted Share Units	**1,330**	**(1,330)**	**–**	**–**	**–**	**–**
Share-based compensation expense	**–**	**2,199**	**–**	**–**	**–**	**2,199**
Balance – September 30, 2021	**720,945**	**27,363**	**(72,695)**	**3,602**	**16,005**	**695,220**
Balance – December 31, 2019	710,563	32,615	193,027	4,647	9,095	949,947
Net loss	–	–	(289,989)	(384)	–	(290,373)
Other comprehensive (loss) income	–	–	–	(66)	33,840	33,774
Comprehensive (loss) income	–	–	(289,989)	(450)	33,840	(256,599)
Compensation cost on exercised Restricted Share Units	8,609	(8,609)	–	–	–	–
Share-based compensation expense	–	2,266	–	–	–	2,266
Dividends declared and paid to shareholders (note 15)	–	–	(10,546)	–	–	(10,546)
Balance – September 30, 2020	719,172	26,272	(107,508)	4,197	42,935	685,068

Shawcor Ltd.

Interim Consolidated Statement of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating Activities				
Net loss	**$ (8,437)**	$ (18,405)	**$ (21,637)**	$ (290,373)
Add (deduct) items not affecting cash				
Depreciation and amortization	**19,198**	22,343	**58,656**	70,275
Impairment	**11,609**	3,623	**11,609**	206,707
Interest expense on right-of-use assets leases (note 6)	**630**	940	**2,136**	2,896
Share-based compensation and other incentive-based compensation (note 9)	**1,163**	1,195	**5,160**	(1,741)
Deferred income taxes	**4,320**	(2,469)	**1,989**	(3,475)
Gain on disposal of property, plant and equipment (note 5)	**(1,482)**	(137)	**(8,176)**	(653)
Gain on sale of land	**–**	(1,213)	**–**	(1,213)
Unrealized loss (gain) on derivative financial instruments	**258**	(443)	**412**	(189)
Income from investments in associates	**(1,723)**	(8,083)	**(1,690)**	(8,175)
Other	**150**	1,178	**1,053**	(3,465)
Net change in non-cash working capital and foreign exchange (note 10)	**(8,687)**	8,781	**(27,085)**	63,434
Cash Provided by Operating Activities	**$ 16,999**	$ 7,310	**$ 22,427**	$ 34,028
Investing Activities				
(Increase) decrease in loans receivable	**–**	–	**(500)**	748
Purchase of property, plant and equipment	**(5,882)**	(3,317)	**(15,175)**	(16,930)
Proceeds on disposal of property, plant and equipment	**367**	5,834	**7,151**	7,650
Decrease in other assets	**–**	220	**1,537**	627
Proceeds from redemption of investment in associate (note 4)	**3,012**	–	**9,354**	8,878
Cash (Used in) Provided by Investing Activities	**$ (2,503)**	$ 2,737	**$ 2,367**	$ 973
Financing Activities				
Decrease in bank indebtedness and long-term debt	**(35,000)**	(842)	**(110,265)**	(1,724)
Repayment of lease liabilities	**(5,420)**	(5,750)	**(15,814)**	(16,888)
Dividends paid to shareholders (note 15)	**–**	–	**–**	(10,546)
Cash Used in Financing Activities	**$ (40,420)**	$ (6,592)	**$ (126,079)**	$ (29,158)
Effect of Foreign Exchange on Cash and Cash Equivalents	**2,843**	(346)	**3,684**	2,769
Net (decrease) increase in Cash and Cash Equivalents	**(23,081)**	3,109	**(97,601)**	8,612
Cash and Cash Equivalents – Beginning of Period	**139,994**	103,721	**214,514**	98,218
Cash and Cash Equivalents – End of Period	**$ 116,913**	$ 106,830	**$ 116,913**	$ 106,830
Cash	**116,276**	105,029	**116,276**	105,029
Cash Equivalents	**637**	1,801	**637**	1,801
Total Cash and Cash Equivalents	**116,913**	106,830	**116,913**	106,830

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 material sciences company serving the Infrastructure, Energy, and Transportation markets. The Company operates through a network of fixed and mobile manufacturing and service facilities. Its three business segments, Composite Systems, Automotive & Industrial and Pipeline & Pipe Services enable responsible renewal and enhancement of critical infrastructure while lowering risk and environmental impact.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 nine-month period ended September 30, 2021 were authorized for issue by the Company's Board of Directors on November 9, 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 uncertainty of capital investment in oil and gas infrastructure and sactioning timing of pipeline construction projects, 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 September 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 lower demand for the Company's oil and gas business, 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 nine months 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 and repaid $110 million of the outstanding debt on its syndicated credit facility (the "Credit Facility") based on an improved liquidity outlook. Subsequent to September 30, 2021, the Company repaid an additional $20 million on the Credit Facility. After considering its actions and debt repayments 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)		**September 30, 2021**		December 31, 2020
Measured at Amortized Cost				
Cash and cash equivalents	**$**	**116,913**	**$**	214,514
Accounts receivable		**228,460**		200,871
Deposit guarantee		**251**		260
Fair Value through Profit or Loss				
Derivative financial instruments – assets		**–**		691
Derivative financial instruments – liabilities		**449**		728
Other Financial Liabilities, Measured at Amortized Cost				
Accounts payable		**68,578**		78,986
Long-term debt (note 12)		**324,779**		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 September 30, 2021:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 116,913	$ 116,913	$ –	$ –
Deposit guarantee	251	–	251	–
	$ 117,164	$ 116,913	$ 251	$ –
Liabilities				
Long-term debt (note 12)	$ 324,779	$ –	$ 324,779	$ –
Derivative financial instruments	449	–	449	–
	$ 325,228	$ –	$ 325,228	$ –

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 September 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 nine-month period ended September 30, 2021 by approximately $34.0 million, ($0.1) million and ($1.8) 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 $39.3 million, $10.3 million and $29.0 million, respectively, as at September 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 September 30, 2021:

(in thousands, except weighted average rate amounts)	
US dollars sold for Euros	
Less than one year	**US$20,519**
Weighted average rate	**0.85**
Canadian dollars sold for British pounds	
Less than one year	**CDN$7,465**
Weighted average rate	**0.58**

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

As at September 30, 2021, the Company had notional amounts of $33.6 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 $0.4 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 September 30, 2021:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Cash equivalents	$ –	$ –	$ 637	$ 637
	$ –	**$ –**	**$ 637**	**$ 637**
Standard letters of credit for performance, bid and surety bonds (note 12)	**$ 41,763**	**$ –**	**$ –**	**$ 41,763**
Long-term debt (note 12)	**–**	**324,779**	**–**	**324,779**
	$ 41,763	**$ 324,779**	**$ –**	**$ 366,542**

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 nine-month periods ended September 30, 2021 and 2020, there was no customer who generated more than 10% of total consolidated revenue. As at September 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 September 30, 2021, the Company had cash and cash equivalents totalling $116.9 million (December 31, 2020 – $214.5 million) and had unutilized lines of credit available to use subject to compliance with debt covenants of $353.8 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 September 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 September 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	**117,629**	**102,394**	**71,370**	**–**	**–**	**291,393**
Inter-Segment	**128**	**802**	**–**	**–**	**(930)**	**–**
Total Revenue	**117,757**	**103,196**	**71,370**	**–**	**(930)**	**291,393**
(Loss) Income from Operations	**(13,243)**	**7,573**	**11,458**	**(3,296)**	**–**	**2,492**
Additions to property, plant and equipment, net of disposals	**(494)**	**1,095**	**1,842**	**191**	**–**	**2,634**

	2020					
(in thousands of Canadian dollars)	**Pipeline and Pipe Services**	**Composite Systems**	**Automotive and Industrial**	**Financial and Corporate**	**Eliminations and Adjustments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	135,506	83,268	48,885	–	–	267,659
Inter-Segment	128	704	385	–	(1,217)	–
Total Revenue	135,634	83,972	49,270	–	(1,217)	267,659
(Loss) Income from Operations	(36,647)	13,058	6,043	(1,743)	–	(19,289)
Additions to property, plant and equipment, net of disposals	(2,942)	986	282	–	–	(1,674)

The following table sets forth information by segment for the nine months ended September 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	**404,578**	**270,271**	**201,770**	**–**	**–**	**876,619**
Inter-Segment	**252**	**802**	**13**	**–**	**(1,067)**	**–**
Total Revenue	**404,830**	**271,073**	**201,783**	**–**	**(1,067)**	**876,619**
(Loss) Income from Operations	**(24,944)**	**16,391**	**32,413**	**(15,534)**	**–**	**8,326**
Additions to property, plant and equipment, net of disposals	**2,654**	**3,173**	**4,163**	**449**	**–**	**10,439**
As at September 30, 2021						
Goodwill	**69,889**	**142,509**	**17,476**	**–**	**–**	**229,874**
Total assets	**430,854**	**608,883**	**179,006**	**202,904**	**(57,779)**	**1,363,868**
Total liabilities	**169,978**	**151,313**	**49,639**	**294,008**	**3,710**	**668,648**

2020 (in thousands of Canadian dollars)	Pipeline and Pipe Services	Composite Systems	Automotive and Industrial	Financial and Corporate	Eliminations and Adjustments	Total
	$	$	$	$	$	$
Revenue						
External	471,887	239,768	141,149	–	–	852,804
Inter-Segment	539	704	1,134	–	(2,377)	–
Total Revenue	472,426	240,472	142,283	–	(2,377)	852,804
(Loss) Income from Operations	(276,297)	733	13,516	(15,224)	–	(277,272)
Additions to property, plant and equipment, net of disposals	1,201	6,511	1,840	74	–	9,626
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		Nine Months Ended	
(in thousands of Canadian dollars)	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
North America	**$ 68,613**	$ 67,405	**$ 193,878**	$ 236,806
Latin America	**13,019**	2,229	**60,263**	28,506
EMAR [(a)]	**31,883**	51,058	**123,645**	153,732
Asia Pacific	**4,242**	14,942	**27,044**	53,382
Total revenue	**$ 117,757**	$ 135,634	**$ 404,830**	$ 472,426

(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 September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
North America	**$ 102,355**	$ 83,220	**$ 267,743**	$ 237,049
Latin America	**404**	489	**1,705**	2,326
EMAR	**435**	298	**1,487**	1,069
Asia Pacific	**2**	(35)	**138**	28
Total revenue	**$ 103,196**	$ 83,972	**$ 271,073**	$ 240,472

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 September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
North America	**$ 49,901**	$ 29,457	**$ 131,586**	$ 89,396
EMAR	**17,985**	16,416	**59,590**	44,548
Asia Pacific	**3,484**	3,397	**10,607**	8,339
Total revenue	**$ 71,370**	$ 49,270	**$ 201,783**	$ 142,283

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 three months and nine months ended September 30, 2021, the Company received $3.0 million and $9.3 million of proceeds, respectively, pertaining to the partial redemption of the investment in Zedi. The proceeds received in the third quarter 2021 from Zedi represented a final redemption payment.

5 Restructuring Costs and Other, Net

In the three months and nine months ended September 30, 2021, the Company incurred $1.1 million gain and $7.5 million loss in restructuring and severance related costs, respectively. These costs are net of gains from the sale of scrap, land, and retirement of decommissioning liabilities that result from the shutdown of sites and related restructuring activities of $1.3 million for the three months ended September 30, 2021 and $7.0 million for the nine months ended September 30, 2021.

In the three months and nine months ended September 30, 2020, the Company incurred $12.5 million and $29.8 million in restructuring and severance related costs, respectively.

6 Finance Costs

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

(in thousands of Canadian dollars)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Interest income	**$ (37)**	$ (15)	**$ (158)**	$ (228)
Interest expense on bank indebtedness/long-term debt	**3,258**	4,551	**12,293**	12,457
Interest expense, other	**1,277**	1,197	**3,655**	2,943
Interest expense on right-of-use assets	**630**	940	**2,136**	2,896
Finance costs – net	**$ 5,128**	$ 6,673	**$ 17,926**	$ 18,068

7 Income Taxes

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

	Nine Months Ended September 30, 2021	2020
Expected income tax expense based on statutory rate	**$ (3,116)**	$ (73,988)
Tax differential on earnings of foreign subsidiaries	**645**	4,417
Benefit of previously unrecognized tax losses	**(1,519)**	–
Deferred tax not recognized	**8,760**	47,582
Adjustment to prior year provisions	**668**	756
Non-deductible amounts	**1,322**	23,969
Withholding taxes	**725**	792
Argentina hyperinflation adjustment	**2,090**	794
Foreign exchange impact on non-monetary assets	**181**	1,112
Movement in uncertain tax positions	**(660)**	8
State tax and other	**153**	(3,479)
Income Tax Expense	**$ 9,249**	$ 1,963

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 September 30, 2021 [(a)]	2020 [(a)]	Nine Months Ended September 30, 2021 [(a)]	2020 [(a)]
Net loss used to calculate EPS				
Net loss (attributable to shareholders of the Company) for the period	**$ (8,284)**	$ (18,311)	**$ (21,009)**	$ (289,989)
Weighted average number of shares outstanding – basic and diluted (000s)	**70,479**	70,415	**70,463**	70,344
Basic EPS	**$ (0.12)**	$ (0.26)	**$ (0.30)**	$ (4.12)
Diluted EPS	**$ (0.12)**	$ (0.26)	**$ (0.30)**	$ (4.12)

(a) All potentially dilutive instruments are anti-dilutive in the three months ended September 30, 2021 and September 30, 2020, and nine months ended September 30, 2021 and September 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 Restricted Share Unit ("RSU"), 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 September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Stock option expense	**$ 332**	$ 251	**$ 952**	$ 780
VGP (recovery) expense	**(335)**	328	**(2,170)**	(1,792)
DSU expense (recovery)	**185**	27	**2,319**	(2,317)
RSU expense	**416**	439	**1,247**	1,486
SARs expense	**71**	45	**299**	110
PIP expense (recovery)	**66**	105	**268**	(8)
SPSP expense	**428**	–	**2,245**	–
Total share-based and other incentive-based compensation expense (recovery)	**$ 1,163**	$ 1,195	**$ 5,160**	$ (1,741)

Nine Months Ended September 30, 2021

	Stock Options without SARs		Stock Options with SARs		RSUs and Performance Share Units ("PSU")		DSUs	
	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**	**178,996**	**5.70**
Exercised	**–**	**–**	**–**	**–**	**(48,371)**	**25.57**	**(176,315)**	**6.04**
Cancelled/Forfeited	**–**	**–**	**(227,769)**	**3.50**	**(33,339)**	**15.10**	**–**	**–**
Expired	**–**	**–**	**–**	**–**	**(866)**	**35.69**	**–**	**–**
Balance Outstanding – End of Period	**1,548,201**	**$ 18.50**	**557,735**	**$ 6.83**	**678,327**	**$ 16.88**	**558,424**	**$ 16.29**
Exercisable	**637,789**	**$ 27.08**	**253,962**	**$ 8.54**	**236,529**	**$ 28.74**	**–**	**$ –**

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

	Nine Months Ended September 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 nine-month period ended September 30, 2021, included in selling, general and administrative expenses, was $1.0 million (nine-month period ended September 30, 2020 – $0.8 million).

The mark-to-market liability for the stock options with SARs as at September 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 September 30, 2021 is $3.2 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 September 30, 2021 is $0.7 million (December 31, 2020 – $4.4 million).

SPSP

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 19 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 at September 30, 2021, there were 1.2 million SPSP units outstanding and the total liability was $2.3 million. This is a newly approved plan and hence no liability existed as at 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 for the following periods:

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Accounts receivable	**$ (17,866)**	$ (4,301)	**$ (27,589)**	$ 34,135
Inventory	**(2,981)**	2,871	**(2,538)**	(10,895)
Prepaid expenses	**(5,546)**	(5,712)	**(2,535)**	(1,995)
Contract assets	**11,834**	7,445	**18,929**	791
Contract liabilities	**2,517**	(4,006)	**(7,464)**	9,299
Total accounts payable and accrued liabilities, income taxes, and other liabilities	**3,379**	15,697	**(1,634)**	26,473
Foreign exchange (losses) gains and other	**(24)**	(3,213)	**(4,254)**	5,626
Net change in non-cash working capital	**$ (8,687)**	$ 8,781	**$ (27,085)**	$ 63,434

11 Impairment

The following table sets forth the Company's impairment charges for the nine months ended September 30:

2021 (in thousands of Canadian dollars)	**Shawcor Inspection Services**	**Bredero Shaw**	**Composite Production Systems**	**Total**
Impairment of property, plant and equipment	**$ 6,087**	**$ –**	**$ –**	**$ 6,087**
Impairment of intangible assets	**5,522**	**–**	**–**	**5,522**
Total Impairment	**$ 11,609**	**$ –**	**$ –**	**$ 11,609**

2020	Shawcor Inspection Services	Bredero Shaw	Composite Production Systems	Total
Impairment of property, plant and equipment	$ –	$ 7,213	$ 9,828	$ 17,041
Impairment of intangible assets	46,039	–	–	46,039
Impairment of goodwill	–	143,627	–	143,627
Total Impairment	$ 46,039	$ 150,840	$ 9,828	$ 206,707

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.

Further, as a result of continued declines in operating results for the Shawcor Inspection Services cash generating unit ("DCGU"), the Company performed an impairment test as at September 30, 2021. The Company determined that the recoverable amount, based on fair value less cost to dispose ("FVLCD"), of the DCGU was less than its carrying amount, and as such, impairments of intangible assets and property, plant and equipment were recorded. The FVLCD was categorized as Level 3 fair value measurement.

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)		**September 30, 2021**		December 31, 2020
Borrowings on credit facility	**$**	**328,000**	$	438,000
Deferred transaction costs		**(3,221)**		(4,613)
Total long-term debt		**324,779**		433,387
Standard letters of credit for financial guarantees, performance and bid bonds		**41,763**		43,697
Total utilized credit facilities		**366,542**		477,084
Total available credit facilities [(a)]		**720,351**		723,355
Unutilized Credit Facilities	**$**	**353,809**	$	246,271

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

The Company has 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 September 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 nine months ended September 30:

	ROU assets				
(in thousands of Canadian dollars)	Real Estate Property	Vehicles	Equipment	Total	Lease liabilities
As at December 31, 2020	$ 62,521	$ 706	$ 4,125	$ 67,352	$ 72,166
Additions	2,697	308	348	3,353	3,682
ROU interest expense	–	–	–	–	2,136
Amortization expense	(12,633)	(313)	(862)	(13,808)	–
Disposals	(867)	(118)	(16)	(1,001)	(1,188)
Payments	–	–	–	–	(17,950)
Foreign exchange difference	(1,215)	20	(158)	(1,353)	(275)
As at September 30, 2021	**$ 50,503**	**$ 603**	**$ 3,437**	**$ 54,543**	**$ 58,571**

Set out below, are the amounts recognized in the Interim Consolidated Statement of Income (Loss) for the three months and nine months ended September 30:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Depreciation expense – ROU assets	**$ 4,338**	$ 5,618	**$ 13,808**	$ 16,690
Interest expense on lease liabilities	**630**	940	**2,136**	2,896
Rent expense – short-term and low value asset leases	**780**	1,406	**2,998**	5,631
Rent expense – variable lease payments	**177**	419	**621**	1,416
Total	**$ 5,925**	$ 8,383	**$ 19,563**	$ 26,633

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 $41.8 million as at September 30, 2021 (December 31, 2020 – $43.7 million) for support of its bonds. In addition, as at September 30, 2021, the Company had $33.4 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	**48,371**
Balance, September 30, 2021	**70,480,082**

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 September 30,**		**Nine Months Ended September 30,**	
	2021	2020	**2021**	2020
Dividends declared and paid to shareholders	**$ –**	$ –	**$ –**	$ 10,546
Dividends declared and paid per share	**$ –**	$ –	**$ –**	$ 0.15