ANNUAL REPORT 2010

The ShawCor Difference

ShawCor

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SHAWCOR'S MISSION

To be the market leader and technology innovator with a primary focus on the global pipeline industry and to use this base as a platform to build an international energy services company while achieving ShawCor's performance objectives.

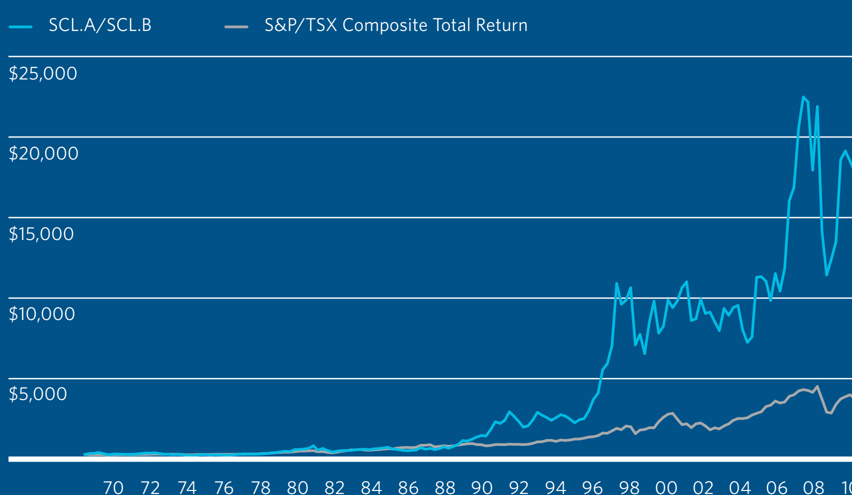
CORPORATE PROFILE

ShawCor Ltd. is a global energy services company specializing in technology-based products and services for the pipeline and pipe services and the petrochemical and industrial markets. The Company operates seven business units with more than seventy manufacturing and service facilities employing over 5,000 people around the world.

Financial Summary

Years ended December 31 (in thousands of Canadian dollars except per share amounts)	2010	2009
OPERATING RESULTS		
Revenue	1,034,163	1,183,978
EBITDA	183,777	254,143
Income from operations	126,989	192,519
Net income for the year	$ 105,390	$ 131,450
Earnings per share, Class A and Class B – basic	$ 1.49	$ 1.86
Earnings per share, Class A and Class B – diluted	$ 1.48	$ 1.85
CASH FLOW		
Cash provided by operating activities	$ 53,244	$ 299,333
FINANCIAL POSITION		
Working capital	$ 291,408	$ 312,966
Total assets	$ 1,231,182	$ 1,185,977
Shareholders' equity per share (Class A and Class B)	**$ 11.93**	**$ 11.21**

41 YEAR HISTORY OF VALUE CREATION



ShawCor benefits from a strong competitive position based on global locations, proprietary products and services and a solid balance sheet which means the Company is the only capable supplier for many of its products and services.

Since becoming a public company in 1969, ShawCor has grown into the world's largest provider of advanced pipeline coatings, with a family of complementary energy service businesses that hold a leading position in their respective markets. Our success has been driven by an expanding global presence and an unwavering focus on superior execution, technological leadership and organizational excellence.

It's a strategic approach we call

The ShawCor Difference.

Message to Shareholders

2010 was a year in which we successfully strengthened our leadership position across ShawCor's global pipeline products and services businesses. Although revenue and earnings declined slightly due to the impact of the global recession, activity in all regions improved in the second half and we ended 2010 with rising income, an increasing level of bidding activity and steadily improving prospects.

Revenue declined 12.7% to $1.03 billion in 2010 as a result of lingering economic weakness – particularly in North America and Europe – and a corresponding reduction in energy infrastructure spending. Although activity began to rebound in the middle of the year, pipeline investment (which drove 89.0% of ShawCor's revenue in 2010) occurs late in the energy industry growth cycle. As such, we experienced the tail-end impact of what was essentially a 12-month pause in the approval of new energy projects during 2008 and 2009. Income from operations fell 34.0% to $127.0 million, a result of lower revenue and a reduction in profit margins as ShawCor and the rest of the industry struggled with excess capacity. Encouragingly, our results strengthened as the year progressed and we completed 2010 with rising revenue and earnings and an order backlog of $374.6 million. The balance sheet was also solid with no net debt, $156.0 million of cash-on-hand and available credit facilities of $240.0 million at year end.

Outperforming the Industry

Amid a tough economic environment, ShawCor performed relatively well, gaining market share and continuing to build our industry-leading position. While under-utilized capacity adversely affected profitability, nearly all major projects were executed at or above target profit margins, largely due to operational improvements driven by the continuing deployment of the ShawCor Manufacturing System (SMS). We were particularly pleased with our performance during the critical start-up stage of our major projects, which largely determines the ultimate profitability of each contract.

In spite of reduced activity levels in the global energy industry, ShawCor executed 10 major projects which contributed more than $300 million of revenue in 2010. These included:

- The PNG LNG Project in Papua New Guinea, which required multiple advanced coatings, including our proprietary Rock Jacket® flexible concrete coating, on a 900 kilometer pipeline crossing remote and difficult terrain.
- The Epic Energy QSN3 Project, which required anticorrosion and flow efficiency internal coatings for a 945 kilometer pipeline between Queensland and South Australia. Capacity at ShawCor facilities in both Malaysia and Australia was marshalled to meet the demanding logistics and timelines for this project.

Virginia L. Shaw
Chair of the Board

William P. Buckley
President and Chief Executive Officer

We also won some important new business. In May, we landed the largest pipe coating contract awarded in 2010 (US$93 million) for the deepwater Laggan-Tormore Pipeline Project in the North Sea. In December, we secured a US$40 million contract to provide anticorrosion and thermal insulation coatings for Chevron's deepwater Jack/St. Malo project in the Gulf of Mexico. This project involves the first deployment of our technologically advanced Brigden™ pipe coating plant, a fully modular facility that can quickly augment our productive capacity anywhere in the world. Activity in 2011 is expected to keep growing as the energy industry responds to renewed economic growth.

Investing in the Future

We also completed several transactions that strengthened our position in the world's fastest growing energy regions. ShawCor invested US$37.9 million to acquire the remaining 50% interest in Thermotite do Brasil Ltda. and BS Servicos de Injeção Ltda. in Brazil. These operations are strategically positioned to supply the most advanced anticorrosion and insulation coatings to the offshore Brazil market. The development of Brazil's deepwater oil and gas resources represents one of the fastest growing opportunities in the global energy industry.

Also in 2010, ShawCor acquired an effective 38% interest in Socotherm S.p.A., our next largest competitor, in partnership with two private equity firms. This investment of $32.0 million, increases our exposure to fast-growing energy-producing regions in South America, Europe and West Africa. Socotherm will continue to manage its operations as an independent competitor.

Other major capital investments during the year included the opening of a new Guardian facility in Linden, Pennsylvania to better service customers in the U.S. Marcellus Shale formation, the addition of dual wall manufacturing capability at our DSG-Canusa facility in Suzhou, China, the establishment of a joint venture coating facility in northern Russia and the completion of a large vessel wharf in Kabil, Indonesia that was required for the PNG LNG project and positions ShawCor for the next series of projects in South East Asia and offshore Australia.

Solid Industry Fundamentals

Despite recent challenges, our industry's long-term fundamentals remain positive. Global energy demand is expected to increase 33% by 2035, driven mainly by rapid economic growth in developing countries. Meanwhile, the annual

Bredero Shaw's facilities in Camrose, Alberta and Regina, Saskatchewan provided fusion bond epoxy anticorrosion coatings for the Keystone XL Project.

depletion rate for the world's energy reserves is about seven percent. Major energy companies are exploring farther afield every year to keep pace. According to a February 2011 report in the Oil & Gas Journal, there are an estimated $284 billion of pipeline projects currently under construction or planned around the world, with many of these pipelines to be built in areas without existing energy infrastructure. At ShawCor, our strategy is to have an expanding presence in new energy producing regions while providing the innovative solutions and rapid deployment capabilities required to serve customer needs in increasingly challenging environments.

At the same time, there is an unprecedented focus on environmental safety. Events such as the Deepwater Horizon disaster and major pipeline failures in California and Michigan are leading to stricter regulations, faster replacement cycles for legacy pipelines and growing demand for the highest possible quality standards and technological innovation from suppliers to improve pipeline integrity. Such trends bode well for our pipeline coating, joint protection and inspection businesses.

A Winning Growth Strategy

Bolstered by these robust fundamentals, ShawCor will continue to advance the strategies that have enabled each of our divisions to achieve leading positions in their respective markets. We call this *The ShawCor Difference*:

- An unrivalled and **expanding global presence**, with proximity to every major energy-producing region and a unique capacity to bring multiple facilities, including portable production plants, into action on large projects anywhere in the world.
- **Technological leadership**, based on continuing investment in the development of market-leading, proprietary technology platforms that provide solutions for the unique requirements of our customers.
- **Superior execution**, which draws on 80 years of experience and state-of-the-art management systems to deliver more than 300 projects safely, on-time and on-budget, every year.
- A commitment to **organizational excellence**, which has effectively aligned the efforts of everyone at ShawCor with our strategic aims and the expectations of our customers.

Bredero Shaw's facilities in Australia and Malaysia provided anticorrosion and flow efficiency coatings for the 945 km Epic Energy QSN3 Project.

You can learn more about the substantial progress we have made in each of these critical areas on pages 8 to 15 of this report.

A Word of Thanks

In closing, we wish to acknowledge the loss of two extraordinary people who were instrumental to ShawCor's development and success. Geoffrey Hyland joined ShawFlex in 1967 as a young engineer and began an illustrious career that culminated in his service as President and CEO of ShawCor from 1994 to 2005 and as a Director of the Company from 1987 to 2010. It was under Geoff's leadership over a thirty-eight year period that ShawCor grew to become the leading, global energy services company that it is today. Bob Steele joined ShawCor in 1974 with a doctorate in chemical engineering from the University of Toronto, ultimately serving as the Company's Vice President, Technology from 1993 until his retirement in 2007. Geoff and Bob were important leaders, generous mentors and loyal friends to those of us who had the privilege to know them.

We would also like to extend our appreciation and best wishes to Donald Vaughan who joined ShawCor's Board of Directors in 2001 and retired at the end of the year. We will miss his wise counsel and vast experience.

Finally, we wish to thank each of the more than 5,000 employees of ShawCor. Thanks to their efforts, we have outperformed many of our industry peers in a challenging year while setting the stage for continued leadership in our chosen markets.

WILLIAM P. BUCKLEY
PRESIDENT AND CHIEF EXECUTIVE OFFICER

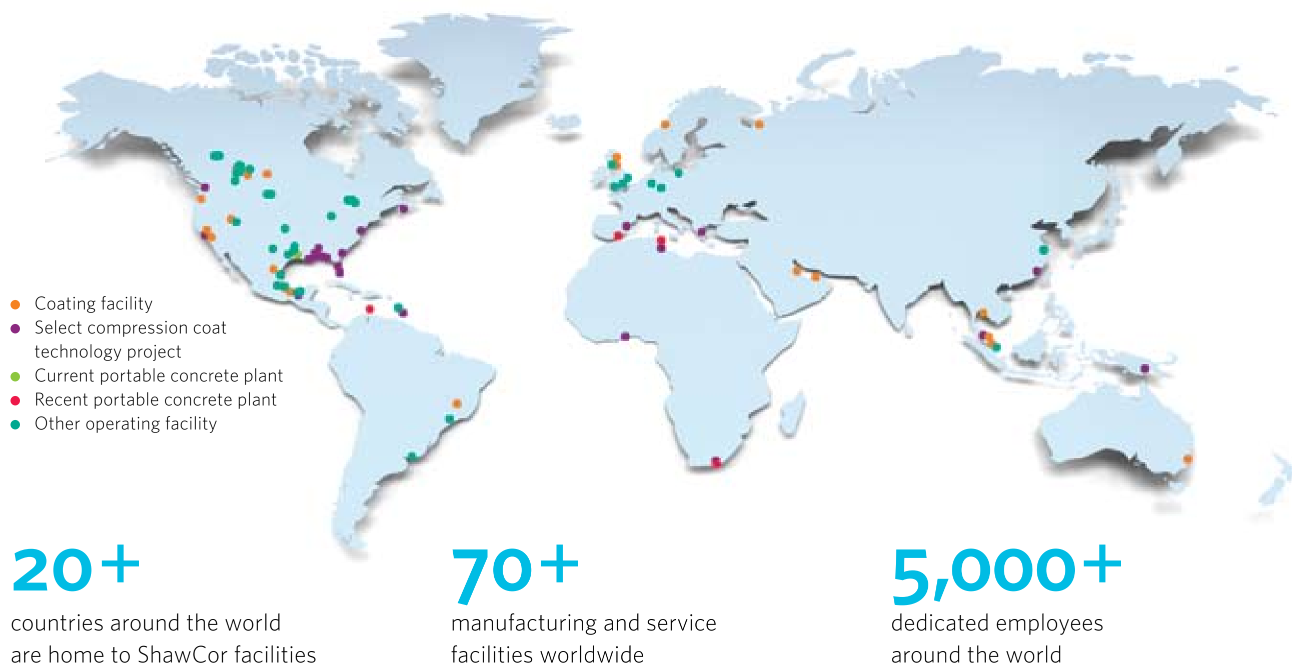
VIRGINIA L. SHAW
CHAIR OF THE BOARD

The Global Leader

ShawCor has established global leadership in the markets it serves through its strategic locations supported by a focus on international growth, technological innovation, flawless execution and organizational excellence.

PIPELINE AND PIPE SERVICES

	Bredero Shaw	Flexpipe Systems	Shaw Pipeline Services
Business Description	The Global Leader in pipe coating solutions for corrosion protection, flow assurance, insulation and weight coating applications on land and offshore pipelines.	Leading manufacturer of spoolable composite pipe systems used for oil and gas gathering, water transportation, CO_2 injection and other corrosive applications that benefit from the product's pressure and corrosion resistance capabilities.	A leader in specialized NDT inspection with a primary focus on both the upstream and downstream oil and gas industry where the division is the premier global provider of girth weld inspection services for land and offshore pipelines.
Key Markets	• Pipeline owners • Energy producers • Pipeline contractors	• Integrated energy producers • Junior oil and gas producers	• Lay barge operators • Spool bases • Pipeline owners and contractors
Growth Strategies	Be the customer's first choice for pipeline coatings and services by providing the most reliable solutions using innovative products and processes while achieving sustainable growth through geographic expansion, superior execution, technological leadership and organizational excellence.	Offer expanded product capabilities plus effective marketing, project planning and installation support combined with entry into selected international markets to achieve growth objectives.	Utilize state-of-the-art ultrasonic and radiographic weld inspection capabilities to develop new measurement and inspection services for entry into new markets including deepwater oil and gas and other compatible inspection applications.



20+
countries around the world are home to ShawCor facilities

70+
manufacturing and service facilities worldwide

5,000+
dedicated employees around the world

PETROCHEMICAL AND INDUSTRIAL

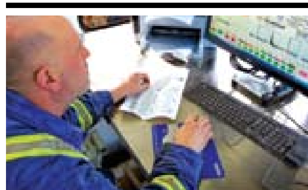
Canusa-CPS

The market leader in field applied pipeline joint protection and insulation systems for onshore and offshore corrosion and thermal protection applications in the global oil, gas, water and insulated pipeline markets.

- Oil and gas pipelines
- District heating and cooling systems
- Water and waste water pipelines

Utilize in-house research and development capabilities combined with effective global marketing and superior field and technical support to allow the division to serve a broader range of pipe coating and pipeline joint protection applications in the future.

Guardian

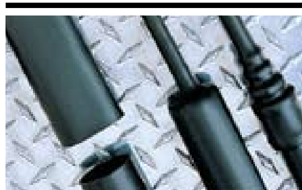


Leading provider of a complete range of tubular management solutions including integrated inspection, threading, refurbishment and inventory services as the largest OCTG inspection business in Canada and Mexico.

- Drilling contractors
- Oil and gas producers
- Tubular rental companies

Maintain leadership position based on proprietary, web-based inventory management system and utilize substantial cost benefits available through centralized tubular management to support strategic entry into major U.S. shale plays.

DSG-Canusa

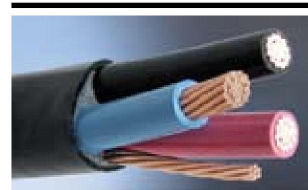


Leading global manufacturer of heat shrinkable tubing, sleeves and moulded products as well as heat shrink accessories and equipment with a manufacturing presence in three key markets: Americas, Europe and Asia Pacific.

- Electrical/Utility
- Communications
- Automotive
- Electronics markets

Gain market share through an expanded line of differentiated products while utilizing local manufacturing in key geographic locations to provide best-in-class service levels to customers in all global markets.

ShawFlex



World-class manufacturer of specialty wire and cable products for use in severe service industrial environments.

- Petrochemical
- Power generation
- Pulp and paper
- Primary metals
- Automation
- Robotics
- Automotive

Capitalize on success in Canada as a niche , specification-based supplier by developing and manufacturing innovative new wire and cable products for North American and international markets.

THE SHAWCOR DIFFERENCE

An Expanding Global Presence

ShawCor is the world's largest pipe coating company with a family of related energy service businesses that hold leading positions in their respective markets. During the past 50 years, we have grown from a regional pipe coating company in southwestern Ontario into one of the world's leading energy service providers with over 70 manufacturing and service facilities in more than 20 countries around the globe. Today, we generate more than 54% of total revenue from outside North America.

As traditional oil and gas basins mature, we continue to support our customers as the search for additional hydrocarbon reserves leads to the development of energy infrastructure in new and progressively more challenging environments. Among the most promising frontiers are the estimated 130 billion BOE of deepwater reserves on the world's continental shelves. As the major energy producers ramp up undersea exploration and production efforts, ShawCor continues to expand its global presence to keep pace with emerging opportunities and offer clear logistical advantages for its customers.

In Brazil, whose marine territory holds what may be the world's largest deepwater energy reserves, ShawCor invested US$37.9 million during the past year to purchase the remaining 50% interest in Thermotite do Brasil Ltda. and BS Servicos de Injeção Ltda., key suppliers to that country's expanding subsea energy infrastructure. Brazil's deepwater reserves are currently estimated at 30 billion BOE and the discovery of the Tupi field, estimated to contain 8 billion BOE in reserves, is one of the single largest energy discoveries of the past 20 years.

As the quest for energy leads to new frontiers, ShawCor is ready to meet the evolving needs of the world's oil and gas producers, pipe manufacturers, pipeline operators and construction contractors. We are right where our customers need us with an unrivalled global presence and the ability to bring multiple facilities, including mobile plants, into production at the most cost-effective point in the supply chain. Supported by the experience that comes from a market-leading position in each of our pipeline and related energy service businesses, we also possess the financial and operating discipline to ensure that ShawCor's projects are completed on time, and on budget, anywhere in the world.

GEOGRAPHIC BREAKDOWN OF SHAWCOR'S REVENUE IN 2010

($000)

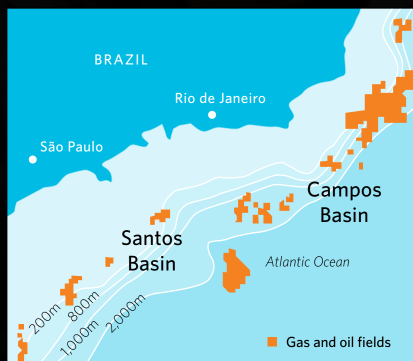
North America	$	474,898
Latin America		56,400
EMAR [1]		234,770
Asia Pacific		268,095
Total		1,034,163

(1) EMAR is defined as Europe, Middle East, Africa and Russia.

54%

Today, we generate more than 54% of total revenue from outside North America.

OFFSHORE BRAZIL



The ShawCor Difference

Brazil's continental shelf may contain the largest deepwater hydrocarbon reserves in the world, estimated by Petrobras to exceed 30 billion BOE in 2009. Recovering these deposits, which lie under thousands of feet of water and salt formations below the seafloor won't be easy. The Brazilian operations of Bredero Shaw and Canusa-CPS are key suppliers of the high performance pipeline coatings and joint protection systems that will be required for the region's growing energy infrastructure.

The Bredero Shaw facility in Belo Horizonte, Brazil applied a solid polypropylene flow assurance insulation coating for the Petrobras Hybrid II deepwater offshore pipeline project.

LAGGAN-TORMORE PROJECT

The ShawCor Difference

ShawCor's reputation for dependable performance helped us win the largest pipe coating contract of 2010 – a US$93 million agreement with Corus UK Limited to provide custom coatings for Total's Laggan-Tormore project. Laggan-Tormore is an emerging oil and gas field 125 kilometers northwest of the Shetland Islands, under 600 meters of exceptionally rough and frigid seas. The contract calls for coating 540 kilometers of pipe with advanced anticorrosion, flow-efficiency and high-density concrete weight coatings. Our Bredero Shaw facility in Leith, Scotland is ideally positioned in this important region as the search for new energy reserves moves deeper and farther north.

The Laggan and Tormore gas fields lie in water depths of up to 600 meters in the Atlantic Ocean 125 kilometers northwest of the Shetland Islands.

THE SHAWCOR DIFFERENCE

Superior Execution

ShawCor's divisions are among the strongest competitors in their respective markets. Individually and together, they are helping to build upon a hard-won reputation for fulfilling even the most logistically demanding contracts on budget and on schedule. Today, we set the standard for superior execution with the most advanced manufacturing process management systems in our industry.

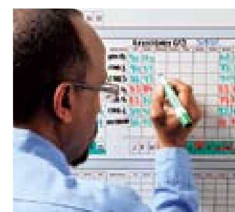
Launched in 2006, the ShawCor Manufacturing System (SMS) is an industry-leading continuous improvement program that draws upon the best elements of lean manufacturing, Six Sigma, world-class manufacturing systems and our own experience. The SMS program integrates these elements with strong leadership and engaged employees to drive excellence in our manufacturing and business processes. Last year, ShawCor reached new heights in the pursuit of flawless execution, registering the highest SMS audit scores recorded to date. This annual internal assessment measures a site's performance against stringent SMS program standards.

During 2010, ShawCor achieved significant cost benefits as a direct result of SMS initiatives. These included gains realized through improved efficiencies, material variance reductions and process improvements as well as improved cost performance resulting from standardized launch methodologies for new projects. During the next two years, SMS will be extended enterprise wide to include all administrative activities worldwide and is expected to realize annual cost benefits in excess of $20.0 million.

Such initiatives bring multiple benefits to our customers including lower cost, higher quality and better on-time performance. For ShawCor, the impact of SMS is also evident in the growing number of projects we are completing at or above the margin levels anticipated in our bids.

During 2010, SMS was crucial to the successful execution of several major pipe coating projects. The largest and most demanding of these was Bredero Shaw's US$170 million contract to provide anticorrosion, flow efficiency, concrete weight and Rock Jacket® mechanical protection coatings for the PNG LNG pipeline from the rugged interior highlands of Papua New Guinea across open ocean to the LNG facility on the Gulf of Papua.

The project was coordinated between Bredero Shaw's state-of-the-art facilities in Kabil, Indonesia and Kuantan, Malaysia, full service coating plants that were built specifically to process the characteristically large, complex projects in the Asia Pacific region. It also involved the first deployment of our proprietary Rock Jacket® portable plant. The options for pipe contractors are limited when building a pipeline through difficult terrain. It becomes even more challenging when the lack of existing infrastructure makes it prohibitively expensive to move traditional sand and aggregate bedding materials to the construction site. Rock Jacket® provided the solution as a critical mechanical protection coating that allowed the pipe to be bent into position during installation.



Employee engagement and alignment are the keys to innovation and business improvement at ShawCor. The daily management process (DMP) utilizes visual metrics boards to engage employees in improving the business and accelerates the rate at which they address issues in their area. The DMP is now standard procedure at ShawCor sites worldwide.

THE SHAWCOR DIFFERENCE

Technological Leadership

ShawCor's ability to deliver high-value products and services to our customers is based upon a strong foundation of technological leadership and innovation. Today we hold more than 210 enforceable patents and utilize over 85 proprietary formulations and 50 leading technologies in the fields of adhesive technology, anticorrosion science, flow assurance/thermal design, polymer compounding, radiation curing and specialized concrete systems.

In 2010, we continued to extend our technological lead on several fronts. One of the year's most important achievements was the design and construction of a state-of-the-art Simulated Service Vessel (SSV), a key part of our efforts to expand ShawCor's presence in the fast-growing offshore pipeline services market. This remarkable 82-tonne facility simulates the extreme conditions of deep sea environments with unprecedented accuracy, allowing ShawCor and its customers to determine the precise thermal, compression resistance and flow assurance capabilities of advanced coatings and joint protection systems before these vital deepwater pipelines are installed. The first commercial tests in the SSV are being conducted on complex insulation coatings for Petrobras and Chevron and the facility is being booked for tests by several other large customers.

The past year also witnessed the commercialization of Thermotite® ULTRA™. A next-generation insulation system with unlimited depth capacity, this integrated coating and injection molded joint protection system will enable energy companies to explore further afield and produce stranded reserves that have not been accessible with existing technology. Thermotite® ULTRA™ was successfully installed on the Apache Corporation's Balboa Project at a depth of 3,350 feet in the Gulf of Mexico in November 2010 where it met all customer requirements.

Technological innovation also continues to play an important role in the development of our production facilities. The new Brigden™ mobile plant, which can be quickly deployed to provide the most advanced anticorrosion and flow assurance coatings anywhere in the world, will be introduced on this year's Jack/St. Malo project in the Gulf of Mexico. Brigden's remarkable 'plug and play' technology means all power, heating, process control and other systems can be assembled and activated without traditional, time-consuming construction requirements. Even shipping is easy since all modules are designed to fit within standardized shipping containers. In fact, many Brigden modules double as their own containers. The mobility of the Brigden technology provides access to project opportunities estimated at $250 million annually that the Company cannot supply from existing fixed plants. It also gives us the flexibility to quickly augment productive capacity at existing facilities and enhances our ability to apply coatings at the most advantageous point in the supply chain.

We also continue to develop advanced products required to enhance production in mature basins as the industry moves to horizontal, steam-injected recovery.

Introduced last year, Flexcord Line Pipe is a spoolable line pipe with high cyclic load capabilities aimed at expanding Flexpipe Systems' product range to meet growing demand in the $1.0 billion North and South American small diameter composite pipe market.

2010 TECHNOLOGY ACHIEVEMENTS

- SSV Subsea Test Facility
- Thermotite® ULTRA™ patented flow assurance coating
- Design and production of Brigden portable coating plant
- Mobile Rock Jacket® plant deployment
- Introduction of high-pressure Flexcord Line Pipe (patent pending)
- Infra-Red Shrink Appliance for superior pipeline sleeve application (patent pending)
- Real Time Radiography for girth weld inspection (patent pending)
- Robotic Internal Girth Weld Coating (patent pending)
- Low Application Temperature field joint (patent pending)

SUBSEA TEST FACILITY

The ShawCor Difference

When energy companies want to keep high-temperature hydrocarbons moving through icy, deep ocean waters, the thermal insulation and flow assurance characteristics of pipeline coatings are of critical importance. ShawCor extended its leadership in this area with the installation of the industry's most advanced Simulated Service Vessel (SSV) in our new Subsea Test Facility earlier this year. Designed to test coatings at an equivalent water depth of up to 9,800 feet at an internal pipe temperature of up to 180° Celsius, the SSV is enabling ShawCor and its customers to validate the performance and integrity of pipeline coating and joint protection systems prior to installation while generating vital scientific data for continued innovation.

ShawCor's Simulated Service Vessel (SSV) is one of the world's largest high pressure, deepwater pipeline test chambers.

THE SHAWCOR MANUFACTURING SYSTEM (SMS)

The ShawCor Difference

Leadership throughout ShawCor's seven operating divisions is the key to achieving organizational change. The SMS Champion Certification Program was developed to provide site managers with the knowledge to independently lead SMS at their sites. This year, 31 managers in six divisions will receive over 100 hours of training and hands on application exercises and will build a plan on how to improve their operation using SMS.

ShawCor division management and operating personnel work closely together to achieve flawless execution at all Company facilities.

THE SHAWCOR DIFFERENCE

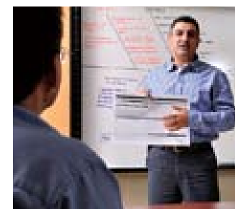
Organizational Excellence

The quality, commitment and determination of our people have always been the ultimate foundation of ShawCor's development and success. Thanks to their efforts, we have been able to build a leading market position in each of our energy service businesses, earn a growing reputation for technological and operational excellence and deliver a total return to shareholders which is 38% greater than the average of our peers in the Philadelphia Oil Services Sector Index (OSX) over the past 10 years. We are proud of our achievements, but also realize that there is room for more improvement as we move ahead.

Since 2008, we have embarked on a comprehensive program to drive ShawCor to the next level as a high performing organization. One of our first initiatives was to establish a common set of strategic objectives and performance measurement systems across all of our businesses. These programs ensure our executives, managers and staff are aligned in the pursuit of common strategies in the areas of growth, innovation, execution, people and leadership. This involves establishing and linking personal objectives for more than 1,500 people in the organization with quantifiable performance metrics tied to ShawCor and division objectives. Today, all executives, managers and staff have direct, line-of-sight metrics supporting the Company's strategic objectives and closely-related, merit-based compensation programs designed to reward their accomplishments.

In August, we sharpened our focus on the opportunities that lie ahead with ShawCor's first Growth Summit held in Toronto. This three-day conference with 90 leaders from all of our divisions, explored strategies and methods for market analysis, the identification of emerging customer needs, effective resource planning and the development and execution of growth plans. The Summit also provided opportunities for leaders to learn more about other divisions, share best practices and identify potential areas for cooperation and improvement.

At the same time, we have focused our efforts to more actively engage employees at every level and in every corner of the organization. The world's highest performing organizations understand that employee engagement is a corporate strength and competitive advantage that helps to align individuals to strategic goals such as safety and productivity, foster a positive corporate culture and generate superior financial outcomes. In 2010, ShawCor partnered with Gallup Inc., the renowned polling research company, to survey the opinions of every employee at each of our locations worldwide. We wanted to hear their candid opinions and find out how we measure up against the world's most successful companies. The results of the survey, which exceeded the median scores of companies completing these surveys for the first time, have been shared with everyone at ShawCor. They identified many strengths as well as significant opportunities for improvement. What we've learned so far will help us to refine our strategic planning and employee communications processes as we move forward into the future.



Standardized methodologies for data and fact based analysis and decision making are used by ShawCor employees worldwide.

The ShawCor Culture

ShawCor is committed to maintaining a safe and healthy workplace for our employees, improving the communities in which we operate and conducting our business in accordance with the highest standards of environmental responsibility.

Commitment to Workplace Safety

ShawCor is a multi-national company with seven operating divisions, more than 70 manufacturing and service facilities and over 5,000 employees around the globe. No matter where we are located, all of ShawCor's operations share an unwavering commitment to the health and safety of our employees.

Through the ShawCor Incident and Injury Free (IIF) Program, we continue to make progress toward the elimination of workplace accidents and injuries. From the shop floor to the ranks of senior management, all employees are continually involved in the IIF process and regularly engage in activities that contribute to a safer workplace. Maintaining the safest possible working environment isn't just the right thing to do; it's also right for business. A safe work environment reduces costs, raises productivity and earns the confidence and respect of our customers and other business partners.

All ShawCor personnel work diligently to reduce the occurrence of incidents and injuries at each of our facilities. This is evident in the 80% decline in the annual number of recordable injuries per million person hours worked since 2000. Although the rate of recordable injuries per million person hours worked increased slightly to 7.3 in 2010, ShawCor continues to maintain a recordables rate that is well below industry metrics such as the average rate of 21.5 that was reported by the Occupational Health and Safety Administration (OHSA) in the United States in 2009.

Incident and Injury Free (IIF) in Action

At ShawCor, being an Incident and Injury Free (IIF) organization means placing a high value on people through a culture that is caring and doesn't accept that incidents or injuries are an inevitable outcome of work. ShawCor's IIF Program is focused on people's intentions, values and beliefs regarding safety and is committed to building a critical mass of employees who declare that it is unacceptable for anyone to be injured at work. An internal Request for Action (RFA) system provides a vehicle for all employees to report identified safety issues that they believe require attention. The program encourages and rewards positive personal intentions and beliefs regarding safety and is characterized by leadership which understands that it creates the workplace conditions that lead to safe outcomes. To this end, over 15,000 Advance Safety Audits (ASA) were conducted last year providing leadership an opportunity to observe and discuss safety in the workplace with all employees.

OUR ACHIEVEMENTS

1. HONOURING THE BEST
Employee recognition is an important part of our efforts to promote and reward superior job performance. Alfredo Andrenacci, a research chemist with seven patents and 29 years of distinguished service at the Company, was the winner of this year's highest honour, the ShawCor MVP award.

2. 180 MILES FOR A CURE
This year, employees from Bredero Shaw's Houston office teamed up for a two-day, 180-mile bike ride to Austin, Texas and raised $12,100 in support of the Multiple Sclerosis Society.

3. HAVING A HEART
On November 6, 2010, employees from three ShawCor divisions competed with themselves and other businesses in the Montgomery County Heart Walk to raise more than $34,000 for the American Heart Association.

Protecting the Environment

Reducing our impact on the environment is another important long-term goal and we continued to make progress in 2010. ShawCor monitors and tracks its global greenhouse gas emissions with the aim of minimizing our carbon footprint over time. Carbon emissions across ShawCor have been reduced by almost 12% since we began to monitor them in 2007. This reduction represents a significant achievement, given that ShawCor has added additional emission sources through the acquisition of new businesses, construction of new facilities and expansion of existing businesses. As the primary carbon emission sources arise from electricity consumption, ShawCor's businesses are taking steps to reduce electricity use through the installation of modern, low-consumption lighting and participation in local community energy saving programs.

We have also made great progress in eliminating the use of hazardous chemicals in our manufacturing processes as well as minimizing waste. All divisions employ ShawCor's comprehensive chemical management system which tracks the use of approximately 6,500 chemical compounds throughout our operations. This system plays a central role in ensuring regulatory compliance, meeting our own stringent health and safety requirements and reducing the risks presented by the handling of hazardous materials. A key feature of the system includes an approval process that screens new incoming chemicals to ensure that only the safest alternatives are selected for use.

Helping Our Communities

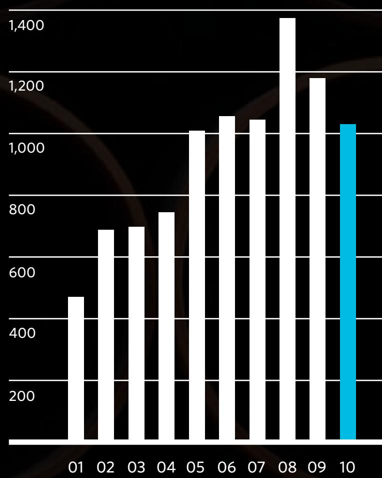
One of ShawCor's most important assets is the reputation we have earned over the years for respecting and helping the communities in which we operate.

ShawCor is an equal opportunity employer with manufacturing and service facilities in over 20 countries on five continents. We value the richness and diversity of our global workforce and are committed to maintaining a strong local presence wherever we operate. This includes the employment of local personnel at the operating and management levels in all of our operating locations worldwide.

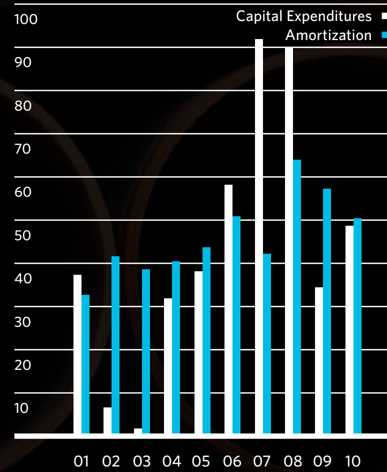
We also do our best to bring other tangible benefits to our communities through corporate financial support for The United Way, the Multiple Sclerosis Society and many other important social causes. In addition, many ShawCor employees volunteer their time and raise funds for charitable causes that benefit the lives of people in need in their communities.

Financial Strength

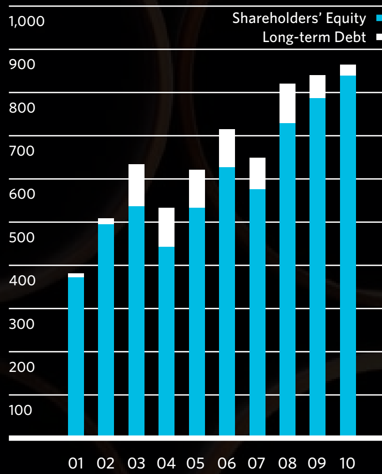
REVENUE
(in millions of Canadian dollars)



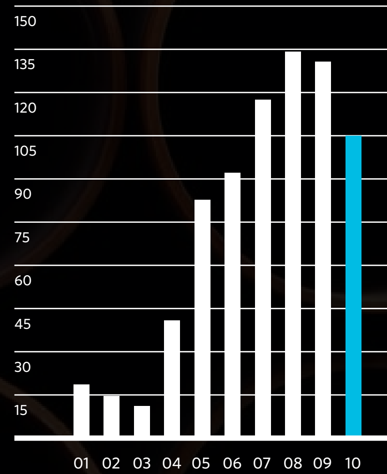
CAPITAL EXPENDITURES AND AMORTIZATION
(in millions of Canadian dollars)



CAPITALIZATION
(in millions of Canadian dollars)



INCOME FROM CONTINUING OPERATIONS
(in millions of Canadian dollars)



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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") is a discussion of the consolidated financial position and results of operations of ShawCor Ltd. ("ShawCor" or the "Company") for the years ended December 31, 2010 and 2009 and should be read together with ShawCor's audited consolidated financial statements for the same periods. All dollar amounts in this MD&A are in thousands of Canadian Dollars except per share amounts or unless otherwise stated.

1.0 EXECUTIVE OVERVIEW

ShawCor is a growth-oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates seven divisions with over 70 manufacturing and service facilities located around the world. The Company is publicly traded on the Toronto Stock Exchange ("TSX").

1.1 Core Businesses

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

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

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

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

As at December 31, 2010, the Company operated its seven divisions through two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company and accounted for 89.0% of consolidated revenue for the year ended December 31, 2010. This segment includes the Bredero Shaw, Canusa-CPS, Shaw Pipeline Services, Flexpipe Systems and Guardian divisions.

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

Petrochemical and Industrial

The Petrochemical and Industrial segment, which accounted for 11.0% of consolidated revenue for the year ended December 31, 2010, includes the DSG-Canusa and ShawFlex divisions. Operations within this segment utilize polymer and adhesive technology that was developed for the Pipeline and Pipe Services segment and is now being applied to applications in Petrochemical and Industrial markets.

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

1.2 Vision and Objectives

ShawCor's vision and business strategy is to be the market leader and technology innovator with a primary focus on the global pipeline industry and to use this base as a platform to build an international energy services company while achieving the following key performance objectives:

- generate a Return on Equity ("ROE") of 15% over the full business cycle;
- generate average annual net income growth of 15% over the full business cycle;
- continuously improve on an industry-leading health, safety and environmental ("HSE") management system to support the Company's commitment to an Incident and Injury Free ("IIF") workplace;
- maintain a strong market share with each division being number one or a strong number two in its respective market;
- achieve flawless execution supported by clear lines of accountability and responsibility;
- increase the flow of new products using the New Product Development ("AFPD") system to achieve a minimum of 20% of revenue from new products introduced within the current or previous two years;
- achieve lowest cost producer status using the ShawCor Manufacturing System ("SMS") combined with effective global procurement;
- provide a reliable organization based on best practices in governance, financial control and business processes; and
- provide a workplace and career growth environment that will attract and retain top calibre employees who are essential to achieving the corporate growth and profitability objectives.

1.3 Key Performance Drivers

The Company believes the following key performance drivers are critical to the success of its businesses:

- demand for the Company's products and services that is primarily determined by investment in new energy infrastructure necessary to supply global energy needs;
- current and forecasted oil and gas commodity prices and availability of capital to enable customers to finance energy infrastructure investment;
- the Company's competitive position globally and its ability to maintain operations in each of the major oil and gas producing regions;

- the Company's technology and its ability to research and commercialize innovative products that provide added value to customers and provide competitive differentiation;
- the Company's operational effectiveness and its ability to maintain efficient utilization of productive capacity at each geographic location;
- access to capital and maintenance of sufficient available liquidity to support continuing operations and finance growth activities;
- the ability to identify and execute successful business acquisitions that result in strategic global growth; and
- the ability to attract and retain key personnel.

1.4 Key Performance Indicators

Several of the drivers identified above are beyond the Company's control; however, there are certain key performance indicators that the Company utilizes to monitor progress toward achieving its vision and performance objectives. These indicators are detailed below.

Certain of the following key performance indicators used by ShawCor are not measurements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and should not be considered as an alternative to net income or any other measure of performance under GAAP. Refer to section 13 – Reconciliation of Non-GAAP Measures, for additional information with respect to Non-GAAP Measures used by the Company.

Net Income Growth

As part of its performance objectives, the Company has set a goal for average annual net income growth of 15% over the full business cycle, as described in section 1.2 – Vision and Objectives. Net income decreased by $26.1 million, or 19.8%, from $131.5 million for the year ended December 31, 2009 to $105.4 million for the year ended December 31, 2010. The decrease was mainly attributable to lower revenue in the Latin America and EMAR regions in the Pipeline and Pipe Services segment as described in section 4.2.1 and the unfavourable effects of foreign exchange fluctuations as described in section 2.2.

ROE

ROE is defined as net income divided by average shareholders' equity for the most recently completed year. ROE is used by the Company to assess the efficiency of generating profits from each unit of shareholders' equity. As part of its performance objectives, the Company has set a target of 15%, as described in section 1.2 – Vision and Objectives. The Company's ROE for the years ended December 31, 2010 and 2009 was 12.9% and 17.3%, respectively. The decrease of 4.4 percentage points was primarily due to a decrease in operating income and an increase in retained earnings.

Free Cash Flow ("FCF")

FCF is defined as cash flow from operating activities less capital expenditures and dividend payments during the year. FCF represents the cash available from operations after spending on maintenance of existing assets and expanding the current asset base and is a measure of the Company's ability to generate cash flow to maintain operations. FCF decreased by $243.8 million from a positive cash inflow of $227.9 million during 2009 to a negative cash outflow of $15.9 million during 2010. The decrease was primarily due to a decrease in operating cash flow that resulted from the $85.1 million movement in working capital. FCF was also reduced in 2010 by capital expenditures that were $14.4 million higher compared to the prior year and was partially offset by dividend payments that were $16.6 million lower as compared to 2009.

Employees

The Company conducts periodic employee surveys and monitors turnovers in key personnel positions in order to assess employee engagement.

Market Position

The Company's record of successful project execution and the resulting repeat business demonstrates customer loyalty, which is one of many qualitative measures that the Company utilizes to measure customer satisfaction.

The following table sets forth the relative market position by division within the markets that the Company operated in during the year ended December 31, 2010:

	Market Position
Bredero Shaw	First
Canusa-CPS	First
Shaw Pipeline Services	First
Flexpipe Systems	Second
Guardian	First
DSG-Canusa	Second
ShawFlex	First

Safety and Environmental Stewardship

The Company maintains a comprehensive Health, Safety and Environmental ("HSE") management system in place within each of its seven operating divisions and is committed to being an Incident and Injury Free ("IIF") workplace with no damage to the environment. For the years ended December 31, 2010 and 2009, the Company had recordable injuries per million person hours worked of 7.3 and 5.0, respectively. During 2010, the Company completed 37 HSE audits at manufacturing and service locations across all seven divisions and developed action plans to improve any deficiencies identified in the audits.

1.5 Capability to Deliver Results

Capital Resources

The Company operates in the global energy industry and, as a result, the operations of the Company tend to be cyclical. In addition, the Company can undertake major pipe coating projects anywhere in the world as part of its normal operations. These factors, as well as the Company's growth initiatives, can result in variations in the amount of investment in property, plant and equipment, working capital and project guarantees required to support the Company's business. The Company's policy is to manage its financial resources, including debt facilities, so as to maintain sufficient financial capacity to fund these investment requirements.

Capital expenditures increased by $14.4 million from $34.4 million for the year ended December 31, 2009 to $48.7 million for the year ended December 31, 2010. The Company believes it has sufficient available resources and capacity to meet the market demand for its products and services in the markets where the Company operates. The Company may, however, incur new capital expenditures to facilitate growth in new markets.

The current level of working capital investment is expected to be sufficient to support the level of business activity projected in 2011; however, unexpected increases in business activity or specific pipe coating project requirements may result in higher working capital requirements. Any such increase in requirements will be financed from the Company's cash balances and available committed credit facilities. The Company had cash and cash equivalents of $156.0 million and $250.0 million as at December 31, 2010 and 2009, respectively, and had unutilized lines of credit available of $164.9 million and $190.0 million, as at December 31, 2010 and 2009, respectively.

The current financial position of the Company is strong and the Company does not foresee any difficulties in maintaining a sufficient level of financial capacity to execute the Company's growth strategy.

Please refer to section 5 – Liquidity and Capitalization, for additional information with respect to the Company's liquidity and financial position.

Non-Capital Resources

The Company considers its people as the most significant non-capital resource required in order to achieve the vision and objectives identified above. The Company's executives are comprised of senior business leaders who bring a broad range of experience and skill sets in the oil and gas industry, finance, tax, law and corporate governance. The leadership team's experience, combined with the employees' knowledge and dedication to excellence, has resulted in a long history of proven financial success and stability, with the resulting creation of value for the Company's stakeholders.

On an ongoing basis, the Company monitors its succession planning program in order to mitigate the impact of planned or unplanned departures of key personnel. As at December 31, 2010, the Company believes it has sufficient human resources to operate its business at an optimal level and execute its strategic plan.

Systems and Processes

Management regularly reviews the Company's operational systems and processes and develops new ones as required. Key operational programs utilized by the Company during the year ended December 31, 2010 included systems and controls over project bidding, capital expenditures, internal controls over financial reporting, product development, HSE management and human resource development. In addition, the SMS program has been implemented to increase operating efficiency and achieve significant cost savings in each of the Company's seven divisions.

As at December 31, 2010, the Company believes it has sufficient systems and processes in place to operate its business at an optimal level and execute its strategic plan.

2.0 FINANCIAL HIGHLIGHTS

2.1 Selected Annual Information

The following sets forth the Company's financial highlights for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009	2008
Revenue	$ 1,034,163	$ 1,183,978	$ 1,379,577
Cost of goods sold	623,641	695,521	892,937
Gross profit	410,522	488,457	486,640
Selling, general and administrative expenses	221,440	219,557	212,826
Research and development expenses	11,050	10,967	8,121
Foreign exchange (gains) losses	(5,745)	3,790	(8,180)
Amortization of property, plant and equipment	50,376	57,244	63,997
Amortization of intangible assets	5,246	4,380	1,902
Impairment of intangible assets and goodwill	1,166	–	952
Income from Operations	126,989	192,519	207,022
Gain on revaluation of investment	17,979	–	–
Investment loss from long-term investment	(1,939)	–	–
Interest expense – net	(2,503)	(4,672)	(5,659)
Income before income taxes and non-controlling interest	140,526	187,847	201,363
Income taxes	35,136	56,397	55,878
Non-controlling interest	–	–	(248)
Net Income for the Year	$ 105,390	$ 131,450	$ 145,733
Net Income	$ 105,390	$ 131,450	$ 145,733
Add:			
Income taxes	35,136	56,397	55,878
Interest expense – net	2,503	4,672	5,659
Impairment of intangible asset and goodwill	1,166	–	952
Amortization of property, plant, equipment and intangible asset	55,622	61,624	65,899
Gain on revaluation of investment	(17,979)	–	–
Investment loss from long-term investment	1,939	–	–
EBITDA[(a)]	$ 183,777	$ 254,143	$ 274,121
Total Assets	$ 1,231,182	$ 1,185,977	$ 1,227,289
Total Long-term Financial Liabilities[(b)]	$ 14,018	$ 26,544	$ 60,943
Net Income			
Basic (Classes A and B)	1.49	1.86	2.06
Diluted (Classes A and B)	1.48	1.85	2.03

(a) Earnings before interest, income taxes, depreciation and amortization ("EBITDA") is a non-GAAP measure and should not be considered as an alternative to net income or any other measure of performance under GAAP. Refer to section 13 – Reconciliation of Non-GAAP Measures, for additional information with respect to Non-GAAP Measures used by the Company.

(b) Includes the Company's non-current portion of long term debt, deferred purchase consideration classified as other long-term liabilities and obligations under capital leases.

Revenue

Revenue decreased by $149.8 million, or 12.7%, from $1,184.0 million in 2009, to $1,034.2 million in 2010, primarily as a result of reduced market activity in the Pipeline and Pipe Services segment (refer to section 4.2.1 for further details) and the unfavourable effect of foreign exchange fluctuations (refer to section 2.2).

Income from Operations

Income from operations decreased by $65.5 million, or 34.0%, from $192.5 million in 2009 to $127.0 million in 2010. This change was primarily due to the reduction in revenue as discussed above and the corresponding decline in gross margin, and was partially offset by lower amortization expense and foreign exchange gains.

Net Income

Net income decreased by $26.1 million, or 19.8%, from $131.5 million in 2009 to $105.4 million in 2010. The decrease was primarily due to the decrease in revenue and income from operations as explained above, and was partially offset by a gain on revaluation of investment of $18.0 million and a 5.0 percentage point reduction in the effective income tax rate from 30.0% in 2009 to 25.0% in 2010.

2.2 Foreign Exchange Impact

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

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2009
U.S. Dollar	1.0157	1.0544	1.0351	1.1450
Euro	1.3797	1.5569	1.3785	1.5958
British Pound	1.5935	1.7154	1.5987	1.7763

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

(in thousands of Canadian dollars)	Three Months Ended December 31, 2010	Year Ended December 31, 2010
Revenue	$ (10,427)	$ (77,776)
Income from operations	(1,138)	(18,536)
Net income	(986)	(12,706)

3.0 SIGNIFICANT BUSINESS DEVELOPMENTS

New Joint Venture Agreement

In January 2010, the Company entered into a joint venture agreement with OOO ArkTekhnoProm (“Arkh”), an affiliate of OAO Mezhregiontruboprovodstroy, the leading Russian offshore pipeline contractor. The joint venture established a pipe coating facility in the Arkhangelsk Region, Russian Federation that provides advanced concrete weight coating services for the emerging northern Russia offshore pipeline market. The joint venture was created with the formation of a company owned 75% by Arkh, and 25% by the Company. On February 4, 2010, the Company’s Russian joint venture obtained a loan from Arkh in the amount of 600 million Russian rubles (CDN $20.5 million) payable on demand, but no earlier than February 1, 2011. The Company’s portion of this loan has been proportionately consolidated and included on the consolidated balance sheet as at December 31, 2010.

Investment in Socotherm S.p.A.

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

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

On October 29, 2010, the Court of Vicenza issued a Homologation Decree that approved the share capital investment and the agreement between the Investor Group and Socotherm was subsequently completed. In November 2010, the Company injected an additional €2.6 million (CDN$3.4 million) into Fineglade to discharge additional liabilities of Socotherm. During the year ended December 31, 2010, the Company incurred an investment loss on its investment in Fineglade in the amount of $1.9 million.

Significant Business Contracts

In May 2010, the Company was awarded a contract with a value of US$93.0 million from Corus UK Limited to provide pipeline coatings for the Total E&P UK Ltd. Laggan-Tormore project. Laggan-Tormore is an offshore gas field which lies 125 km northwest of the Shetland Islands in water depths of up to 600 meters. The work, consisting of 3-layer polypropylene anticorrosion coating, internal flow efficiency coating and concrete weight coating, will be executed at the Bredero Shaw pipe coating facility in Leith, Scotland commencing in the fourth quarter of 2010.

In December 2010, the Company was awarded the Jack/St. Malo project, operated by Chevron North America Exploration and Production Company, with a value in excess of US$40 million to provide subsea insulation coatings. The subsea flowlines and risers will be installed approximately 250 miles (400 km) southwest of New Orleans in water depths up to 7,200 feet (2,200 meters). The work will be executed by the Bredero Shaw pipe coating facility in Beaumont, Texas. The site is being upgraded with the addition of a new "Brigden" modular coating facility. The contract includes ID blasting and coating of approximately 92 km of 10" pipe with 3-layer polypropylene anticorrosion coating and syntactic polypropylene thermal insulation. Qualification activities will commence during the first quarter of 2011, with full production planned from the third quarter of 2011 through the second quarter of 2012.

Repayment of 5.11% Senior Notes ("Senior Notes")

Under the terms of the Senior Notes, the Company is required to repay the Senior Notes in three equal installments of US$25.0 million on June 30, 2009, 2010 and 2011. On June 30, 2010, the Company made the second repayment of US$25.0 million (CDN$26.0 million at the then current exchange rate). Refer to section 5.5 – Credit Facilities for additional information with respect to the Company's Senior Notes.

Acquisition

On October 5, 2010, two subsidiaries of the Company completed the acquisition of the remaining 50% interest in Thermotite do Brasil Ltda. and BS Servicos de Injeção Ltda. that they did not previously own. The purchase price was $36.0 million and is to be paid in two installments, with the first amount of $19.8 million paid upon completion of the transaction and a second payment of $16.2 million to be paid in 2013. As a consequence of the adoption of CICA Handbook section 1582, "Business Combinations", the carrying value of the Company's previously held investment was restated to fair value resulting in a gain of $18.0 million, which was recorded as a gain on revaluation of investment and is included in the Company's consolidated statement of income.

Renewal of Normal Course Issuer Bid ("NCIB")

On November 30, 2010, the Company received approval from the TSX to renew its NCIB for an additional one year period expiring on November 30, 2011. Under the terms of the renewal, the Company is authorized to acquire, through the facilities of the TSX, up to 2,000,000 of the currently issued and outstanding Class A Subordinate Voting Shares (the "Class A Shares") and up to 100,000 of the currently issued and outstanding Class B Multiple Voting Shares (the "Class B Shares"). These two amounts comprised approximately 3.89% and 7.45% of the public float outstanding as at December 31, 2010 for Class A Shares and Class B Shares, respectively. Daily purchases are limited to 28,238 Class A Shares and 1,000 Class B Shares, other than block purchase exemptions. All Class A Shares and Class B Shares purchased under the NCIB will be cancelled. Please refer to section 5.8 – Liquidity and Capitalization – Outstanding Share Capital, for additional information with respect to the Company's Class A Shares and Class B Shares.

4.0 RESULTS FROM OPERATIONS

4.1 Consolidated Information

Revenue

The following table sets forth revenue by reportable operating segment for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009	Change
Pipeline and Pipe Services	$ 920,157	$ 1,072,858	$ (152,701)
Petrochemical and Industrial	115,783	114,935	848
Elimination	(1,777)	(3,815)	2,038
Consolidated	$ 1,034,163	$ 1,183,978	$ (149,815)

Consolidated revenue decreased by $149.8 million, or 12.7%, from $1,184.0 million in 2009 to $1,034.2 million in 2010, mainly due to a decrease in revenue in the Pipeline and Pipe Services segment.

Pipeline and Pipe Services revenue decreased by $152.7 million, or 14.2%, from $1,072.9 million in 2009 to $920.2 million in 2010. The decrease was due to the unfavourable effect of foreign exchange fluctuations combined with lower revenue in EMAR and Latin America and was partially offset by an increase in revenue from North America and Asia Pacific. See section 4.2.1 – Pipeline and Pipe Services Segment for additional information with respect to the changes in revenue in the Pipeline and Pipe Services Segment.

Petrochemical and Industrial revenue increased by $0.8 million, 0.7%, from $114.9 million in 2009 to $115.8 million in 2010. The increase was due to higher revenue in EMAR and Asia Pacific of $4.8 million and $1.7 million, respectively, and was partially offset by a revenue reduction in North America of $5.7 million. See section 4.2.2 – Petrochemical and Industrial Segment for additional information with respect to the changes in revenue in the Petrochemical and Industrial Segment.

Income from operations ("Operating Income")

The following table sets forth income from operations and operating margin for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009	Change
Income from operations	$ 126,989	$ 192,519	$ (65,530)
Operating margin [(a)]	12.3%	16.2%	(3.9) points

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

Operating income decreased by $65.5 million from $192.5 million in 2009 to $127.0 million in 2010, mainly due to the reduction in revenue as explained above and a decrease in the operating margin of 3.9 percentage points. The decrease in operating margin was attributable to the Pipeline and Pipe Services Segment and was due to the under absorption of fixed manufacturing overhead, a slight decline in segment contribution margin and the unfavourable effect of foreign exchange fluctuations (refer to section 2.2).

Interest Expense – Net

The following table sets forth the components of interest expense – net for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009	Change
Interest income on short-term deposits	$ (1,455)	$ (916)	$ (539)
Interest expense, other	1,631	1,780	(149)
Interest expense on long-term debt	2,327	3,808	(1,481)
Interest expense – net	$ 2,503	$ 4,672	$ (2,169)

Interest expense – net decreased by $2.2 million, or 46%, from $4.7 million for the year ended December 31, 2009 to $2.5 million for the year ended December 31, 2010, due to lower interest expense on long-term debt in the year and higher interest income of $0.5 million. The interest expense on long-term debt was lower in the year ended December 31, 2010, because two installments of US$25.0 million of the Senior Notes were repaid on June 30, 2009 and 2010. See section 5.5 – Credit Facilities for additional information with respect to the debt repayment.

Income Taxes

The Company recorded income tax expense of $35.1 million (25.0% of income before income taxes) for the year ended December 31, 2010, compared to income tax expense of $56.4 million (30.0% of income before income taxes) for the year ended December 31, 2009. The effective income tax rate for the year ended December 31, 2010 was lower than the Company's expected effective income tax rate of 30.5%, due to a significant portion of the Company's taxable income being earned in Asia Pacific and other jurisdictions where the expected tax rate is 25.0% or less, combined with the fact that the gain on revaluation of investment was not taxable.

4.2 Segment Information

4.2.1 Pipeline and Pipe Services Segment

The following table sets forth, by geographic location, the revenue, operating income and operating margin for the Pipeline and Pipe Services Segment for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009	Change
North America	$ 412,622	$ 393,925	$ 18,697
Latin America	56,400	188,758	(132,358)
EMAR	184,768	260,861	(76,093)
Asia Pacific	266,367	229,314	37,053
Total Revenue	$ 920,157	$ 1,072,858	$ (152,701)
Operating Income	$ 133,617	$ 213,123	$ (79,506)
Operating Margin	14.5%	19.8%	(5.3) points

Revenue in the Pipeline and Pipe Services Segment for the year ended December 31, 2010 was $920.2 million, a decrease of $152.7 million, or 14%, from the prior year. The decrease was due to the unfavourable impact of foreign exchange fluctuations on the translation of foreign currency operations (see section 2.2 – Foreign Exchange Impact) combined with lower project activity in Latin America and EMAR, partially offset by increased project volumes in Asia Pacific and a modest improvement in volumes related to North American well completions.

- The increase in revenue in North America of $18.7 million was primarily due to a pickup in drilling and well completions in Canada and the U.S. in the second half of 2010, compared with the prior year, which benefited several of the Company's key product markets including small diameter pipe coating, spoolable composite pipe and drill pipe inspection services.
- A decrease in revenue in Latin America of $132.4 million was partially due to the Trinidad North East Offshore and Tobago Pipelines project that had generated revenue in 2009 of US$81 million and for which production was completed in the fourth quarter of 2009. Also negatively impacting revenue in Latin America were reductions in pipe coating project activity of 51% in Mexico and 17% in Brazil. The decline in project activity in Brazil continued in the fourth quarter, but was offset by the Company's acquisition of 100% of its Brazil operation with the result that the Company's reported revenue from Brazil increased by 27%.
- The decrease in EMAR revenue of $76.1 million was mainly due to the unfavourable effect of foreign exchange fluctuations combined with lower pipe coating volumes at the Company's flow assurance insulation coating facility in Orkanger, Norway, a significant decline in joint protection product shipments, field joint and custom coating project activity and offshore pipeline weld inspection. Each of these markets was primarily impacted by the deferral of client commitments for new pipeline infrastructure in response to the global economic downturn.
- In Asia Pacific, revenue increased by $37.1 million as a result of growth in the second half of 2010 associated with the launch of production on the Epic Energy QSN3 project in Kembla Grange, Australia and the PNG LNG pipeline project at Kabil, Indonesia and Kuantan, Malaysia.

Operating Income in the Pipeline and Pipe Services Segment for the year ended December 31, 2010 was $133.6 million, a decrease of $79.5 million, or 37%, from $213.1 million in 2009. The operating margin decreased by 5.3 percentage points from 19.8% in 2009 to 14.5% in 2010. Key factors in the decline in the operating margin were:

- The reduction in absorption of fixed overhead costs, as a result of the 14% reduction in segment revenue, which impacted operating margins negatively by 3.4 percentage points.
- A reduction in segment contribution margins, due primarily to changes in project activity in North America and Latin America, which reduced the operating margin by approximately 1.0 percentage point.
- The unfavourable effect of foreign exchange fluctuations, which reduced the segment operating margin by less than 1.0 percentage point.

4.2.2 Petrochemical and Industrial Segment

The following table sets forth, by geographic location, the revenue, operating income and operating margin for the Petrochemical and Industrial Segment for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009	Change
North America	$ 64,053	$ 69,719	$ (5,666)
EMAR	50,002	45,216	4,786
Asia Pacific	1,728	–	1,728
Total Revenue	$ 115,783	$ 114,935	$ 848
Operating Income	$ 13,159	$ 5,062	$ 8,097
Operating Margin	11.4%	4.4%	7.0 points

Revenue in the Petrochemical and Industrial Segment for the year ended December 31, 2010 was $115.8 million, basically unchanged from 2009, as increased heat-shrink sleeve shipments, resulting from a strengthening in industrial and automotive markets in North America and EMAR, were largely offset by weakening demand for the segment's wire and cable products and the impact on the translation of the EMAR revenue, due to the weakening of the Euro versus the Canadian dollar (see section 2.2 – Foreign Exchange Impact).

Operating Income in the Petrochemical and Industrial Segment for the year ended December 31, 2010 was $13.2 million, an increase of $8.1 million, or 159%, from $5.1 million in 2009. The operating margin improved by 7.0 percentage points due to the following factors:

- Improved contribution margins in heat-shrink products were partially offset by exchange impacts and weaker margins in wire and cable products with a net benefit to operating margins of 2.9 percentage points.
- A reduction in fixed overhead costs and the elimination of one-time restructuring costs that had been incurred in 2009, related to restructuring at DSG-Canusa's European operations, which improved operating margins by 4.1 percentage points on a year-over-year basis.

4.2.3 Financial and Corporate

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

The following table sets forth the Company's unallocated financial and corporate expenses, before foreign exchange gains and losses, for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009	Change
Financial and Corporate Expenses	$ 25,323	$ 21,876	$ 3,447

Financial and corporate expense, before foreign exchange gains and losses, increased by $3.4 million or 15.8% in 2010 compared to 2009, mainly due to increased professional fees relating to corporate development activities, higher employee benefit costs and expenses related to the introduction of new management incentive compensation plans.

5.0 LIQUIDITY AND CAPITALIZATION

The following table sets forth the Company's cash flows by activity and cash balance as at December 31:

(in thousands of Canadian dollars, except dividends)	2010	2009
Net Income	$ 105,390	$ 131,450
Non-cash items	36,449	59,446
Settlement of asset retirement obligations	(3,218)	(1,307)
Change in employee future benefits	(275)	(457)
Change in non-cash working capital and foreign exchange	(85,102)	110,201
Cash provided by operating activities	53,244	299,333
Cash used in investing activities	(100,250)	(37,695)
Cash used in financing activities	(39,551)	(79,608)
Foreign exchange gain (loss) on foreign cash and cash equivalents	(7,433)	(10,974)
Net increase (decrease) in cash and cash equivalents	(93,990)	171,056
Cash and cash equivalents, beginning of year	249,988	78,932
Cash and Cash Equivalents at End of Period	$ 155,998	$ 249,988
Cash Dividends per Share		
Class A	0.2950	0.5350
Class B	0.2682	0.4864

5.1 Cash Provided by Operating Activities

Cash provided by operating activities decreased by $246.0 million or 82.2% from $299.3 million in 2009 to $53.2 million in 2010. The change was primarily due to lower net income and the movement in non-cash working capital and foreign exchange. Non-cash working capital increased by $85.1 million as a result of increases in accounts receivable and inventories and a decrease in deferred revenue, partially offset by an increase in accounts payable and taxes payable. Non-cash items also included an accounting gain of $18.0 million from the revaluation of the previously held investment in the Brazilian joint ventures that were acquired during the year.

5.2 Cash Used in Investing Activities

Cash used in investing activities increased by $62.6 million or 166% from $37.7 million in 2009 to $100.3 million in 2010, due to the acquisition of the two Brazilian joint ventures, the investment made in Fineglade and higher capital expenditures in 2010 as compared to 2009.

5.3 Cash Used in Financing Activities

Cash used in financing activities decreased by $40.0 million or 50.0% from $79.6 million in 2009 to $39.6 million in 2010, primarily due to a net increase in proceeds from loans and bank indebtedness and lower dividend payments in 2010 compared with the prior year, which included a special dividend payment. See section 5.5 – Liquidity and Capitalization – Credit Facilities for additional information with respect to changes in credit facilities and loans.

5.4 Liquidity and Capital Resource Measures

Accounts Receivable

The following table sets forth the Company's accounts receivable balance and days' sales outstanding in accounts receivable ("DSO") as at December 31:

(in thousands of Canadian dollars)	2010	2009	Change
Average accounts receivable	$ 218,398	$ 198,479	$ 19,919
DSO [(a)]	67	68	(1)

(a) DSO is the average number of days that receivables are outstanding based on a 90-day cycle. See section 13 – Reconciliation of Non-GAAP Measures for additional information with respect to DSO.

Average accounts receivable of $218.4 million in the fourth quarter of 2010 increased by $19.9 million from $198.5 million in the fourth quarter of 2009 in line with higher sales volumes.

Inventories

The following table sets forth the Company's inventories balance as at December 31:

(in thousands of Canadian dollars)	2010	2009	Change
Inventories	$ 126,132	$ 109,379	$ 16,753

Inventories increased by $16.7 million, or 15.3%, from $109.4 million as at December 31, 2009 to $126.1 million as at December 31, 2010. The inventories balance consists primarily of raw materials purchased in advance of project execution. Raw materials as a percentage of inventories were 74.1% and 68.1% as at December 31, 2010 and December 31, 2009, respectively. The increase was primarily due to an increase in raw material inventories in the Asia Pacific region that had been built up to support pipe coating projects in late 2010 and 2011.

Accounts Payable

The following table sets forth the Company's accounts payable balances and days of purchases outstanding in accounts payable ("DPO") as at December 31:

(in thousands of Canadian dollars)	2010	2009	Change
Average accounts payable and accrued liabilities	$ 126,838	$ 139,618	$ (12,780)
DPO [(a)]	65	81	(16)

(a) DPO is the average number of days from when purchased goods and services are received until payment is made to the suppliers based on a 90-day cycle. See section 13 – Reconciliation of Non-GAAP Measures, for additional information with respect to DPO.

Average accounts payable and accrued liabilities of $126.8 million in the fourth quarter of 2010 decreased by $12.8 million from $139.6 million in the comparable period of 2009. DPO decreased by 16 days to 65 days in 2010, mainly due to the reduction in purchasing activity late in the fourth quarter of 2010 compared to the fourth quarter of 2009.

5.5 Credit Facilities

The following table presents the Company's total credit facilities as at December 31:

(in thousands of Canadian dollars)	2010	2009
Total available credit facilities [(a)]	$ 240,048	$ 251,856
Standby letters of credit for performance, bid and surety bonds [(b)]	75,140	61,835
Unutilized Credit Facilities	$ 164,908	$ 190,021

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

(b) Refer to section 7 – Off-Balance Sheet Arrangements, for additional information with respect to the Company's various bonds.

Loan Payable

On February 4, 2010, the Company's Russian joint venture obtained a loan from Arkh in the amount of 600 million Russian rubles payable on demand, but no earlier than February 1, 2011. Interest is calculated on this loan at 9.625% per annum and is to be paid over the period of actual use. If the Company's Russian joint venture fails to repay the outstanding loan within the time specified by the loan agreement, a penalty in the amount of 24% per annum will be assessed on the outstanding loan amount on a daily basis. The Company's portion of this loan, which has been proportionately consolidated and included on the consolidated balance sheet as at December 31, 2010, is 150 million Russian rubles ($5.1 million at the current exchange rate).

Senior Notes

On June 27, 2003, the Company entered into an agreement for the issue and sale, at par, on a private placement basis to institutional investors, of US$75.0 million of Senior Notes due June 30, 2011. Under the terms of the agreement, the Company is required to repay the Senior Notes in three equal installments of US$25.0 million on June 30, 2009, 2010 and 2011. On June 30, 2010, the Company made the second repayment of US$25.0 million ($26.0 million at the then current exchange rate) (the "Second Repayment"). As at December 31, 2010, US$25.0 million was outstanding under the Senior Notes, which has been classified as a current portion of long-term debt.

The Company's Senior Notes and associated interest expense are denominated in U.S. dollars. Fluctuations in the exchange rate between the Canadian and U.S. dollar impacts the carrying value of the Senior Notes in terms of Canadian dollars as well as the amount of interest expense that is translated into Canadian dollars. Effective July 3, 2003, the Company designated the Senior Notes as a hedge of a portion of its net investment in the Company's U.S. dollar based operations ("Net Investment"). After the Second Repayment, the remaining balance of the Senior Notes of US$25.0 million (CDN$25.0 million) was hedged against the Net Investment. Foreign exchange gains and losses from the hedged portion of the Senior Notes are not included in the consolidated statement of income, but are shown in accumulated other comprehensive income.

Debt Covenants

Under the terms of the Company's credit facilities and long-term debt agreements, the Company must maintain the following:

- Fixed Charge Coverage Ratio of more than 2.5 to 1; and
- Debt to Total Capitalization Ratio of less than 0.45 to 1.

The Company was in compliance with the debt covenants detailed above as at December 31, 2010. These debt covenants are non-GAAP measures and should not be considered as an alternative to net income or any other measure of performance under GAAP. See section 13 – Reconciliation of Non-GAAP Measures, for additional information with respect to these debt covenants.

5.6 Future Uses of Liquidity

Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The following table summarizes these future payments required in respect of the Company's contractual obligations:

(in thousands of Canadian dollars)	2011	2012	2013	2014	2015	After 2015	Total
Operating leases	$ 13,256	9,949	8,165	6,022	4,215	21,361	62,968
Asset retirement obligations	71	1,794	68	6,895	6,378	10,232	25,438
Loan payable	5,126	–	–	–	–	–	5,126
Obligations under capital leases	345	312	27	–	–	–	684
Long-term debt [(a)]	25,005	–	–	–	–	–	25,005
Deferred purchase consideration	–	–	16,342	–	–	–	16,342
Total Contractual Obligations	$ 43,803	12,055	24,602	12,917	10,593	31,593	135,563

(a) The payments are based on the annual US$25.0 million payments required under the terms of the Senior Notes and have been calculated based on current exchange rates.

The following table sets forth the Company's future minimum capital lease payments:

(in thousands of Canadian dollars)	2010
Total future minimum lease payments	$ 799
Less: imputed interest	(115)
Balance of obligations under capital leases	684
Less: current portion	(345)
Long-term obligations under capital leases	$ 339

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

Legal Contingencies

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

5.7 Financial Instruments

5.7.1 Fair Value

The Company has several financial instruments including cash and cash equivalents, accounts receivable, capital lease obligations, loans payable, deferred purchase consideration, taxes payable, accounts payable, long-term debt and derivative financial instruments. The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

CICA 3862 provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which 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, as 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, for each of the fair value hierarchy levels, the assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010 and does not include those instruments where the carrying amount is a reasonable approximation of the fair value:

(in thousands of Canadian dollars)		Fair Value	Level 1	Level 2	Level 3
ASSETS:					
Long-term investments	$	24	24	–	–
Derivative financial instruments – current		1,130	-	1,130	–
Total Assets	$	1,154	24	1,130	-
LIABILITIES					
Derivative financial instruments – current	$	527	–	527	–
Derivative financial instruments – long-term		807	–	–	807
Total Liabilities	$	1,334	–	527	807

The current derivative financial instruments assets and liabilities relate to the 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. The long-term derivative financial instrument liability represents the net value of the financial instruments that were entered into by the Company in conjunction with its long-term investment in Fineglade and has been valued using a modified Black-Scholes model and unobservable input data.

The fair values of the Company's remaining financial instruments are not materially different from their carrying values.

5.7.2 Financial Risk Management

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

Foreign exchange risk

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

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As at December 31, 2010, fluctuations of +/– 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations and net income for the year ended December 31, 2010, by approximately $33 million, $10 million and $7 million, respectively, excluding the impact of hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total shareholders' equity by $59 million, $24 million and $35 million, respectively. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk from its underlying customer contracts.

The Company's Senior Notes and associated interest expense are denominated in U.S. dollars. Fluctuations in the exchange rate between the Canadian and U.S. dollar would impact the carrying value of the Senior Notes in terms of Canadian dollars as well as the amount of interest expense that is translated into Canadian dollars.

Effective July 3, 2003, the Company designated the Senior Notes as a hedge of a portion of its net investment in the Company's U.S. dollar based operations ("Net Investment"). On April 1, 2009, the Company de-designated US$25.0 million of the hedge against the Net Investment. As a result, on April 1, 2009, the remaining balance of the Senior Notes of US$50.0 million was hedged against the Net Investment. The de-designation gave rise to a $2.1 million foreign exchange gain during the second quarter of 2009, which was recognized in the consolidated statement of income. The First Repayment was funded by US$25.0 million that was permanently repatriated from the Company's U.S. based operations. The repatriation gave rise to a net foreign exchange loss of $678 thousand and was transferred from accumulated other comprehensive income to the consolidated statement of income during the second quarter of 2009.

After the Second Repayment, the remaining balance of the Senior Notes of US$25.0 million ($26.0 million at the then current exchange rate) was hedged against the Net Investment. Foreign exchange gains and losses from the hedged portion of the Senior Notes are not included in the consolidated statement of income, but are shown in accumulated other comprehensive income. As at December 31, 2010, fluctuations of +/- 5% in the Canadian dollar relative to the U.S. dollar on the translation of the Senior Notes would impact the Company's accumulated other comprehensive income by $1.3 million.

Interest rate risk

The following table summarizes the Company's exposure to interest rate risk as at December 31, 2010:

(in thousands of Canadian dollars, except weighted average fixed rate of debt)	Floating rate	Fixed interest rate		Total
		Maturing in one year or less	Maturing after one year	
Financial Assets				
Cash and cash equivalents	$ 59,601	96,397	–	155,998
Long-term notes receivable	3,758	–	–	3,758
Total	$ 63,359	96,397	–	159,756
Financial Liabilities				
Loan payable	–	5,126	–	5,126
Current portion of long-term debt	–	25,005	–	25,005
Obligations under capital leases	–	345	339	684
Total	$ –	30,476	339	30,815
Weighted average fixed rate of debt	–	5.88%	–	–

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

Credit risk

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

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

The carrying value of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the income statement with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses. As at December 31, 2010 and 2009, the Company had trade accounts receivable of $221.7 million and $176.2 million, respectively, of which $23.8 million and $16.4 million or 10.7% and 9.3% of trade accounts receivable, respectively, were more than 90 days overdue.

5.8 Outstanding Share Capital

As at December 31, 2010, the Company had 57,578,299 Class A shares outstanding and 13,058,073 Class B shares outstanding. In addition, as at December 31, 2010, the Company had stock options outstanding to purchase up to 2.8 million Class A shares.

6.0 QUARTERLY SELECTED FINANCIAL INFORMATION

The following tables set forth the Company's summary of selected financial information for the four quarters of 2010 and 2009:

(in thousands of Canadian dollars except per share amounts)	Q1-2010	Q2-2010	Q3-2010	Q4-2010
Operating Results				
Revenue	$ 224,572	$ 234,546	$ 282,959	$ 292,086
Income from operations	16,464	17,328	44,743	48,454
Net income	9,999	10,877	33,746	50,768
Net Income per Share (Classes A and B)				
Basic	$ 0.14	$ 0.15	$ 0.48	$ 0.72
Diluted	0.14	0.15	0.47	0.71

(in thousands of Canadian dollars except per share amounts)	Q1-2009	Q2-2009	Q3-2009	Q4-2009
Operating Results				
Revenue	$ 307,464	$ 312,791	$ 302,812	$ 260,911
Income from operations	50,455	53,471	50,029	38,564
Net income	31,541	34,636	33,747	31,526
Net Income per Share (Classes A and B)				
Basic	$ 0.45	$ 0.49	$ 0.48	$ 0.44
Diluted	0.45	0.49	0.48	0.43

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

- The Company's operations in the Pipeline and Pipe Services Segment, representing 89.0% of the Company's consolidated revenue in 2010, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services Segment.
- Over 75% of the Company's revenue in 2010 is transacted in currencies other than Canadian dollars, with a majority transacted in U.S. dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amounts of this revenue when it is translated into Canadian dollars. See section 2.2 – Foreign Exchange Impact, for additional information with respect to the effects of foreign exchange fluctuations on the results of the Company.

7.0 OFF-BALANCE SHEET ARRANGEMENTS

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

The Company's utilizes its credit facilities to support the Company's bonds. The Company had utilized credit facilities of $75.1 million and $61.8 million as at December 31, 2010 and 2009, respectively, in support of its bonds.

See section 5.5 – Liquidity and Capitalization – Credit Facilities, for additional information with respect to the Company's various bonds and credit facilities.

8.0 CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

8.1 Critical Accounting Estimates

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

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

The Company evaluates the carrying values of goodwill on an annual basis on October 1 of each year to determine whether or not impairment of these assets has occurred and whether writedowns of the value of these assets are required. Similarly, the Company evaluates the carrying values of long-lived assets whenever circumstances arise that could indicate impairment. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets. Actual results may differ from these assumptions.

During 2010, the Company assessed the fair value of the reporting units to which the underlying goodwill is attributable. This review determined that, due to changing market conditions, goodwill pertaining to the Company's Shaw Inspection Services business was impaired and, accordingly, a goodwill impairment charge to the consolidated statement of income of $0.2 million was recorded in 2010 (2009 – nil).

Future Benefit Obligations

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

Contingent Liabilities

The Company is involved with a number of legal actions, all considered to be in the ordinary course of business. In addition, claims by or against the Company may arise with customers, suppliers or others from time to time. The outcome of such items is not certain. Management has recorded provisions for contingent liabilities in the financial statements in amounts considered appropriate given the facts of each situation. The outcome of any or all of these items may differ from the estimates used by management, which could have an impact on operating costs.

Asset Retirement Obligations

The Company has a number of asset retirement obligations related to owned and leased facilities. These have been recorded in the financial statements based on estimated future amounts required to satisfy these obligations, discounted at the Company's estimated cost of capital. Differences in either the actual future payments or the discount rate could have an impact on operating costs and accrued liabilities.

Financial Instruments

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Income Taxes

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

8.2 Changes in Accounting Policies

The following is a description of accounting policies adjusted by the Company since January 1, 2010:

Business Combinations

On January 1, 2010, ShawCor early adopted CICA Handbook Section 1582, "Business Combinations", which replaced CICA Handbook Section 1581 of the same name. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. For an acquisition achieved in stages, this new standard requires the acquirer to remeasure its previously held interest in the acquiree at the subsequent acquisition-date fair value and recognize the resulting gain or loss, if any, in income. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the consolidated statement of income.

Due to the adoption of this new section, the Company expensed all transaction costs directly associated with the Company's long-term investment in Fineglade Ltd. and the Company's acquisition of its Brazilian joint ventures in the amount of $1.5 million and $0.2 million, respectively, and included the amounts as selling, general and administrative expenses on the consolidated statement of income for the year ended December 31, 2010. In addition, the Company also remeasured its previously held equity interest in its two Brazilian joint ventures and included a gain on the revaluation of investment in the amount of $18.0 million in the consolidated statement of income for the year ended December 31, 2010.

Consolidated Financial Statements and Non-controlling Interests

In conjunction with the early adoption of CICA Handbook Section 1582, the Company was also required to early adopt CICA Handbook Sections 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests" effective January 1, 2010. These sections replace the former consolidated financial statement standard, CICA Handbook Section 1600, "Consolidated Financial Statements". Section 1601 establishes the requirements for the preparation of the consolidated financial statements and Section 1602 establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 requires a non-controlling interest to be classified as a separate component of equity. In addition, net earnings, and components of other comprehensive income are attributed to both the parent and non-controlling interest. The early adoption of these standards did not have a material impact on the Company's consolidated financial statements for the year ended December 31, 2010.

These standards along with CICA Handbook section 1582 above are converged with International Financial Reporting Standards.

8.3 Upcoming Accounting Changes

International Financial Reporting Standards ("IFRS")

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

The Company commenced the transition process to IFRS during 2008 and developed a project plan in this regard. A project team has been assembled led by senior finance management. The project team includes individuals from throughout the Company and is being advised by the Company's external auditors.

The project plan consists of the following five main phases:

1. Diagnostic;
2. Design and planning;
3. Solution development;
4. Implementation; and
5. Post-implementation review.

The Company completed the first two phases in 2008 and the third phase in 2009. The implementation phase of the project began in the second quarter of 2010 and was substantially completed at the end of the fourth quarter of 2010. The following table sets forth the key activities included in the implementation phase of the project plan and the status for each activity as at December 31, 2010:

Activity	Status
Business Processes	• The assessment of the impact of the transition to IFRS on business activities such as hedging, debt covenants, performance measures and compensation arrangements, as well as the effect on the opening equity position at transition, was mostly complete during the fourth quarter of 2010.
Information Technology ("IT")	• The identification of additional IT requirements has been completed. • The accounting system has been updated and tested to provide the capability to generate 2010 IFRS financial information parallel to GAAP financial information. Further updates have been implemented to include new modules that will capture new accounting and disclosure requirements under IFRS. The testing of these enhancements was completed during the second quarter of 2010. • The Company will continue to assess on an ongoing basis the need for further modifications to the system to ensure an efficient transition to IFRS.
Disclosure Controls and Internal Controls over Financial Reporting	• The assessment of the material impacts of IFRS standards on entity level, information technology, disclosure and business process controls was substantially complete as at the end of the fourth quarter of 2010. • Evaluation of the effectiveness of the controls continued during the fourth quarter of 2010 to ensure certification under IFRS in 2011.
Accounting Policies	• Detailed analysis with respect to accounting policy choices has been completed. • IFRS 1 transitional accounting policy choices have been selected and the IFRS Opening Balance Sheet as at January 1, 2010 has been completed. • The Audit Committee reviewed the draft IFRS Opening Balance Sheet and related adjustments in the fourth quarter of 2010.

The following tables describe the major identified differences between the Company's current GAAP accounting policies and the accounting policies that the Company expects to adopt on the conversion to IFRS on January 1, 2011:

Current GAAP Accounting Policy	Proposed IFRS Accounting Policy
Foreign Currency Translation Foreign operations which are financially and operationally independent are classified as self-sustaining. Foreign operations which are dependent upon other operations within the Company are classified as integrated. Assets and liabilities of self-sustaining foreign operations are translated at year-end exchange rates. Income and expense items are translated at average exchange rates for the year. The foreign exchange impact of these translations is included in accumulated other comprehensive income. The appropriate amounts of exchange gains and losses accumulated in accumulated other comprehensive income are reflected in income when there is a reduction in the Company's investment in these subsidiaries as a result of capital transactions. Monetary assets and liabilities of the Company and its integrated foreign operations denominated in foreign currencies are translated at year-end exchange rates. All other assets and liabilities, along with amortization expense denominated in foreign currencies, are translated at historical exchange rates. Revenue and expense items other than amortization are translated at average exchange rates for the year. All other foreign exchange gains or losses are included in the determination of net income for the year.	The Company's consolidated financial statements are prepared in Canadian dollars, which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates. Each of the Company's entities determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency spot rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the balance sheet date. All resulting differences are charged to foreign exchange gains or losses in the income statement with the exception of differences on foreign currency borrowings accounted for as a hedge of a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and their income statements are translated at the average exchange rates for the year. The exchange differences are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

Current GAAP Accounting Policy	Proposed IFRS Accounting Policy
Property, Plant and Equipment Property, plant and equipment are recorded at cost, and other than project-related facilities and equipment, are amortized over their useful lives commencing when the asset is available for use on a straight-line basis at annual rates of 100% for land improvements, 4% to 10% on buildings and 10% to 50% on machinery and equipment. Project-related facilities are amortized over the initial estimated project life, generally no longer than seven years. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of the asset exceeds the estimated undiscounted cash flows from the use of the asset, then an impairment loss is recognized to write the asset down to fair value.	Property, plant and equipment are recorded at cost, which includes the borrowing costs for long-term construction projects where the recognition criteria are met. Likewise, where a major inspection is performed, its cost is recognized in the carrying value amount of the plant and equipment as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognized in the income statement as incurred. The expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria are met. Property, plant and equipment, and other than project-related facilities and equipment, are amortized over their useful lives commencing when the asset is available for use on a straight-line basis at annual rates of 100% for land improvements, 4% to 10% on buildings and 5% to 50% on machinery and equipment. Project-related facilities are amortized over the initial estimated project life, generally no longer than seven years. An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) are included in the income statement in the year the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.
Intangible Assets Intangible assets and intellectual property are recorded at their allocated cost at the date of acquisition of the related subsidiary. Amortization is recorded for intangible assets and intellectual property with limited lives on a straight-line basis over their estimated useful lives of up to 15 years.	Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement when incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method is reviewed at least at each year-end and adjusted prospectively if appropriate. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable, if not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Current GAAP Accounting Policy	Proposed IFRS Accounting Policy
Asset Retirement Obligations The Company recognizes the fair value of estimated asset retirement obligations when a reasonable estimate of fair value can be made. An asset retirement obligation is a legal obligation associated with the retirement of an owned or leased, tangible, long-lived asset. Such obligations are recognized in the consolidated balance sheet by recording an increase in the carrying value of the applicable long-lived assets and recognizing corresponding liabilities. The increases in carrying value of the assets are amortized over the useful life of the asset. The asset retirement obligations are accreted over the period to settlement with a corresponding charge to operating expenses. Upward revisions to estimates are discounted at the credit adjusted risk-free rate at the time of the revision, while downward revisions are discounted at the original discount rate.	*Property, Plant and Equipment Decommissioning Costs* Decommissioning costs are provided at the present value of the expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The obligation is accreted over the period to settlement with the resulting charge made to the income statement as a finance cost. The estimated future costs of decommissioning are reviewed at least annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.
Employee Future Benefits The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The cost of the defined benefit plans is determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement age and inflation. The cost is then charged to expense as services are rendered. Obligations are accrued net of plan assets, which are valued at quoted market prices at the balance sheet date. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service lives of the employees who are members of the plan. Net actuarial gains and losses that exceed 10% of the greater of the benefit obligation and the value of plan assets are amortized over the average remaining service lives of the employees who are members of the plan. For the Company's principal plans, these periods range from 14 years to 22 years.	The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The cost of the defined benefit plans is determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement age and inflation. The cost is then charged to expense as services are rendered. Obligations are accrued net of plan assets, which are valued at quoted market prices at the balance sheet date. Past service costs arising from plan amendments are amortized on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, past service costs are recognized immediately in the income statement following the introduction of, or changes to, a pension plan. Net actuarial gains and losses that exceed 10% of the greater of the benefit obligation and the value of plan assets are amortized over the average remaining service lives of the employees who are members of the plan. For the Company's principal plans, these periods range from 14 years to 22 years. For the Company's defined contribution plans, costs are determined based on the services provided by the Company's employees and are recognized in the income statement as those services are provided.

IFRS 1: First-time Adoption of International Financial Reporting Standards

The adoption of IFRS requires the application of IFRS 1 "First-time Adoption of International Financial Reporting Standards", which provides guidance for an entity's initial adoption of IFRS. Generally speaking, IFRS requires that an entity apply all IFRS effective at the end of its first IFRS reporting period on a retrospective basis. IFRS 1 does, however, require certain mandatory exemptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the optional exemptions available under IFRS 1 that are significant to ShawCor and that are expected to be applied in preparing the first financial statements under IFRS:

Property, Plant and Equipment

IFRS 1 permits an entity on transition to IFRS to measure an item of property, plant and equipment at either cost or fair value. ShawCor has elected to retain the historical cost for all assets. The Company has recalculated the associated historical accumulated depreciation of all fixed assets using componentization where applicable, and has reviewed their expected useful life, which in a number of cases will be extended. This will cause the net book value of property, plant and equipment to increase.

Business Combinations

IFRS 1 allows a first-time adopter to elect not to apply IFRS 3 Business Combinations retrospectively to past business combinations that occurred before the date of transition to IFRS. ShawCor will make this election and will adopt IFRS 3 prospectively for business combinations that occur on or after January 1, 2010.

Cumulative Translation Differences

IFRS 1 allows that the cumulative translation differences for all foreign operations be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. ShawCor will make this election and deem all cumulative translation differences to be zero on transition to IFRS as at January 1, 2010.

Employee Benefits

Under IAS 19 Employee Benefits, an entity may elect to use a 'corridor' approach that leaves some actuarial gains and losses unrecognized. Retrospective application of this approach requires the entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to IFRS into a recognized portion and an unrecognized portion. A first-time adopter may, however, elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRS. ShawCor will make the election to recognize all cumulative actuarial gains and losses at the date of transition to IFRS through an adjustment to the opening retained earnings. This will cause the liability for employee benefits to increase.

IFRS 1 allows for certain other optional exemptions to the opening balance sheet, however, it is not expected that such exemptions will have a significant impact on the adoption of IFRS.

The following disclosure highlights the initial adjustments required to be made on adoption of IFRS in order to provide an opening balance sheet as at January 1, 2010. This disclosure has been prepared using the standards and interpretations currently issued and expected to be effective at the end of the first annual IFRS reporting period. The application of certain accounting policies expected to be adopted under IFRS may be modified, and as a result the pro-forma IFRS January 1, 2010 underlying values prepared on a basis consistent with IFRS are subject to change. The amounts have not been audited and are subject to review by the Company's external auditor.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While it is believed that the adoption of IFRS will not have a material impact on the Company's reported cash flows, it will have a material impact on the consolidated balance sheets and potentially on the statement of income. All changes to the opening balance sheet will require that a corresponding tax asset or liability be established based on the resultant differences between the carried value of assets and liabilities and their associated tax bases. The estimated impact of all of these differences to common equity totals to approximately $0.5 million before related changes to tax assets and liabilities of $1.5 million, resulting in a net increase in total shareholders' equity of $1.0 million.

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at the January 1, 2010 transition date.

(in thousands of Canadian dollars)	CGAAP Dec. 31, 2009	IAS 16 Property, Plant and Equipment	IAS 19 Employee Future Benefits	IAS 37 Asset Retirement Obligations	IFRS 1 Cumulative Translation Account	IAS 37 Provisions	Total Change	Restated under IFRS Jan. 1, 2010
		Note 1	Note 2	Note 3	Note 4			
ASSETS								
Cash and cash equivalents	249,988	–	–	–	–	–	–	249,988
Accounts receivable	191,821	–	–	–	–	–	–	191,821
Taxes receivable	14,055	–	–	–	–	–	–	14,055
Inventories	109,379	–	–	–	–	–	–	109,379
Prepaid expenses	14,392	–	–	–	–	–	–	14,392
Derivative financial instruments	1,782	–	–	–	–	–	–	1,782
Current future income taxes	4,668	–	–	–	–	–	–	4,668
Total Current Assets	586,085	–	–	–	–	–	–	586,085
NON-CURRENT ASSETS								
Property, plant and equipment, net	270,219	14,436	–	–	–	–	14,436	284,655
Goodwill	214,449	–	–	–	–	–	–	214,449
Intangible assets	62,784	–	–	–	–	–	–	62,784
Future income taxes	36,249	–	3,805	401	–	–	4,206	40,455
Derivative financial instruments	39	–	–	–	–	–	–	39
Long-term investments	–	–	–	–	–	–	–	–
Other assets	16,152	–	–	–	–	–	–	16,152
Total Assets	1,185,977	14,436	3,805	401	–	–	18,642	1,204,619
LIABILITIES								
Bank Indebtedness								
Accounts payable and accrued liabilities	133,275	–	–	1,116	–	(145)	971	134,246
Taxes payable	42,971	–	–	–	–	–	–	42,971
Derivative financial instruments	510	–	–	–	–	–	–	510
Deferred revenue	75,100	–	–	–	–	–	–	75,100
Current portion of long-term debt	26,235	–	–	–	–	–	–	26,235
Current obligations under capital lease	371	–	–	–	–	–	–	371
Current liabilities of discounted operations	56	–	–	–	–	–	–	56
Total Current Liabilities	278,518	–	–	1,116	–	(145)	971	279,489
NON-CURRENT LIABILITIES								
Long-term debt	26,052	–	–	–	–	–	–	26,052
Obligations under capital lease	492	–	–	–	–	–	–	492
Future income taxes	76,552	2,553	–	176	–	–	2,729	79,281
Other non-current liabilities	13,941	–	14,352	(252)	–	(118)	13,982	27,923
Total Liabilities	395,555	2,553	14,352	1,040	–	(263)	17,682	413,237
SHAREHOLDERS' EQUITY								
Capital stock	204,151	–	–	–	–	–	–	204,151
Contributed surplus	17,277	–	–	–	–	–	–	17,277
Retained earnings and IFRS adjustment	695,800	11,883	(10,547)	(639)	(126,806)	263	(125,846)	569,954
Accumulated other comprehensive loss	(126,806)	–	–	–	126,806	–	126,806	–
Total Shareholders' Equity	790,422	11,883	(10,547)	(639)	–	263	960	791,382
Total Liabilities and Shareholders' Equity	1,185,977	14,436	3,805	401	–	–	18,642	1,204,619

Note 1. Property, Plant and Equipment

The adjustment to property, plant and equipment at the transition date is a net increase of $14.4 million to the Net Book Value ("NBV"). NBV will increase by $28.7 million due to the impact of componentization of property, plant and equipment and revision in the estimated useful life as required by IAS 16. This increase was partly offset by a combined asset impairment loss of $14.3 million recognized on certain Pipeline and Pipe Services Segment fixed assets.

Under IFRS, impairment testing is performed using a risk adjusted pre-tax rate to discount cash flows (i.e., a higher rate) to their net present value. Under GAAP, there is a two-step process:

a) Reasonability test using the sum of the undiscounted cash flows and comparing them to the carrying value, and if the test fails;

b) The amount of impairment is calculated using a risk adjusted post-tax rate to discount the cash flows (i.e., a lower rate) to their net present value.

Under GAAP, no impairment existed on the above assets as of December 31, 2010 and 2009.

ShawCor further anticipates recognizing an additional impairment at December 31, 2010 on these fixed assets under IFRS in the amount of $16.0 million. The impairment recognized will be expensed in the 2010 IFRS Statement of Income.

Future Income Tax Effect

This is the required adjustment resulting from the determination of the deferred tax effect on the various IFRS related property, plant and equipment adjustments to the opening balance sheet at January 1, 2010. The rates used were based on the local tax rates in the jurisdiction where the adjustment was made.

Note 2. Employee Future Benefits

Under GAAP the Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The cost of the defined benefit plans is determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement age and inflation. The cost is then charged to expense as services are rendered. Obligations are accrued net of plan assets, which are valued at quoted market prices at the balance sheet date.

Under IFRS, the $14.4 million adjustment results from ShawCor's election to use the IFRS 1 exemption and adopt IAS 19 on a prospective basis. This 'fresh start or prospective approach' allows that the unrecognized actuarial gains/losses at December 31, 2009 for all plans be immediately recognized through an adjustment to the opening retained earnings and an increase to the liability for employee future benefits.

Future Income Tax Effect

This is the required adjustment resulting from the determination of the deferred tax effect on the various IFRS related employee future benefit adjustments to the opening balance sheet at January 1, 2010. The rates used were based on the local tax rates in the jurisdiction where the adjustment was made.

Note 3. Asset Retirement Obligations

Fair value is determined using the present value of the estimated future cash outflows to abandon the asset and restore the site, discounted at the Company's credit adjusted risk-free interest rate. The obligation is reviewed regularly by the Company's management based on the current regulations, costs, technologies and industry standards. The discounted obligation is initially capitalized as part of the carrying amount of the related asset and a corresponding liability is recognized. The increase in the asset is depreciated on the same basis as the remainder of the asset. The liability is accreted against income until it is settled or the asset is sold. Actual restoration expenditures are charged as reductions to the accumulated obligation when incurred.

At December 31, 2009, the Company performed an analysis of the discount rates used to 'present value' its ARO liability. Under Canadian GAAP, a change in the discount rate alone does not result in a re-measurement of the ARO liability. On adoption of IFRS, under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a change in the current market based discount rate will result in a change in the measurement of the provision. As a result, the ARO liability recorded in 2009 has been re-measured using the discount rate in effect at that year-end and an adjustment has been recorded to the corresponding asset.

The Company is assessing the possible discount rate impact on adoption of IFRS on its statement of income for 2010 but does not expect that the impact will be significant.

Note 4. Cumulative Translation Account

Cumulative Translation Differences

IAS 21 The Effects of Changes in Foreign Exchange Rates requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. ShawCor has made the election to deem all cumulative translation differences be reset to zero on transition to IFRS as at January 1, 2010.

The following are some of the significant impacts requiring adjustment to the 2010 Statement of Income, on adoption of IFRS. These impacts have not been audited and are subject to change as management continues to assess the impact on the adoption of IFRS on its Statement of Income for the year ending December 31, 2010:

Estimated Impact of IFRS on the 2010 IFRS Income Statement

Additional asset impairment	$	16.0 million
Lower depreciation expense	$	4.7 million
Lower pension benefit expense	$	3.2 million
Lower foreign exchange gain due to adjustment of the Temporal Translation method	$	0.6 million

9.0 DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with the management of the Company, have evaluated the effectiveness of the Company's Disclosure Controls and Procedures ("DC&Ps") (as defined in the rules of the Canadian Securities Administrators) and the effectiveness of Internal Controls over Financial Reporting ("ICFRs"). Based on that evaluation, they have concluded that the Company's DC&Ps were effective as at December 31, 2010 and 2009. Furthermore, they have concluded that the Company's ICFRs were adequate and effective to prevent a material misstatement of the Company's annual financial statements as at December 31, 2010. There were no material changes in either the Company's DC&Ps or its ICFRs during 2010.

10.0 GENERAL OUTLOOK

The primary driver of demand for the Company's products and services is the level of energy industry investment in global pipeline infrastructure for hydrocarbon development and transportation. This investment, in turn, is driven by global levels of economic activity and the resulting growth in hydrocarbon demand, the need to replace the supply of hydrocarbons as a result of resource depletion and the financial position of the major energy companies. The relationship between global hydrocarbon demand and supply and the level of energy industry investment in infrastructure tends to be cyclical. The Company also participates in pipeline projects for water and other product transportation. While this activity is growing, it is not a primary driver of the business at this time.

In late 2008 and throughout 2009, the global economic recession caused lower energy demand and reduced capital availability for infrastructure investment which resulted in pipeline project delays and cancellations and fewer well completions. During 2010, energy demand rebounded strongly and many of the major pipeline projects in Europe, the Middle East and Asia that had been deferred are now actively being engineered for development. This strengthening of pipeline infrastructure market fundamentals is demonstrated by the Oil & Gas Journal report dated February 2011, which indicates that the value of pipeline projects under construction or planned for future construction exceeds US$280 billion as of January 2011.

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

Pipeline and Pipe Services Segment – North America

The Company expects to see modest growth in the North America region in 2011 with further strengthening in 2012 based on expected steady improvement in oil and gas well drilling and the development of a number of major projects for offshore pipelines in the Gulf of Mexico. These sources of growth will be partially offset by a temporary reduction in large diameter land transmission pipeline project work.

During 2009 and 2010, the Company's businesses that are related to well drilling and completions, primarily small diameter pipe coating, flexible composite pipe and pipeline joint protection, experienced a decline in volumes as a result of reduced drilling activity associated with lower energy demand and the imbalance between supply and demand, particularly in the natural gas market. During the second half of 2010, a modest improvement in market activity was experienced, which is expected to continue in 2011.

In contrast to the weakness in small diameter pipeline activity over the past two years, the Company has seen strong demand for large diameter pipe coating and weld inspection as several major oil sands related transmission projects have been undertaken. With the completion in 2011 of contracted pipe coating for the TransCanada Keystone XL project, the Company will see a modest decline in large diameter pipeline project activity. It is therefore likely that the expected improvement in small diameter volumes will be partially offset by the lower large diameter project activity, at least until the next cycle of pipeline infrastructure construction is implemented to connect new and growing sources of supply to continental and international markets.

The outlook for offshore Gulf of Mexico pipeline activity has improved significantly with Chevron's decision to proceed with the development of the Jack and St. Malo deepwater oil fields. By securing this important $40 million project, ShawCor is well positioned to benefit from the expected growth in deepwater Gulf of Mexico oil field development in 2012 and beyond.

Pipeline and Pipe Services Segment – Latin America

During the fourth quarter of 2010, the Company completed the acquisition of 100% of ShawCor's pipe coating operation in Brazil. This strategic initiative was undertaken to position ShawCor to benefit from the growth in pipeline infrastructure as Brazil's vast deepwater oil resources are developed over the next 20 years. While it will likely be beyond 2011 before the pace of development accelerates, the Company does expect to see a modest increase in volume in Brazil in 2011, both as a result of the full consolidation of the Brazil operation and based on stronger project activity, with the P55 riser program scheduled for production in the second and third quarters of the year.

Elsewhere in the Latin America region, the Company expects activity in Mexico to be consistent with 2010 while other markets in South America offer growth potential.

Pipeline and Pipe Services Segment – EMAR

Project activity in the Europe, Middle East, Africa, Russia ("EMAR") region is expected to improve in 2011 over 2010 primarily due to the planned execution of the US$93 million Total Laggan-Tormore project as well as the shift of production from the fourth quarter of 2010 to the first half of 2011 on the Ras Al Zur water pipeline project in Saudi Arabia. Beyond 2011, expansion opportunities are under evaluation for several geographic markets in the region where the Company does not currently have pipe coating facilities.

Pipeline and Pipe Services Segment – Asia Pacific

During 2010, revenue generated from the Asia Pacific region reached a record level due to the execution of the $185.0 million PNG LNG and $40.0 million Epic Energy QSN3 projects plus a number of other projects. Production will be completed on both projects in 2011 and this activity, coupled with several large projects in South East Asia anticipated for the second half of 2011, should allow the Company's Asia Pacific region to continue to generate revenue in line with the prior year. There are several major projects related to the development of natural gas resources from offshore fields in the North West of Australia that are moving steadily toward final investment approval. These projects have the potential to drive strong growth for ShawCor's Asia Pacific region beyond 2011 as they involve opportunities for several of ShawCor's pipeline businesses. In particular, these projects would include both large diameter transmission lines with advanced concrete weight coating systems and gas field gathering lines with deepwater flow assurance coating systems.

Petrochemical and Industrial Segment

Following the abrupt decline in activity associated with the global economic recession in late 2008 and 2009, the Petrochemical and Industrial Segment's markets have shown steady improvement. The Company's operations in Europe have in particular seen significant improvement, with increased shipments to the major German automotive manufacturers. In 2011 and beyond, continued strength in the Company's European operations, coupled with modest growth in North America and the continued ramp up of production and sales in the segment's recently established China facility, should generate year-over-year improvement in revenue and operating income.

Order Backlog

The improvement in pipeline outlook has not yet been reflected in the Company's order backlog, representing customer orders expected to be completed within one year. The order backlog totalled $374.6 million at December 31, 2010, a level slightly below the backlog of $382.2 million at the end of the third quarter of 2010 and lower by 8.7% from the $410.5 million level at the start of the year. During the fourth quarter of 2010 and first quarter of 2011, the Company submitted firm project bids totalling in excess of $1.5 billion. These bids relate to projects in Asia Pacific, the Middle East and Northern Europe and represent an unprecedented level of bidding activity for ShawCor. Many of these projects are expected to receive customer investment approval in 2011 and, if successfully awarded to the Company, offer the potential to significantly increase ShawCor's backlog during 2011.

Beyond 2011, the Company has a strong financial position and is actively reviewing opportunities for growth through geographic expansion, through new product and service introductions in existing and complementary markets and through the acquisition of companies that would broaden the Company's market position within the global pipeline and energy services industry. Successful execution of these growth initiatives will provide the basis for the Company's future growth.

11.0 RISKS AND UNCERTAINTIES

Operating in an international environment, servicing predominantly the oil and gas industry, ShawCor faces a number of business risks and uncertainties that could materially and adversely affect the Company's projections, business, results of operations and financial condition.

The following summarizes the Company's risks and uncertainties and how it manages and mitigates each risk:

11.1 Economic Risks

An economic downturn could adversely affect demand for the Company's products and services and, consequently, its projections, business, results of operations and financial condition.

Demand for oil and natural gas is influenced by numerous factors, including the North American and worldwide economies as well as activities of the Organization of Petroleum Exporting Countries ("OPEC"). Economic declines impact demand for oil and natural gas and result in a softening of oil and gas prices and projected oil and gas drilling activity. If economic conditions or international markets decline unexpectedly, the Company's projections, business, results of operations and financial condition could be materially, adversely affected. In addition, if actions by OPEC and other oil producers to increase production of oil adversely affect world oil prices, additional declines in rig counts could result, particularly internationally, and the Company's projections, business, results of operations and financial condition could be materially, adversely affected. Similarly, demand for the products of the Petrochemical and Industrial Segment's businesses is largely dependent on the level of general economic activity in North America and Europe. Decreases in economic activity in these regions could result in significant decreases in activity levels in these businesses.

A cyclical decline in the level of global pipeline construction could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of global pipeline construction activity, which in turn relates to the growth in demand for oil and natural gas and the availability of new supplies to meet this increased demand. Reductions in capital spending by producers could dampen demand for the Company's products and services supplied in pipeline markets.

Revenue generated by the Company's Pipeline and Pipe Services Segment accounted for 89.0% of consolidated sales in 2010. With this proportion expected to continue, the Company's revenue is materially dependent on the global Pipeline and Pipe Services industry. Any reduction in the anticipated growth in pipeline market activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Increases in the prices and/or shortages in the supply of raw materials used in the Company's manufacturing processes could adversely affect the competitiveness of the Company, its ability to serve its customers' needs and its financial performance.

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper and other non-ferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is important to the maintenance of customer satisfaction. While the materials required for its manufacturing operations have generally been readily available, cyclical swings in supply and demand can produce short-term shortages and/or price spikes. The Company's ability to pass on any such price increases may be restricted in the short term.

A decline in global well drilling activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of global well drilling activity, which in turn depends on global oil and gas demand, prices and production depletion rates. Lower drilling activity decreases demand for the Company's products and services, including small diameter pipe coating, composite pipe and tubular inspection and inventory management services.

Economic Risk Mitigation

The Company cannot completely mitigate economic risks. However, the Company maintains a competitive geographical presence in a diverse number of regions and has implemented several systems and processes to manage operational risks and to achieve continuous improvements in operational effectiveness in addition to various cost-reduction initiatives. Through these efforts, economic risk is mitigated.

Refer to section 1.5 – Capability to Deliver Results, for additional information with respect to the Company's systems and processes.

11.2 Litigation and Legal Risks

The Company could be subject to substantial liability claims, which could adversely affect its projections, business, results of operations and financial condition.

Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury, loss of life, damage to property, equipment, or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these difficulties, the Company could face litigation and may be held liable for those losses. The Company's insurance coverage may not be adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies likely will cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company is subject to litigation and could be subject to future litigation and significant potential financial liability.

From time to time, the Company is a party to litigation and legal proceedings that it considers to be a part of the ordinary course of business. Although none of the litigation or legal proceedings in which the Company is currently involved could reasonably be expected to have a material adverse effect on the Company's projections, business, results of operations, or financial condition, the Company may, however, become involved in material legal proceedings in the future. Such proceedings may include, for example, product liability claims and claims relating to the existence or use of hazardous materials on the Company's property or in its operations, as well as intellectual property disputes and other material legal proceedings with competitors, customers, employees and governmental entities. These proceedings could arise from the Company's current or former actions and operations or the actions or operations of businesses and entities acquired by the Company prior to acquisition. The Company maintains insurance it believes to be commercially reasonable and customary; however, such coverage may be inadequate for or inapplicable to particular claims.

Litigation and Legal Risk Mitigation
The Company cannot completely mitigate legal risks. However, the Company maintains adequate commercial insurance to mitigate most adverse litigation and legal risks.

11.3 HSE Risks

The Company is subject to Health, Safety and Environmental laws and regulations that expose it to potential financial liability.

The Company's operations are regulated under a number of federal, provincial, state, local and foreign environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of hazardous materials. Compliance with these environmental laws is a major consideration in the manufacturing of the Company's products, as the Company uses, generates, stores and disposes of hazardous substances and wastes in its operations. The Company may be subject to material financial liability for any investigation and cleanup of such hazardous materials. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Accordingly, the Company also may be subject to financial liabilities relating to the investigation and remediation of hazardous materials resulting from the actions of previous owners or operators of industrial facilities on those sites. Liability in certain instances may be imposed on the Company regardless of the legality of the original actions relating to the hazardous or toxic substances or whether or not the Company knew of, or was responsible for, the presence of those substances. The Company is also subject to various Canadian and U.S. federal, provincial, state and local laws and regulations as well as foreign laws and regulations relating to safety and health conditions in its manufacturing facilities. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any non-compliance, as well as potential business disruption if any of its facilities or a portion of any facility is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Demand for the Company's products and services could be adversely affected by changes to Canadian, U.S. or other countries' laws or regulations pertaining to the emission of Carbon Dioxide and other Greenhouse Gases ("GHGs") into the atmosphere.

Although the Company is not a large producer of GHGs, the products and services of the Company's production are mainly related to the transmission of hydrocarbons including crude oil and natural gas, whose ultimate consumption are major sources of GHG emissions. Changes in the regulations concerning the release of GHGs into the atmosphere, including the introduction of so-called carbon taxes or limitations over the emissions of GHGs, may adversely impact the demand for hydrocarbons and ultimately, the demand for the Company's products and services.

HSE Risk Mitigation
To minimize risks associated with HSE matters, the Company has implemented a comprehensive audit program in which it has completed detailed environmental audits at manufacturing and service locations across all seven divisions. Furthermore, the Company is committed to being an IIF workplace.

11.4 Political and Regulatory Risks

The Company's international operations may experience interruptions due to political, economic or other risks, which could adversely affect the Company's projections, business, results of operations and financial condition.

During 2010, the Company derived over 30% of its total revenue from its facilities outside North America and Western Europe. In addition, part of the Company's sales from its locations in Canada and the U.S. were for use in other countries. The Company's operations in certain international locations are subject to various political and economic conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- currency restrictions and limitations on repatriation of profits;
- political instability and civil unrest;
- hostile or terrorist activities; and
- restrictions on foreign operations.

The Company's foreign operations may suffer disruptions and may incur losses that would not be covered by insurance. In particular, civil unrest in politically unstable countries may increase the possibility that the Company's operations could be interrupted or adversely affected. The impact of such disruptions could include the Company's inability to ship products in a timely and cost-effective manner, its inability to place contractors and employees in various countries or regions, or result in the need for evacuations or similar disruptions.

Any material currency fluctuations or devaluations or political unrest that may disrupt oil and gas exploration and production or the movement of funds and assets could materially adversely affect the Company's projections, business, results of operations and financial condition.

The Company's projections, business results of operations and financial condition could be adversely affected by actions under Canadian, U.S. or other trade laws.

The Company is a Canadian-based company with significant operations in the United States. The Company also owns and operates international manufacturing operations that support its Canadian and U.S. operations. If actions under Canadian, U.S. or other trade laws were instituted that limited the Company's access to the materials or products necessary for such manufacturing operations, the Company's ability to meet its customers' specifications and delivery requirements would be reduced. Any such reduction in the Company's ability to meet its customers' specifications and delivery requirements could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company also conducts business in countries permitted by Canadian law that would be prohibited by U.S. trade laws if the Company were a U.S. entity or controlled by a U.S. entity or person. While the Company believes that it and its subsidiaries currently are in compliance with applicable U.S. trade laws, changes in these regulations or the interpretation of these regulations, or changes in the control of the Company, could adversely affect the Company's business.

Political and Regulatory Risk Mitigation

The Company manages political and regulatory risks by working with government, regulators and other parties to resolve issues, if any. In addition, the Company ensures that it is compliant with the laws and regulations within the jurisdictions where it operates.

12.0 ENVIRONMENTAL MATTERS

While environmental related liabilities are considered immaterial to the Company's financial results, they are important to the Company from a social responsibility standpoint. Refer to section 11.3 – HSE Risks for additional information with respect to the Company's environmental matters.

As at December 31, 2010, the accruals on the consolidated balance sheet related to environmental matters and included as asset retirement obligations were $18.3 million. The Company believes the accruals to be sufficient to fully satisfy all liabilities related to known environmental matters.

13.0 RECONCILIATION OF NON-GAAP MEASURES

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

EBITDA

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

Return on Equity ("ROE")

ROE is defined as net income divided by average shareholders' equity over the year and is used by the Company to assess the efficiency of generating profits from each unit of a shareholder's equity.

The following table sets forth the calculation for the Company's ROE as at December 31:

(in thousands of Canadian dollars)	2010	2009
Income from operations	$ 105,390	$ 131,450
Average shareholder's equity	816,587	761,437
ROE	12.9%	17.3%

Free cash flow ("FCF")

FCF is defined as operating cash flow less capital expenditures and dividends paid during the year. FCF is intended to demonstrate the amount of cash the Company has available to invest in capital growth initiatives and the ability to generate cash flows to maintain operations.

The following table sets forth the calculation for the Company's FCF as at December 31:

(in thousands of Canadian dollars)	2010	2009
Cash provided by operating activities	$ 53,244	$ 299,333
Less:		
Capital expenditures	48,723	34,358
Dividends paid	20,468	37,057
FCF	$ (15,947)	$ 227,918

Days Sales Outstanding ("DSO")

DSO is defined as the number of days that accounts receivable are outstanding based on a 90-day cycle and is calculated by dividing the average accounts receivable balance by revenue for the quarter and multiplying by 90 days. DSO approximates the measure of the average number of days from when the Company recognizes revenue until the cash is collected from the customer.

The following table sets forth the calculation for the Company's DSO as at December 31:

(in thousands of Canadian dollars)	2010	2009
Average accounts receivable	$ 218,398	$ 198,479
Revenue for the fourth quarter	292,086	260,911
DSO	67	68

Days Payables Outstanding ("DPO")

DPO is defined as the average number of days from when purchased goods and services are received until payment is made to the suppliers based on a 90-day cycle and is calculated by dividing the quarter end accounts payable and accrued liabilities balance by the cost of goods sold for the quarter and multiplying by 90 days.

The following table sets forth the calculation for the Company's DPO as at December 31:

(in thousands of Canadian dollars)	2010	2009
Average accounts payable and accrued liabilities	$ 126,838	$ 139,618
Cost of goods sold for the fourth quarter	176,293	154,183
DPO	65	81

Working Capital Ratio

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

The following table sets forth the calculation for the Company's working capital ratio as at December 31:

(in thousands of Canadian dollars)	2010	2009
Current assets	$ 559,799	$ 586,085
Current liabilities	268,391	273,119
Working Capital Ratio	2.09	2.15

Fixed Charge Coverage Ratio

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

The following table sets forth the calculation of the Company's fixed charge coverage ratio as at December 31:

(in thousands of Canadian dollars)	2010	2009
EBITDA	$ 183,777	$ 254,143
Interest expense	2,503	4,672
Fixed Charge Coverage Ratio	73	54

The Company is in compliance with this debt covenant as at December 31, 2010.

Debt to Total Capitalization Ratio

Debt to total capitalization ratio is defined as the sum of the Company's long-term debt and long-term bonds divided by the sum of shareholders' equity, long-term debt and long-term bonds. The Company is required to maintain a debt to total capitalization ratio of no more than 0.45 to 1. The Company is in compliance with this debt covenant as at December 31, 2010.

14.0 FORWARD-LOOKING INFORMATION

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

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

These statements of forward-looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include assumptions in respect of the potential for improvement in demand for the Company's products and services as a result of continued global economic recovery, the potential for increased investment in global energy infrastructure as a result of stabilization of capital markets, the Company's ability to execute projects under contract, the continued supply of and stable pricing for commodities used by the Company and the availability of personnel resources sufficient for the Company to operate its businesses. The Company believes that the expectations reflected in the forward-looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking information included in this document and the Company can give no assurance that such expectations will be achieved.

When considering the forward-looking information in making decisions with respect to the Company, readers should carefully consider the foregoing factors and other uncertainties and potential events. ShawCor Ltd. does not assume the obligation to revise or update forward-looking information after the date of this document, or to revise it to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

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

March 3, 2011

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of ShawCor Ltd. included in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has selected those it deems to be most appropriate in the circumstances. The financial statements include estimates based on the experience and judgment of management in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in the annual report is consistent with that in the financial statements.

The management of the Company and its subsidiaries developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfils its responsibilities for financial reporting and internal control with the assistance of its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are Directors who are not officers or employees of ShawCor Ltd. or any of its subsidiaries. The Committee meets periodically to review quarterly financial reports and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors.

These financial statements have been audited by Ernst & Young LLP, the external auditors, on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

March 3, 2011

WILLIAM P. BUCKLEY
PRESIDENT AND CHIEF EXECUTIVE OFFICER

GARY S. LOVE
VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

Auditors' Report

To the Shareholders of ShawCor Ltd.

We have audited the accompanying financial statements of ShawCor Ltd., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income, retained earnings, comprehensive income and cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

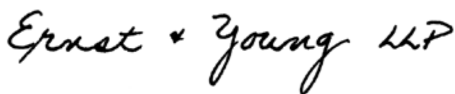
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ShawCor Ltd. as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Toronto, Canada
March 3, 2011

Consolidated Balance Sheets

(in thousands of Canadian dollars)	As at December 31, 2010	As at December 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents NOTE 7	$ 155,998	$ 249,988
Accounts receivable	243,955	191,821
Taxes receivable	13,823	14,055
Inventories NOTE 8	126,132	109,379
Prepaid expenses	14,171	14,392
Derivative financial instruments NOTE 23	1,130	1,782
Current future income taxes NOTE 26	4,590	4,668
	559,799	586,085
Property, plant and equipment, net NOTE 9	283,286	270,219
Intangible assets NOTE 10	91,353	62,784
Future income taxes NOTE 26	29,035	36,249
Derivative financial instruments NOTE 23	–	39
Long-term investments NOTE 11	31,995	24
Other assets NOTE 12	15,622	16,128
Goodwill NOTE 13	220,092	214,449
Total Assets	$ 1,231,182	$ 1,185,977
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 131,777	$ 127,932
Taxes payable	50,860	42,971
Loan payable NOTE 25	5,126	–
Deferred revenue	54,751	75,100
Derivative financial instruments NOTE 23	527	510
Current portion of long-term debt NOTE 15	25,005	26,235
Current obligations under capital lease NOTE 18	345	371
	268,391	273,119
Long-term debt	–	26,052
Obligations under capital lease NOTE 18	339	492
Future income taxes NOTE 26	78,516	76,552
Derivative financial instruments NOTE 23	807	–
Other non-current liabilities NOTE 16	40,378	19,340
Total Liabilities	388,431	395,555
Shareholders' Equity		
Capital stock NOTE 19	206,775	204,151
Contributed surplus NOTE 20	18,144	17,277
Retained earnings	780,722	695,800
Accumulated other comprehensive loss NOTE 21	(162,890)	(126,806)
Total Shareholders' Equity	842,751	790,422
Total Liabilities and Shareholders' Equity	$ 1,231,182	$ 1,185,977

See accompanying notes.

On behalf of the Board

PAUL G. ROBINSON, DIRECTOR

VIRGINIA L. SHAW, DIRECTOR

Consolidated Statements of Income

(in thousands of Canadian dollars, except per share amounts)	Year ended December 31, 2010	Year ended December 31, 2009
Revenue	$ 1,034,163	$ 1,183,978
Cost of goods sold	623,641	695,521
Gross profit	410,522	488,457
Selling, general and administrative expenses	221,440	219,557
Research and development expenses	11,050	10,967
Foreign exchange (gains) losses	(5,745)	3,790
Amortization of property, plant and equipment	50,376	57,244
Amortization of intangible assets	5,246	4,380
Impairment of intangible assets	958	–
Impairment of goodwill	208	–
Income from operations	126,989	192,519
Gain on revaluation of investment NOTE 6	17,979	–
Investment loss on long-term investment NOTE 11	(1,939)	–
Interest income on short-term deposits	1,455	916
Interest expense, other	(1,631)	(1,780)
Interest expense on long-term debt	(2,327)	(3,808)
Income before income taxes	140,526	187,847
Income taxes NOTE 26	35,136	56,397
Net Income for the Year	$ 105,390	$ 131,450
Earnings per Share		
Basic	$ 1.49	$ 1.86
Diluted	$ 1.48	$ 1.85
Weighted Average Number of Shares Outstanding (000s)		
Basic NOTE 27	70,566	70,457
Diluted NOTE 27	71,444	70,968

See accompanying notes.

Consolidated Statements of Retained Earnings

(in thousands of Canadian dollars)	Year ended December 31, 2010	Year ended December 31, 2009
Balance, beginning of year	$ 695,800	$ 601,407
Net income for the year	105,390	131,450
	801,190	732,857
Dividends declared	(20,468)	(37,057)
Balance, end of year	$ 780,722	$ 695,800

See accompanying notes.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	Year ended December 31, 2010	Year ended December 31, 2009
Net Income for the Year	$ 105,390	$ 131,450
Other Comprehensive Loss, Net of Income Taxes:		
Unrealized loss on translating financial statements of self-sustaining foreign operations	(37,289)	(49,149)
Gain on translating financial statements of self-sustaining foreign operations transferred to net income in the year	–	678
Gain on hedges of unrealized foreign currency translation	1,423	8,428
Income tax expense	(218)	(1,223)
Unrealized Foreign Currency Translation Loss, Net of Hedging Activities	(36,084)	(41,266)
Unrealized loss on available-for-sale financial asset arising in the year	–	(336)
Unrealized gain on available-for-sale financial asset transferred to net income in the current year	–	336
Other Comprehensive Loss for the Year	(36,084)	(41,266)
Comprehensive Income for the Year	$ 69,306	$ 90,184

See accompanying notes.

Consolidated Statements of Cash Flow

(in thousands of Canadian dollars)	Year ended December 31, 2010	Year ended December 31, 2009
OPERATING ACTIVITIES		
Net income for the year	$ 105,390	$ 131,450
Add (Deduct) Items Not Affecting Cash:		
Amortization of property, plant and equipment	50,376	57,244
Amortization of intangible assets	5,246	4,380
Amortization of transaction costs	–	444
Amortization of long-term prepaid expenses	4	1,173
Asset retirement obligations expense NOTE 17	269	(4,852)
Stock-based compensation NOTE 22	1,478	3,165
Future income taxes	(5,532)	(3,809)
Loss (gain) on disposal of property, plant and equipment	(1,226)	1,365
Loss on derivative financial instruments	708	–
Accounting gain on acquisition NOTE 6	(17,979)	–
Investment loss on long-term significant influence investment	1,939	–
Impairment of available-for-sale financial asset	–	336
Impairment of intangible assets NOTE 10	958	–
Impairment of goodwill NOTE 13	208	–
Settlement of asset retirement obligations NOTE 17	(3,218)	(1,307)
Change in employee future benefits NOTE 14	(275)	(457)
Change in non-cash working capital and foreign exchange	(85,102)	110,201
Cash Provided by Operating Activities	53,244	299,333
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(48,723)	(34,358)
Proceeds on disposal of property, plant and equipment	3,420	606
Purchase of intangible assets	(302)	–
Acquisition of long-term investment NOTE 11	(34,917)	–
Acquisition of subsidiaries NOTE 6	(19,728)	–
Increase in long-term notes receivable	–	(3,943)
Cash Used in Investing Activities	(100,250)	(37,695)
FINANCING ACTIVITIES		
Decrease in bank indebtedness	–	(15,418)
Proceeds from loan NOTE 25	5,126	–
Repayments on capital leases	(179)	(107)
Repayment of long-term debt	(26,043)	(28,705)
Issuance of shares NOTE 19	2,013	1,679
Dividends paid to shareholders	(20,468)	(37,057)
Cash Used in Financing Activities	(39,551)	(79,608)
Foreign Exchange (Loss) on Foreign Cash and Cash Equivalents	(7,433)	(10,974)
Net Change in Cash and Cash Equivalents for the Year	(93,990)	171,056
Cash and cash equivalents, beginning of year	249,988	78,932
Cash and Cash Equivalents, End of Year	$ 155,998	$ 249,988
Supplemental information:		
Cash interest paid	$ 5,022	$ 5,487
Cash income taxes paid	$ 38,892	$ 41,105

See accompanying notes.

Notes to the Consolidated Financial Statements

NOTE 1
CORPORATE INFORMATION

ShawCor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange ("TSX"). The company, together with its subsidiaries (collectively referred to as the "Company" or "ShawCor"), is a growth-oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates seven divisions with over 70 manufacturing and service facilities located around the world. Further information as it pertains to the nature of the operations is set out in note 5.

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

NOTE 2
SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are presented in Canadian dollars. The more significant accounting policies are as follows:

a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and the Company's proportionate share in joint ventures.

b) Foreign Currency Translation

Foreign operations, which are financially and operationally independent, are classified as self-sustaining. Foreign operations, which are dependent upon other operations within the Company, are classified as integrated.

Assets and liabilities of self-sustaining foreign operations are translated at year-end exchange rates. Income and expense items are translated at average exchange rates for the year. The foreign exchange impact of these translations is included in accumulated other comprehensive loss. The appropriate amounts of exchange gains and losses recorded in accumulated other comprehensive loss are transferred to the Statement of Income when there is a reduction in the Company's investment in these foreign operations as a result of capital transactions.

Monetary assets and liabilities of the Company and its integrated foreign operations denominated in foreign currencies are translated at year-end exchange rates. All other assets and liabilities, along with amortization expense denominated in foreign currencies, are translated at historical exchange rates. Revenue and expense items other than amortization are translated at average exchange rates for the year. All other foreign exchange gains or losses are included in the determination of net income for the year.

c) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank and short-term investments with original maturity dates on acquisition of 90 days or less.

e) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis, except in certain project-based pipe coating businesses where the average cost basis is employed, and includes direct materials, direct labour and variable and fixed manufacturing overheads based on normal capacity. Net realizable value for finished

goods, work-in-process and raw materials inventories required for production is the amount which would be realized on eventual sale of completed products, less the costs to complete and the cost of transport. Ownership of inbound inventories is recognized at the time title passes to the Company, which coincides with the invoicing and release of such inventories by suppliers.

f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and, other than project-related facilities and equipment, are amortized over their useful lives commencing when the asset is available for use on a straight-line basis at the following annual rates: 100% for land improvements, 4% to 10% on buildings and 10% to 50% on machinery and equipment. Project-related facilities are amortized over the initial estimated project life, generally no longer than seven years. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of the asset exceeds the estimated undiscounted cash flows from the use of the asset, then an impairment loss is recognized to write the asset down to fair value.

g) Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in subsidiary entities over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. The Company determines, at least once annually, whether the fair value of each reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill, thus indicating impairment. Any impairment is then recorded as a separate charge against earnings.

h) Intangible Assets

Intangible assets and intellectual property are recorded at their allocated cost at the date of acquisition of the related subsidiary. Amortization is recorded for intangible assets and intellectual property with limited lives on a straight-line basis over their estimated useful lives of up to 15 years.

i) Investments

The Company accounts for investments in which it has significant influence using the equity method. Other investments, which are considered to be available-for-sale financial instruments, are recorded at fair market value with changes in fair market value charged to other comprehensive income. Reductions in fair market value that are considered to be other than temporary are recorded in selling, general and administrative expenses. Investments which are jointly controlled by the Company and one or more unrelated parties are accounted for using the proportionate consolidation method.

j) Deferred Costs

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

k) Asset Retirement Obligations

The Company recognizes the fair value of estimated asset retirement obligations when a reasonable estimate of fair value can be made. An asset retirement obligation is a legal obligation associated with the retirement of an owned or leased, tangible, long-lived asset. Such obligations are recognized in the consolidated balance sheet by recording an increase in the carrying value of the applicable long-lived assets and recognizing corresponding liabilities. The increases in carrying value of the assets are amortized over the useful life of the asset. The asset retirement obligations are accreted over the period to settlement with a corresponding charge to operating expenses.

l) Revenue Recognition

Revenue is recorded when title to goods passes or services are provided to customers, the price is fixed or determinable and collection is reasonably assured. For the majority of product revenue, title passes to the buyer at the time of shipment and revenue is recorded at that time. Revenue from pipe coating, inspection, repair and other services provided in respect of customer-owned property is recognized as services are performed under specific contracts. Revenue on these contracts is recognized using the percentage-of-completion method, based on a proportional performance basis, using output as a measure of performance. Losses, if any, on these contracts are provided for in full at the time such losses are identified.

Services performed in advance of billings are recorded as unbilled revenue pursuant to the contractual terms. In general, amounts become billable upon the achievement of certain milestones or in accordance with predetermined payment schedules. Changes in the scope of work are not included in net revenue until earned and realization is assured.

m) Leases

Leases entered into by the Company, in which substantially all of the benefits and risks of ownership are transferred to the Company, are recorded as obligations under capital leases, and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future minimum lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. Property, plant and equipment under capital leases is depreciated based on the useful life of the

asset. All other leases are classified as operating leases. Payments for these leases are charged to income on a straight-line basis over the term of the lease.

n) Employee Future Benefits

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The cost of the defined benefit plans is determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement age and inflation. The cost is then charged to expense as services are rendered. Obligations are accrued net of plan assets, which are valued at quoted market prices at the balance sheet date. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service lives of the employees who are members of the plan. Net actuarial gains and losses that exceed 10% of the greater of the benefit obligation and the value of plan assets are amortized over the average remaining service lives of the employees who are members of the plan. For the Company's principal plans, these periods range from 14 years to 22 years.

o) Stock-Based Compensation

The Company has various stock-based compensation plans, which are described in note 22. The Company recognizes compensation expense in respect of all of its stock-based compensation plans. The compensation expense is equal to the estimated fair value of the incentive options, rights or units granted at the grant date, and is amortized over the vesting period of the option, right or incentive unit. For options, units or rights that are settled with equity, an amount equal to compensation expense is initially credited to contributed surplus and transferred to share capital if and when the option, unit or right is exercised. Options, units or rights that are settled with cash are classified as liability instruments in accordance with GAAP, as their terms require that they be settled in cash. Compensation expense is calculated as the amount by which the quoted market price exceeds the option price with a corresponding adjustment to the outstanding liability. Consideration received on the exercise of a stock option, right or unit is credited to share capital, when additional equity instruments are issued.

p) Research and Development Costs ("R&D")

R&D costs other than property, plant and equipment acquisitions are charged against income in the year incurred unless they meet GAAP requirements for deferral. R&D costs are reported net of investment tax credits. Investment tax credits are recorded to income in the year the related investment expenditures are made and totalled $429 thousand and $489 thousand in 2010 and 2009, respectively.

q) Income Taxes

The Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

r) Earnings Per Share ("EPS")

Basic EPS is calculated using the weighted average number of shares outstanding during the year. Diluted EPS is calculated using the treasury stock method for determining the dilutive effect of outstanding financial instruments issued under the Company's various stock-based compensation plans. Under this method, the conversion of dilutive financial instruments is assumed at the beginning of the year and shares are assumed issued (or at the time of issuance, if later). The proceeds from the conversion or exercise of dilutive financial instruments, plus future period compensation expenses, are assumed to be used to purchase common shares at the average market price during the period and the incremental number of shares (the difference between the number of shares assumed issued and assumed purchased) is included in the denominator of the diluted EPS computation.

s) Financial Instruments

Comprehensive Income

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

Accumulated Other Comprehensive Income

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

Financial Instruments

Held-for-trading financial assets are financial assets which are acquired for resale prior to maturity. Held-for-trading financial assets are reflected in the consolidated balance sheet at fair value with changes in fair value during a period charged or credited to selling, general and administrative expenses. Available-for-sale financial assets are those non-derivative financial assets which are so designated by the Company or that do not fall into another category. Available-for-sale financial assets are carried on the consolidated balance sheet at fair value with gains or losses from changes in fair value in a period included in other comprehensive income. Held-to-maturity financial assets, loans and receivables and other liabilities not held for trading are accounted for at amortized cost with related expenses charged to interest income or interest expense.

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

Balance sheet item	Designation
Cash	Held-for-trading
Cash equivalents	Held-to-maturity
Accounts receivable	Loans and Receivables
Long-term investments	Available-for-sale
Accounts payable and accrued liabilities	Other Liabilities
Loan payable	Other Liabilities
Long-term debt	Other Liabilities

Derivative Financial Instruments

The Company's policy is to document all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the consolidated balance sheet or to the specific firm commitments or forecasted transactions. The Company also assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used are effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments designated as effective cash flow hedges are reflected in the consolidated balance sheet at fair value with any gains or losses resulting from fair value changes included in other comprehensive income to the extent of hedge effectiveness. Derivatives with positive exposures are classified as assets while those with negative exposures are classified as liabilities. Derivative financial instruments not designated as effective cash flow hedges are carried at fair value in the consolidated balance sheet with gains or losses resulting from changes in fair value in a period charged or credited to selling, general and administrative expenses. As at December 31, 2010 and 2009, there were no derivatives designated as cash flow hedges.

Fair Value Measurement Disclosure

Financial instruments measured at fair value are categorized into one of the following three hierarchy levels for disclosure purposes:

- **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; or
- **Level 3:** Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The three levels distinguish between the levels of observable inputs when measuring fair value. Refer to note 23 for additional information with respect to the Company's fair value and liquidity disclosure.

t) Transaction Costs

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

NOTE 3
CHANGES IN ACCOUNTING POLICIES

Business Combinations

On January 1, 2010, ShawCor early adopted CICA Handbook Section 1582, "Business Combinations", which replaced CICA Handbook Section 1581 of the same name. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. For an acquisition achieved in stages, this new standard requires the acquirer to remeasure its previously held interest in the acquiree at the subsequent acquisition-date fair value and to recognize the resulting gain or loss, if any, in income. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the consolidated statement of income.

Due to the adoption of this new section, the Company expensed all transaction costs directly associated with the Company's long-term investment in Fineglade Ltd. and the Company's acquisition of its Brazilian joint ventures in the amounts of $1.5 million and $0.2 million, respectively, and included the amounts as selling, general and administrative expenses on the consolidated statement of income for the year ended December 31, 2010. In addition, the Company also remeasured its previously held equity interest in its two Brazilian joint ventures and included a gain on the revaluation of investment in the amount of $18.0 million in the consolidated statement of income for the year ended December 31, 2010.

Consolidated Financial Statements and Non-controlling Interests

In conjunction with the early adoption of CICA Handbook Section 1582, the Company was also required to early adopt CICA Handbook Sections 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests" effective January 1, 2010. These sections replace the former consolidated financial statement standard, CICA Handbook Section 1600, "Consolidated Financial Statements." Section 1601 establishes the requirements for the preparation of the consolidated financial statements and Section 1602 establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 requires a non-controlling interest to be classified as a separate component of equity. In addition, net earnings, and components of other comprehensive income are attributed to both the parent and non-controlling interest. The early adoption of these standards did not have a material impact on the Company's consolidated financial statements for the year ended December 31, 2010.

These standards along with CICA Handbook Section 1582 above are converged with International Financial Reporting Standards.

NOTE 4
RECENT ACCOUNTING PRONOUNCEMENTS

On February 13, 2008, The Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") would be required in Canada for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011 and the Company will be required to report using IFRS beginning on this date. The Company has completed the process of evaluating the effect of and the planning for the transition to IFRS and will begin to report using IFRS starting in 2011.

NOTE 5
SEGMENTED INFORMATION

As at December 31, 2010, the Company had the following two reportable operating segments:

- Pipeline and Pipe Services; and
- Petrochemical and Industrial.

Inter-segment transactions between the Pipeline and Pipe Services Segment and the Petrochemical and Industrial Segment are accounted for at negotiated transfer prices.

Pipeline and Pipe Services

The Pipeline and Pipe Services Segment is comprised of the following business units:

- Bredero Shaw, which provides pipe coating, lining and insulation products;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Canusa-CPS, which manufactures heat-shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction; and
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubulars.

Petrochemical and Industrial

The Petrochemical and Industrial Segment is comprised of the following business units:

- ShawFlex, which manufactures wire and cable for process instrumentation and control applications; and
- DSG-Canusa, which manufactures heat-shrinkable tubing for automotive, electrical, electronic and utility applications.

Financial and Corporate

The corporate division of ShawCor only earns revenue that is considered incidental to the activities of the Company. As a result, it does not meet the definition of a reportable operating segment as defined in accordance with GAAP.

The following table sets forth the Company's financial information by reportable operating segment for the years ended December 31:

	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Elimination and Adjustments		Total	
(in thousands of Canadian dollars)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue										
External	920,157	1,072,858	115,783	114,935	–	–	(1,777)	(3,815)	1,034,163	1,183,978
Inter-segment	2,547	1,045	88	86	–	–	(2,635)	(1,131)	–	–
Total revenue	922,704	1,073,903	115,871	115,021	–	–	(4,412)	(4,946)	1,034,163	1,183,978
Operating expenses	729,293	796,445	98,334	105,129	16,640	22,240	(4,931)	(4,946)	839,336	918,868
Amortization of property, plant and equipment	45,519	52,164	3,119	3,609	1,427	1,471	311	–	50,376	57,244
Amortization of intangibles	5,246	4,380	–	–	–	–	–	–	5,246	4,380
Impairment of intangibles	958	–	–	–	–	–	–	–	958	–
Impairment of goodwill	–	–	–	–	–	–	208	–	208	–
R&D expense	8,072	7,791	1,259	1,221	1,719	1,955	–	–	11,050	10,967
Income (loss) from operations	133,616	213,123	13,159	5,062	(19,786)	(25,666)	–	–	126,989	192,519
Gain on revaluation of investment	17,979	–	–	–	–	–	–	–	17,979	–
Investment gain (loss) on long-term investment	(1,939)	–	–	–	–	–	–	–	(1,939)	–
Interest income	–	–	–	–	1,455	916	–	–	1,455	916
Interest expense	–	–	–	–	(3,958)	(5,588)	–	–	(3,958)	(5,588)
Income tax expense	–	–	–	–	(35,136)	(56,397)	–	–	(35,136)	(56,397)
Goodwill	204,440	196,690	15,652	17,759	–	–	–	–	220,092	214,449
Total assets	1,349,050	1,359,449	63,028	68,589	880,996	882,782	(1,061,892)	(1,124,843)	1,231,182	1,185,977
Additions to property, plant and equipment, net of disposals	43,310	29,972	3,015	2,312	204	1,468	–	–	46,529	37,752

The following table sets forth the Company's revenue and property, plant and equipment by geographic segment. The geographical segment is determined by the location of the Company's country of operation:

	North America		Latin America		EMAR[(a)]		Asia Pacific		Eliminations		Total	
(in thousands of Canadian dollars)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue												
External	476,675	463,645	56,400	188,758	234,770	306,077	268,095	229,313	(1,777)	(3,815)	1,034,163	1,183,978
Inter-segment	2,404	591	–	–	232	540	–	–	(2,636)	(1,131)	–	–
Total revenue	479,079	464,236	56,400	188,758	235,002	306,617	268,095	229,313	(4,413)	(4,946)	1,034,163	1,183,978
Property, plant and equipment – net	203,742	193,552	18,720	6,638	29,940	42,745	30,884	27,284	–	–	283,286	270,219
Goodwill	134,242	104,431	10,502	12,902	55,744	76,547	19,604	20,569	–	–	220,092	214,449
Total assets	1,842,772	1,681,934	145,765	66,289	130,868	221,290	127,580	135,599	(1,015,803)	(919,135)	1,231,182	1,185,977

(a) EMAR is defined as the Europe, Middle East, Africa and Russia region.

NOTE 6
ACQUISITION

On October 5, 2010, two subsidiaries of the Company completed the acquisition of the remaining 50% interest in Thermotite do Brasil Ltda. and BS Servicos de Injeção Ltda. that they did not previously own. The purchase price was $36.0 million and is to be paid in two installments, with the first amount of $19.8 million paid upon completion of the transaction and a second payment of $16.2 million to be paid in 2013. As a consequence of the adoption of CICA Handbook Section 1582, "Business Combinations", the carrying value of the Company's current investment was restated to fair value resulting in a gain of $18.0 million, which was recorded as a gain on revaluation of investment and is included in the Company's consolidated statement of income. The following table is a provisional purchase price allocation and assigns the total consideration paid and the revaluation of the Company's original investment in the Brazilian joint ventures to the net assets acquired:

(in thousands of Canadian dollars)		
Current assets (excluding cash)	$	15,053
Property, plant and equipment		13,679
Intangible assets		34,419
Other assets		301
Future income tax assets		559
Goodwill		16,447
Current liabilities assumed		(13,976)
Future income tax liabilities		(15,347)
Net Assets Acquired, at Fair Value		51,135
Consideration:		
Cash, net of cash acquired of $272	$	19,728
Deferred purchase consideration at present value NOTE 16		13,428
Gain on revaluation of investment		17,979
Total		51,135

The Company did not acquire or divest any other significant or material businesses during the years ended December 31, 2010 and 2009. The deferred purchase consideration will be accreted to its face value of $16.2 million over the period to 2013.

NOTE 7
CASH AND CASH EQUIVALENTS

The following table sets forth the Company's cash and cash equivalents as at December 31:

(in thousands of Canadian dollars)		2010		2009
Cash	$	59,601	$	93,011
Cash equivalents		96,397		156,977
	$	155,998	$	249,988

NOTE 8
INVENTORIES

The following table sets forth the Company's inventories as at December 31:

(in thousands of Canadian dollars)		2010		2009
Raw materials and supplies	$	93,519	$	74,510
Work in progress		5,253		3,750
Finished Goods		36,071		40,519
Inventory in obsolescence		(8,711)		(9,400)
Inventories – Net	$	126,132	$	109,379

During the year 2010, the Company recorded a recovery of $2.4 million to reduce the excess obsolescence provision for certain raw material inventories to net realizable value. In 2009, the Company recorded a charge of $0.5 million to reduce the carrying value of certain raw material inventories to net realizable value. The Company recognized $1.0 million and $3.2 million of inventories as an expense during 2010 and 2009, respectively, including the recovery and the write-down described above.

NOTE 9
PROPERTY, PLANT AND EQUIPMENT – NET

The following table sets forth the Company's property, plant and equipment – net as at December 31:

2010						
(in thousands of Canadian dollars)		Cost		Accumulated Depreciation		Net Book Value
Land and land improvements	$	39,419	$	14,290	$	25,129
Buildings		103,727		57,517		46,210
Machinery and equipment		531,143		338,416		192,727
Capital projects in progress		18,195		–		18,195
Assets under capital leases		1,663		638		1,025
Balance, End of Year	$	694,147	$	410,861	$	283,286

2009						
(in thousands of Canadian dollars)		Cost		Accumulated Depreciation		Net Book Value
Land and land improvements	$	48,074	$	23,789	$	24,285
Buildings		124,776		68,619		56,157
Machinery and equipment		542,002		358,291		183,711
Capital projects in progress		4,918		–		4,918
Assets under capital leases		1,774		626		1,148
Balance, End of Year	$	721,544	$	451,325	$	270,219

NOTE 10
INTANGIBLE ASSETS

The following table sets forth the Company's intangible assets as at December 31:

(in thousands of Canadian dollars)		2010		2009
Cost:				
Intellectual property ("IP") with limited life [(a)]	$	64,777	$	57,576
Intangible assets with limited life [(b)]		36,444		9,547
Intangible assets with indefinite life		1,600		1,931
	$	102,821	$	69,054
Accumulated Amortization of Intangible Assets with Limited Life		11,468		6,270
	$	91,353	$	62,784

(a) IP represents the costs of certain technology, know-how and patents obtained in acquisitions.

(b) Intangible assets includes trademarks, brand names and customer relationships obtained in acquisitions.

During 2010, the Company assessed the fair value of the recoverability of the intangible assets at each of the Company's underlying business units. This review determined that, due to changing market conditions, intangible assets at the Company's Shaw Inspection Services business were impaired, and accordingly an impairment charge of $958 thousand has been recorded in 2010 (2009 – nil).

NOTE 11
LONG TERM INVESTMENT

The following table sets forth the Company's long term investment as at December 31:

(in thousands of Canadian dollars)		2010		2009
Investment in company subject to significant influence	$	31,971	$	–
Other long term investment classified as "available for sale"		24		24
	$	31,995	$	24

Investment in Company Subject to Significant Influence – Fineglade Limited (Ireland)

On July 2, 2010, the Company made an equity investment in Fineglade Limited (Ireland) ("Fineglade") in the amount of US$24.7 million (CDN$25.7 million) to form an investor group with two private equity firms, 4D Global Energy Advisors of Paris, France, and Sophia Capital of Buenos Aires, Argentina, with the Company holding a 40% interest in the investor group. Fineglade was formed to complete a share capital investment in Socotherm S.p.A. ("Socotherm") and has resulted in Fineglade attaining a 95% ownership interest in Socotherm.

The Company also entered into a shareholders' agreement with the other shareholders of Fineglade that provides the Company with significant influence over the strategic operating, investing and financing activities of Fineglade, without having joint control. In connection with the investment in Fineglade, the Company also entered into a financial instruments agreement that may result in the Company increasing its ownership in Fineglade after January 1, 2013. The net fair value of the financial instruments as at December 31, 2010 was $0.8 million and this fair value is included in Investment in company subject to significant influence and in long-term derivative financial instruments liability (note 23).

Furthermore, during the year, the Company made an incremental investment in Fineglade of US$5.1 million (CDN$5.2 million) as its pro rata share of a secured bridge loan provided by Fineglade to Socotherm, and a further investment in Socotherm of US$3.3 million (CDN$3.4 million) to discharge additional liabilities. On October 29, 2010, the court of Vicenza issued a Homologation Decree that approved the share capital investment, and the acquisition between the investor group and Socotherm was subsequently completed. During the year ended December 31, 2010, the Company incurred an investment loss on its investment in Fineglade in the amount of $1.9 million.

NOTE 12
OTHER ASSETS

The following table sets forth the Company's other assets as at December 31:

(in thousands of Canadian dollars)		2010		2009
Long-term prepaid expenses	$	3,828	$	4,193
Long-term notes receivable [(a)]		3,758		3,943
Accrued employee future benefit asset NOTE 14		8,036		7,992
	$	15,622	$	16,128

(a) Long-term notes receivable as at December 31, 2010 relates to the amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia. Interest is payable semi-annually at U.S. prime plus 0.25% with principal repayments to be made in four semi-annual installments beginning no later than March 31, 2018 as set out by the terms of the loan.

NOTE 13
GOODWILL

The following table sets forth the Company's goodwill as at December 31:

(in thousands of Canadian dollars)	2010	2009
Balance, Beginning of Year	$ 214,449	$ 229,059
Additions to goodwill on acquisition NOTE 6	16,447	–
Impairment of goodwill	(208)	–
Translation of self-sustaining foreign operations	(10,596)	(14,610)
Balance, End of Year	$ 220,092	$ 214,449

During 2010, the Company assessed the fair value of the reporting units to which the underlying goodwill is attributable. This review determined that, due to changing market conditions, goodwill pertaining to the Company's Shaw Inspection Services business was impaired and, accordingly, a goodwill impairment charge to selling, general and administrative ("SG&A") expenses of $208 thousand was recorded in 2010 (2009 – nil).

NOTE 14
EMPLOYEE FUTURE BENEFITS

The Company provides employee future benefits to its employees under a number of defined benefit and defined contribution arrangements. The defined benefit pension plans are in Canada, the U.K. and Norway and include both flat-dollar plans for hourly employees and final earning plans for salaried employees. The Company also provides a post-retirement life insurance benefit to its Canadian retirees and a post-employment benefit to its hourly and salaried employees in Indonesia.

The total cash payments made by the Company during the years ended December 31, 2010 and 2009 were $9.9 million and $8.8 million, respectively. The cash payments consisted of contributions required to fund both the defined benefit and defined contribution plans. The Company measures the fair value of assets and accrued benefit obligations as of December 31. Actuarial valuations for the Company's seven defined benefit pension plans are generally required at least every three years. The most recent actuarial valuations of the plans were conducted as at January 1, 2008 (one plan), December 31, 2009 (four plans), January 1, 2010 (one plan), and August 1, 2010 (one plan).

The following tables set forth information about the Company's employee future benefits as at December 31:

(in thousands of Canadian dollars)	2010	2009
Net Benefit Cost for the Year:		
Employer portion of current service cost	$ 2,625	$ 2,640
Interest on accrued benefit obligation	4,761	4,531
Actual return on plan asset	(5,002)	(7,727)
Actuarial losses and changes in assumptions	7,046	8,008
Currency losses	12	101
Curtailment/settlement/ plan amendments	(634)	–
Elements of Employee Future Benefit costs before adjustments to recognize the long-term nature of Employee Future Benefit Costs	8,808	7,553
Adjustments to recognize the long-term nature of Employee Future Benefit Costs		
Difference between expected return and actual return on plan assets for the year	905	4,130
Difference between actuarial loss recognized for the year and actual actuarial loss and assumption changes on accrued benefit obligation for the year	(6,236)	(7,848)
Difference between currency loss recognized for the year and actual currency loss	(12)	(101)
Difference between amortization of past service costs for the year and actual plan amendment costs for the year	4	315
Amortization of transitional obligation	148	156
Extraordinary items	–	565
Valuation allowance provided against accrued benefit assets	1,315	(65)
Subtotal	(3,876)	(2,848)
Defined benefit cost recognized	4,932	4,705
Defined contribution employee future benefit expense	4,690	3,657
Employee Future Benefit Cost	$ 9,622	$ 8,362

(in thousands of Canadian dollars)		2010		2009
Accrued benefit obligation, at beginning of year	$	76,218	$	63,392
Valuation effect		–		651
Employer portion of current service cost		2,625		2,640
Actuarial losses and changes in assumptions		7,046		8,008
Interest cost		4,761		4,531
Foreign currency gain		(758)		(256)
Benefits paid		(4,066)		(3,313)
Extraordinary items		(634)		565
Plan amendments		–		–
Accrued Benefit Obligation, at End of Year		85,192		76,218
Fair value of plan assets, at beginning of year		68,788		59,815
Valuations effect		(54)		(246)
Actual return on plan assets		5,002		7,727
Employer contributions		5,207		5,162
Benefits paid		(4,066)		(3,313)
Effect of foreign currency exchange rates		(770)		(357)
Fair Value of Plan Assets, at End of Year		74,107		68,788
Funded status – plan deficit		(11,085)		(7,430)
Unamortized actuarial loss		15,975		10,578
Unamortized past service costs		46		50
Unamortized net transitional obligation		670		818
Valuation allowance		(1,439)		(124)
Net Accrued Future Employee Benefit Asset	$	4,167	$	3,892

The following table sets forth the Company's plan assets where the accrued benefit obligation exceeds the fair value of plan assets as at December 31:

(in thousands of Canadian dollars)		2010		2009
Canada				
Fair value of plan assets	$	51,713	$	46,666
Accrued benefit obligation	$	62,894	$	52,266
Norway				
Fair value of plan assets	$	3,091	$	3,147
Accrued benefit obligation	$	4,931	$	5,501
Indonesia				
Fair value of plan assets	$	–	$	–
Accrued benefit obligation	$	1,724	$	1,072

The accrued benefit asset is included in the audited consolidated balance sheet as follows:

(in thousands of Canadian dollars)		2010		2009
Accrued employee future benefit asset NOTE 12	$	8,036	$	7,992
Accrued employee future benefit liability NOTE 16		(3,869)		(4,100)
Net Accrued Future Employee Benefit Asset	$	4,167	$	3,892

Included in the accrued benefit obligation and fair value of plan assets at year-end are the following amounts in respect of plans that are not fully funded:

(in thousands of Canadian dollars)		2010		2009
Accrued future employee obligation	$	58,280	$	48,909
Fair value of plan assets		42,894		38,881
Funded Status – Deficit	$	(15,386)	$	(10,028)

The following table sets forth the composition of plan assets as at December 31:

(percentage of plan assets)	2010	2009
Registered Canadian employee future benefit plans:		
Equities	60%	58%
Fixed income	36%	38%
Other	4%	4%
Total	100%	100%
Supplemental Executive Retirement Plan ("SERP")		
Equities	94%	92%
Other	6%	8%
Total	100%	100%

The following table sets forth the significant assumptions used in the calculation of the accrued benefit obligations and net defined benefit cost:

	2010	2009
Canada		
Accrued benefit obligation as at December 31:		
Discount rate	5.3%	6.4%
Salary increases	4.0%	4.0%
Benefit cost for the year ended December 31:		
Discount rate	6.4%	7.3%
Expected rate of return on assets	6.5%	6.5%
Rate of compensation increases	4.0%	4.0%
Norway		
Accrued benefit obligation as at December 31:		
Discount rate	4.0%	4.4%
Salary increases	4.0%	4.3%
Increases to pension in pay	1.9%	2.1%
Benefit cost for the year ended December 31:		
Discount rate	4.4%	3.8%
Expected rate of return on assets	5.6%	5.8%
Rate of compensation increases	4.3%	4.0%
Increases to pension in pay	2.1%	2.3%
U.K.		
Accrued benefit obligation as at December 31:		
Discount rate	5.7%	5.7%
Salary increases	–	–
Increases to pension in pay	3.3%	3.8%
Benefit cost for the year ended December 31:		
Discount rate	5.7%	6.2%
Expected rate of return on assets	6.4%	6.2%
Rate of compensation increases	–	–
Increases to pension in pay	3.8%	2.9%
Indonesia		
Accrued benefit obligation as at December 31:		
Discount rate	8.0%	11.0%
Salary increase	10.0%	10.0%
Increases to pension in pay	–	–
Benefit cost for the year ended December 31:		
Discount rate	11.0%	12.0%
Expected rate of return on assets	–	–
Rate of compensation increases	10.0%	11.0%
Increases to pension in pay	–	–

NOTE 15
BANK INDEBTEDNESS AND LONG-TERM DEBT

5.11% Senior Notes ("Senior Notes")

On June 27, 2003, the Company entered into an agreement for the issue and sale, at par, on a private placement basis to institutional investors, United States Dollars ("USD") $75.0 million of Senior Notes due June 30, 2011. Under the terms of the agreement, the Company is required to repay the Senior Notes in three equal installments of US$25.0 million on June 30, 2009, 2010 and 2011. On June 30, 2009, the Company made the first repayment of US$25.0 million ($28.7 million at the then current exchange rate) (the "First Repayment"). On June 30, 2010, the Company made the second repayment of US$25.0 million ($26.0 million at the then current exchange rate) (the "Second Repayment"). As at December 31, 2010, $25.0 million was outstanding under the Senior Notes, which has been classified as a current portion of long-term debt.

Credit Facilities

The following table sets forth the Company's total credit facilities as at December 31:

(in thousands of Canadian dollars)	2010	2009
Standard letters of credit for credit for performance, bid and surety bonds NOTE 18	$ 75,140	$ 61,835
Bank indebtedness [(a)]	–	–
Total utilized credit facilities	75,140	61,835
Total available credit facilities [(b)]	240,048	251,856
Unutilized credit facilities	$ 164,908	$ 190,021

(a) Excludes the banking facilities of the Company's 30% owned joint venture, Arabian Pipe Coating Company Ltd. ("APCO").
(b) The Company guarantees the bank credit facilities of its subsidiaries.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the Senior Notes and its 5-Year Unsecured Committed Bank Credit Facility. Specifically, the Company is required to maintain a Fixed Charge Coverage Ratio (Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") divided by interest expense) of more than 2.5 to 1 and a debt to total capitalization ratio of less than 0.45 to one. The Company's capital structure at December 31, 2010 was within the parameters established by these agreements.

NOTE 16
OTHER NON-CURRENT LIABILITIES

The following table sets forth the Company's other non-current liabilities as at December 31:

(in thousands of Canadian dollars)	2010	2009
Non-current asset retirement obligation NOTE 17	$ 18,189	$ 9,841
Deferred purchase consideration	13,679	–
Accrued employee future benefit obligations NOTE 14	3,869	4,100
Other long-term liabilities	4,641	5,399
	$ 40,378	$ 19,340

NOTE 17
ASSET RETIREMENT OBLIGATIONS

The following table sets forth the Company's asset retirement obligations reconciliation associated with the Company's production and plant facilities, as at December 31:

(in thousands of Canadian dollars)	2010	2009
Balance, beginning of year	$ 16,058	$ 22,606
Translation of self-sustaining foreign operations	(737)	(389)
Accretion expense	803	1,098
Revision of cash flow estimates	6,077	(5,950)
Remediation of liabilities	(3,218)	(1,307)
Loss (gain) on settlement	(723)	–
Balance, End of Year	$ 18,260	$ 16,058

Asset retirement obligations are included in the audited consolidated balance sheet as follows as at December 31:

(in thousands of Canadian dollars)	2010	2009
Accounts payable and accrued liabilities	$ 71	$ 6,217
Other non-current liabilities	18,189	9,841
Total Asset Retirement Obligations	$ 18,260	$ 16,058

The total undiscounted cash flows, which are estimated to be required to settle all asset retirement obligations, are $25.4 million and $18.8 million as at December 31, 2010 and 2009, respectively, and the credit-adjusted risk-free rate at which the estimated cash flows have been discounted, ranges between 2.36% and 5.80%. Settlement for all asset retirement obligations is expected to be funded by future cash flows from the Company's operations.

NOTE 18
COMMITMENTS AND CONTINGENCIES

Commitments

The following table sets forth the aggregate minimum amounts payable under non-cancellable contracts related to continuing operations as at December 31, 2010:

(in thousands of Canadian dollars)	2011	2012	2013	2014	2015	After 2015	Total
Operating Leases	$ 13,256	9,949	8,165	6,022	4,215	21,361	62,968
Capital leases	345	312	27	–	–	–	684
Total Contractual Obligations	$ 13,601	10,261	8,192	6,022	4,215	21,361	63,652

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, which 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's utilizes its credit facilities to support the Company's bonds. The Company had utilized credit facilities of $75.1 million and $61.8 million as at December 31, 2010 and 2009, respectively, for support of its bonds.

Leases

The Company has entered into several capital lease agreements for machinery and equipment with terms varying up to 62 months and interest varying from 1.0% to 16.1%. The obligations are payable on a monthly basis including interest.

The following table sets forth the Company's future minimum capital lease payments as at December 31:

(in thousands of Canadian dollars)	2010	2009
Total future minimum lease payments	$ 799	$ 997
Less: imputed interest	(115)	(134)
Balance of obligations under capital leases	684	863
Less – current portion	(345)	(371)
Long-term Obligations under Capital Leases	$ 339	$ 492

Legal Contingencies

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

NOTE 19
CAPITAL STOCK

There are an unlimited number of Class A Subordinate Voting Shares ("Class A shares") and Class B Multiple Voting Shares ("Class B shares") authorized. Holders of Class A shares are entitled to one vote per share and receive a non-cumulative dividend premium of 10% of the dividends paid to holders of Class B shares. Holders of Class B shares are entitled to 10 votes per share and these shares are convertible at any time into Class A shares on a one-for-one basis.

Under the terms of the Normal Course Issuer Bid ("NCIB"), the Company was entitled to repurchase up to 3,000,000 Class A shares and up to 100,000 Class B shares between December 1, 2009 and November 30, 2010. The repurchase of shares is made in the open market at prevailing market prices, however, during 2010 and 2009, the Company did not repurchase and cancel any Class A or Class B shares under the NCIB. The NCIB was renewed on November 30, 2010, entitling the Company to repurchase up to 2,000,000 Class A shares and up to 100,000 Class B shares between December 1, 2010 and November 30, 2011.

The following table sets forth the Company's shares outstanding as at December 31:

	2010		
	Class A	Class B	Total
Number of Shares:			
Balance, beginning of year	57,458,183	13,059,983	70,518,166
Issued on exercise of stock options	118,206	–	118,206
Conversions of Class B shares to Class A shares	1,910	(1,910)	–
Balance, End of Year	57,578,299	13,058,073	70,636,372
(in thousands of Canadian dollars)			
Stated Value:			
Balance, beginning of year	$ 203,148	$ 1,003	$ 204,151
Issued on exercise of stock options	2,013	–	2,013
Compensation cost on exercised options	611	–	611
Balance, End of Year	$ 205,772	$ 1,003	$ 206,775

	2009		
	Class A	Class B	Total
Number of Shares:			
Balance, beginning of year	57,358,537	13,060,209	70,418,746
Issued on exercise of stock options	99,420	–	99,420
Conversions of Class B shares to Class A shares	226	(226)	–
Balance, End of Year	57,458,183	13,059,983	70,518,166
(in thousands of Canadian dollars)			
Stated Value:			
Balance, beginning of year	$ 201,070	$ 1,003	$ 202,073
Issued on exercise of stock options	1,679	–	1,679
Compensation cost on exercised options	400	–	400
Other	(1)	–	(1)
Balance, End of Year	$ 203,148	$ 1,003	$ 204,151

NOTE 20
CONTRIBUTED SURPLUS

The following table sets forth the Company's contributed surplus reconciliation for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009
Balance, beginning of year	$ 17,277	$ 14,512
Fair value of stock options exercised NOTE 19	(611)	(400)
Stock-based compensation expenses	1,478	3,165
Balance, End of Year	$ 18,144	$ 17,277

NOTE 21
ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the Company's accumulated other comprehensive loss reconciliation for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009
Balance, beginning of year	$ (126,806)	$ (85,540)
Other comprehensive loss	(36,084)	(41,266)
Balance, End of Year	$ (162,890)	$ (126,806)

NOTE 22
STOCK-BASED COMPENSATION

Stock Option Compensation

As at December 31, 2010, the Company had the following two stock option plans, both of which were initiated in 2001:

I. Under the Company's 2001 employee stock option plan (the "2001 Employee Plan"), which is a traditional stock option plan, the options granted have a term of 10 years from the date of the grant. Exercises are permitted on the basis of 20% of the optioned shares per year over five years, on a cumulative basis, commencing one year following the date of the grant. The grant price equals the closing sale price of the Class A shares on the day prior to the grant.

   On March 3, 2010, the Board of Directors ("Board") approved an amended 2001 employee stock option plan (the "Amended 2001 Employee Plan"). All stock options granted in 2010 under the Amended 2001 Employee Plan have a tandem share appreciation right ("SAR") attached, which allows the option holder to exercise either the option and receive a share, or exercise the SAR and receive a cash payment that is equivalent to the difference between the grant price and fair market value. All stock options granted under the Amended 2001 Employee Plan have the same characteristics as stock options that were granted under the original 2001 Employee Plan, with respect to vesting requirements, term, termination and other provisions. All stock options granted in 2010 and beyond are accounted for as liability instruments in accordance with GAAP as the option holder has the option to settle in cash.

II. Under the Company's 2001 director plan (the "2001 Director Plan"), options are granted on an annual basis and the maximum number of Class A shares issued in any single grant shall be equal to the number of Class A shares and Class B shares of the Company owned by the individual director, at the date of the option grant, subject to a maximum of 8,000 Class A shares for each of the Chairman and Vice Chair, and 4,000 Class A shares for each of the other eligible directors. The options vest immediately and have a legal life of five years. The grant price equals the closing sale price of the Class A shares on the day prior to the grant. No options have been granted under the 2001 Director Plan since 2006.

The following table sets forth a summary of the Company's traditional options outstanding and exercisable as at December 31:

	2010		2009	
	Total Shares	Weighted Average Exercise Price	Total Shares	Weighted Average Exercise Price
Balance outstanding, beginning of Year	2,826,366	$ 18.86	2,470,466	$ 19.14
Granted	–	–	520,200	15.70
Exercised	(118,206)	17.02	(99,420)	16.88
Forfeited	(6,000)	21.57	(64,880)	22.03
Balance Outstanding, End of Year	2,702,160	$ 18.93	2,826,366	$ 18.86

The following table set forth a summary of the Company's traditional stock options outstanding as at December 31:

	2010				
	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding as at December 31, 2010	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at December 31, 2010	Weighted Average Exercise Price
$10.00 to $15.00	454,800	1.86	$ 12.60	454,800	$ 12.60
$15.01 to $20.00	1,473,120	4.63	16.42	1,033,592	16.70
$20.01 to $25.00	46,000	5.66	21.04	30,800	20.87
$25.01 to $30.00	698,240	6.53	27.67	343,064	27.18
$30.01 to $35.00	30,000	7.01	31.77	12,000	31.77
	2,702,160		$ 18.93	1,874,256	$ 17.45

	2009				
	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding as at December 31, 2009	Weighted Average Remaining Contractual Life in years	Weighted Average Exercise Price	Exercisable at December 31, 2009	Weighted Average Exercise Price
$10.00 to $15.00	463,526	3.45	$ 12.62	463,526	$ 12.62
$15.01 to $20.00	1,576,840	5.80	16.77	897,000	16.77
$20.01 to $25.00	50,000	6.20	21.11	25,600	20.96
$25.01 to $30.00	706,000	7.54	27.66	206,120	26.83
$30.01 to $35.00	30,000	8.01	31.77	6,000	31.77
	2,826,366		$ 18.86	1,598,246	$ 16.99

There were no traditional stock options granted in fiscal 2010. The weighted average fair value of options granted during 2009 was $5.63. Compensation cost was calculated using the fair value of each stock option, which was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

	2009
Expected life of options	6.25 years
Expected stock price volatility	34.8%
Expected dividend yield	1.4%
Risk-free interest rate	2.6%

The compensation cost recognized in SG&A expenses for the years ended December 31, 2010 and 2009 was $1.1 million and $3.2 million, respectively, and has been credited to contributed surplus on the consolidated balance sheets.

Stock Options with Tandem Share Appreciation Rights

	2010			2009		
	Total Shares		Weighted Average Fair Value [(a)]	Total Shares		Weighted Average Grant Date Fair Value
Balance outstanding, beginning of Year	–	$	–	–	$	–
Granted	118,500		27.50	–		–
Exercised	–		–	–		–
Forfeited	–		–	–		–
Balance Outstanding, End of Year	118,500	$	27.50	–	$	–

(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.

The mark-to-market liability for the stock options with SARs as at December 31, 2010, is $0.2 million (2009 – $ nil), all of which is included in accounts payable and accrued liabilities on the consolidated balance sheets.

On March 3, 2010, the Board approved a new Long-Term Incentive Program ("LTIP") for executives and key employees and a Deferred Share Unit Plan ("DSU") for Directors of the Company. Additional details with respect to the LTIP and DSU plan are as follows:

LTIP

The LTIP includes the two existing stock option plans discussed above and two new plans – the Value Growth Plan ("VGP") and the Employee Share Unit Plan ("ESUP").

VGP

The VGP is a cash-based awards plan which rewards executives and key employees for improving operating income and revenue over a three-year performance period. Units granted to participants vest on the third year of the performance period for which they were granted. The value of units is determined based on the growth rate in operating income and revenue on a cumulative basis for the three consecutive years that comprise the performance period and is measured against the baseline period. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the VGP will be classified as liability instruments in accordance with GAAP as their terms require that they be settled in cash.

ESUP

The ESUP authorizes the Board to grant awards of Restricted Share Units ("RSUs") to employees of the Company as a form of incentive compensation. All RSUs are to be settled with Class A shares and are valued on the basis of the underlying weighted average trading price of the Class A shares over the five trading days preceding the grant date. The valuation is not subsequently adjusted for changes in the market price of the Class A shares prior to the settlement of the award. Each RSU granted under the ESUP represents one Class A share. The ESUP provides that the maximum number of Class A shares that are reserved for issuance from time to time shall be fixed at 1,000,000 Class A shares. The RSUs vest in two tranches over a period of one to five years and four to seven years, respectively, and become payable once vesting is completed. Compensation cost is recognized over the vesting period in accordance with GAAP. All RSUs granted are classified as equity instruments in accordance with GAAP as their terms require that they be settled in shares.

The following table sets forth the Company's RSU reconciliation for the years ended December 31:

	2010		2009	
	Total Shares	Weighted Average Grant Date Fair Value [(a)]	Total Shares	Weighted Average Grant Date Fair Value [(a)]
Balance outstanding, beginning of period [(b)]	–	$ –	–	$ –
Granted	53,563	27.63	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Balance outstanding, end of period	53,563	$ 27.63	–	$ –
Options exercisable	–	$ –	–	$ –

(a) RSU awards do not have an exercise price; as a result grant date weighted average fair value has been calculated.
(b) There were no RSUs issued or granted prior to January 1, 2010.

DSU

Under the Company's DSU plan, all directors (other than the President and Chief Executive Officer) of the Company can elect to receive all or a portion of their compensation for services rendered as a director of the Company, in share units or a combination of share units and cash. The number of DSUs received is equal to the amount to be paid in DSUs divided by the weighted-average trading price of the Class A shares over the five days immediately preceding the date of the grant. DSUs are to be settled at the time that the director ceases to be a member of the Board and each DSU entitles the holder to receive one Class A share or the cash equivalent. DSUs vest immediately on the date of the grant. The value of a DSU and the related compensation expense is determined and recorded based on the current market price of the underlying Class A shares on the date of the grant. Common shares are purchased on the open market to settle outstanding share units. All DSUs granted will be classified as liability instruments on the date of the grant in accordance with GAAP as the unit holder has the option to settle in cash.

The following table sets forth the Company's DSU reconciliation for the years ended December 31:

	2010		2009	
	Total Shares	Weighted Average Grant Date Fair Value [(a)]	Total Shares	Weighted Average Grant Date Fair Value [(a)]
Balance outstanding, beginning of period [(b)]	–	$ –	–	$ –
Granted	30,260	29.53	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Balance outstanding, end of period	30,260	$ 29.53	–	$ –
Options exercisable [(c)]	–	$ –	–	$ –

(a) DSU awards do not have an exercise price; as a result grant date weighted average fair value has been calculated.
(b) There were no DSUs issued or granted prior to January 1, 2010.
(c) DSU awards cannot be exercised while the Director is still a member of the Board of Directors.

The mark-to-market liability for the DSUs as at December 31, 2010 is $1.0 million (2009 – $ nil), all of which is included in accounts payable and accrued liabilities on the consolidated balance sheets.

Incentive-based Compensation

The following table sets forth the incentive-based compensation expense recorded for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009
Stock option expense	$ 1,096	$ 3,165
VGP expense	1,665	–
DSU expense	1,030	–
RSU expense	383	–
SAR expense	168	–
Total incentive-based compensation expense	$ 4,342	$ 3,165

NOTE 23
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

The Company has classified its financial instruments as follows as at December 31:

(in thousands of Canadian dollars)	2010	2009
Financial Assets:		
Held for trading, measured at fair value		
Cash	$ 59,601	$ 93,011
Held to maturity, recorded at amortized cost		
Cash equivalents	$ 96,397	$ 156,977
Loans and receivables, recorded at amortized cost		
Accounts receivable	$ 243,955	$ 191,821
Taxes receivable	13,823	14,055
Long-term notes receivable	3,758	3,943
Available for sale, measured at fair value		
Long-term investments	$ 24	$ 24
Derivatives, measured at fair value		
Derivative financial instruments	$ 1,130	$ 1,821
Financial Liabilities		
Other liabilities		
Accounts payable and accrued liabilities	$ 131,777	$ 127,932
Taxes payable	50, 860	42,971
Loan payable	5,126	–
Current portion of long-term debt	25,005	26,235
Long-term debt	–	26,052
Current obligations under capital lease	345	371
Obligations under capital lease	339	492
Deferred purchase consideration	13,679	–
Derivatives, measured at fair value		
Derivative financial instruments	$ 1,334	$ 510

Fair Value of Financial Instruments

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates.

CICA Handbook Section 3862 provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which 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 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, for each of the fair value hierarchy levels, the assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010 and does not include those instruments where the carrying amount is a reasonable approximation of the fair value:

(in thousands of Canadian dollars)		Fair Value	Level 1	Level 2	Level 3
ASSETS:					
Long-term investment	$	24	24	–	–
Derivative financial instruments – current		1,130	–	1,130	–
Total Assets	$	1,154	24	1,130	–
LIABILITIES					
Derivative financial instruments – current	$	527	–	527	–
Derivative financial instruments – long-term		807	–	–	807
Total Liabilities	$	1,334	–	527	807

The current derivative financial instruments, assets and liabilities relate to the 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. The long-term derivative financial instrument liability represents the net fair value of the financial instruments that were entered into by the Company in conjunction with its long-term investment in Fineglade, as described in note 11, and has been valued using a modified Black-Scholes model and unobservable input data.

The fair values of the Company's remaining financial instruments are not materially different from their carrying values.

Financial Risk Management

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

Foreign Exchange Risk

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

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position, may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As at December 31, 2010, fluctuations of +/– 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations and net income for the year ended December 31, 2010, by approximately $33 million, $10 million and $7 million, respectively, excluding the impact of hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total shareholders' equity by $59 million, $24 million and $35 million, respectively. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk from its underlying customer contracts.

The Company's Senior Notes and associated interest expense are denominated in U.S. dollars. Fluctuations in the exchange rate between the Canadian and U.S. dollar would impact the carrying value of the Senior Notes in terms of Canadian dollars as well as the amount of interest expense that is translated into Canadian dollars.

Effective July 3, 2003, the Company designated the Senior Notes as a hedge of a portion of its net investment in the Company's U.S. dollar based operations ("Net Investment"). On April 1, 2009, the Company de-designated US$25.0 million of the hedge against the Net Investment. As a result, on April 1, 2009, the remaining balance of the Senior Notes of US$50.0 million was hedged against the Net Investment. The de-designation gave rise to a $2.1 million foreign exchange gain during the second quarter of 2009, which was recognized in the consolidated statement of income. The First Repayment

was funded by US$25.0 million that was permanently repatriated from the Company's U.S. dollar based operations. The repatriation gave rise to a net foreign exchange loss of $678 thousand and was transferred from accumulated other comprehensive income to the consolidated statement of income during the second quarter of 2009.

After the Second Repayment, the remaining balance of the Senior Notes of US$25.0 million ($26.0 million at the then current exchange rate) was hedged against the Net Investment. Foreign exchange gains and losses from the hedged portion of the Senior Notes are not included in the consolidated statement of income, but are shown in accumulated other comprehensive income. As at December 31, 2010, fluctuations of +/– 5% in the Canadian dollar relative to the U.S. dollar on the translation of the Senior Notes would impact the Company's accumulated other comprehensive income by $1.3 million.

Foreign Exchange Forward Contracts and Other Hedging Arrangements

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement term of these contracts as at December 31:

(in thousands, except weighted average rate amounts)	2010
U.S. dollars sold for Canadian dollars	
Less than one year	US$13,000
Weighted average rate	1.0438
U.S. dollars sold for Euros	
Less than one year	US$8,987
Weighted average rate	1.3664
Euros sold for U.S. dollars	
Less than one year	€ 8,849
Weighted average rate	1.3527
Sterling sold for Euros	
Less than one year	£828
Weighted average rate	1.1349
Sterling sold for U.S. dollars	
Less than one year	£4,446
Weighted average rate	1.5743

As at December 31, 2010 and 2009, the Company had notional amounts of $41.9 million and $60.8 million, respectively, of forward contracts outstanding with the fair value of the Company's net benefit from all foreign exchange forward contracts totalling $0.6 million and $1.3 million, respectively.

The Company has also entered into foreign exchange options contracts in the notional amounts of $12.0 million and nil as at December 31, 2010 and December 31, 2009, respectively. The mark-to-market value gain as at December 31, 2010 is $0.03 million.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at December 31, 2010:

(in thousands of Canadian dollars, except weighted average fixed rate of debt)	Floating rate	Fixed interest rate		Total
		Maturing in one year or less	Maturing after one year	
Financial Assets				
Cash and cash equivalents	$ 59,601	96,397	–	155,998
Long-term notes receivable	3,758	–	–	3,758
Total	$ 63,359	96,397	–	159,756
Financial Liabilities				
Loan payable	$ –	5,126	–	5,126
Current portion of long-term debt	–	25,005	–	25,005
Obligations under capital lease	–	345	339	684
Total	$ –	30,476	339	30,815
Weighted average fixed rate of debt	–	5.88%	–	–

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

Credit Risk

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

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

The carrying value of accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the income statement with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against SG&A expenses.

The following table sets forth the aging of the Company's trade accounts receivable as at December 31:

(in thousands of Canadian dollars)	2010	2009
Current	$ 79,549	$ 117,474
Past due 1 to 30 days	79,610	28,994
Past due 31 to 60 days	31,160	10,850
Past due 61 to 90 days	11,392	7,795
Past due more than 90 days	23,802	16,392
Total trade accounts receivable	225,513	181,505
Less: allowance for doubtful accounts	3,775	5,353
Trade Accounts Receivable – Net (a)	$ 221,738	$ 176,152

(a) The trade accounts receivable – net balance above excludes other receivables outstanding in the amount of $22,217 and $15,669 as at December 31, 2010 and 2009, respectively.

The following is an analysis of the change in the allowance for doubtful accounts for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009
Balance, beginning of period	$ 5,353	$ 6,237
Bad debt expense	697	2,055
Write-offs of bad debts	(1,469)	(1,780)
Recovery of previously written-off amounts	(384)	(1,228)
Impact of change in foreign exchange rates	(422)	69
Balance, End of Period	$ 3,775	$ 5,353

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at December 31, 2010 and 2009, the Company had cash and cash equivalents totalling $156.0 million and $250.0 million, respectively, and had unutilized lines of credit available to use of $164.9 million and $190.0 million, respectively.

The following are the contractual maturities of the Company's financial liabilities as at December 31, 2010:

(in thousands of Canadian dollars)		Less than 1 Year	1-2 Years	3-4 Years	Thereafter	Total
Accounts payable and accrued liabilities [(a)]	$	131,706	–	–	–	131,706
Loan payable		5,126	–	–	–	5,126
Long-term debt		25,005	–	–	–	25,005
Interest on long-term debt		639	–	–	–	639
Deferred purchase consideration		–	–	16,342	–	16,342
Obligations under capital leases		345	312	27	–	684
Interest on obligations under capital leases		54	52	9	–	115
Derivative financial instruments		527	–	–	807	1,334
Total	$	163,402	364	16,378	807	180,951

(a) Excludes asset retirement obligations included in accounts payable and accrued liabilities on the consolidated balance sheet.

NOTE 24
CAPITAL MANAGEMENT

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

The following table sets forth the Company's total managed capital as at December 31:

(in thousands of Canadian dollars)		2010		2009
Loan payable NOTE 25	$	5,126	$	–
Current portion of long-term debt NOTE 15		25,005		26,235
Long-term debt		–		26,052
Current obligations under capital lease NOTE 18		345		371
Obligations under capital lease NOTE 18		339		492
Shareholders' equity		842,751		790,422
Balance, End of Period	$	873,566	$	843,572

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the underlying assets and business investment opportunities. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, or adjust the amount of cash, cash equivalents, bank indebtedness or long-term debt balances. The Company's capital is not subject to any capital requirements imposed by any regulators; however, it is limited by the terms of its credit facility and long-term debt agreements. Specifically, the Company has undertaken to maintain certain covenants in respect of the Senior Notes and its 5-Year Unsecured Committed Bank Credit Facility. The Company is in compliance with these covenants as at December 31, 2010.

NOTE 25
JOINT VENTURE OPERATIONS

The Company's joint venture operations have been accounted for through proportionate consolidation with the Company's share of each joint venture's assets, liabilities, revenue, expenses, net income and cash flows consolidated based on the Company's ownership position. The figures related to these joint ventures included in the Company's consolidated financial statements are summarized as follows as at December 31:

(in thousands of Canadian dollars)		2010		2009
Revenue	$	40,356	$	63,933
Operating expenses		39,200		51,623
Net income before income taxes		1,156		12,310
Income taxes		289		2,083
Net income		867		10,227
Cash provided by (used in):				
Operating activities	$	(2,312)	$	16,760
Investing activities		(1,250)		(3,099)
Financing activities		3,184		(9,895)
Current assets	$	23,289	$	24,604
Long-term assets		6,557		18,181
Current liabilities		13,368		8,463
Long-term liabilities		689		654

In the fourth quarter of 2009, the Company entered into a joint venture agreement with OOO ArkhTekhnoProm ("Arkh"), an affiliate of OAO Mezhregiontruboprovodstroy, a leading Russian offshore pipeline contractor. The joint venture was created with the formation of a company owned 75% by Arkh, and 25% by the Company. This joint venture initiated active operations in 2010 and its financial information has been included in the table above.

On February 4, 2010, the Company's Russian joint venture obtained a loan from Arkh in the amount of 600 million Russian rubles payable on demand, but no earlier than February 1, 2011. The Company's portion of this loan that

has been proportionately consolidated and included on the consolidated balance sheet as at December 31, 2010 is 150 million Russian rubles ($5.1 million at the current exchange rate). Interest is calculated on this loan at 9.625% per annum and is to be paid over the period of actual use. In the event that the Company's Russian joint venture fails to repay the outstanding loan within the time specified by the loan agreement, a penalty in the amount of 24% per annum will be assessed on the outstanding loan amount on a daily basis.

NOTE 26 INCOME TAXES

The following table sets forth the Company's income tax expense for the years ended December 31:

(in thousands of Canadian dollars)	2010	2009
Current	$ 34,409	$ 60,206
Future	727	(3,809)
Total income tax	$ 35,136	$ 56,397

The following table sets forth a reconciliation of the Company's effective income tax rate for the years ended December 31:

	2010	2009
Combined basic federal and provincial income tax rate	30.5%	33.0%
Canadian manufacturing and processing profits deduction	0.0%	(2.0%)
Expected rate	30.5%	31.0%
Tax rate differential on earnings of foreign subsidiaries	(4.7%)	(2.9%)
Benefit of previously unrecognized tax losses of foreign subsidiaries	(0.5%)	(0.7%)
Unrecognized tax losses of foreign subsidiaries	1.6%	0.7%
Permanent differences between accounting and taxable income	0.0%	0.0%
Unrealized gain on share acquisition	(4.2%)	–
Other	2.3%	2.0%
Effective income tax rate	25.0%	30.1%

The following table sets forth the components of future income taxes as at December 31:

(in thousands of Canadian dollars)	2010	2009
Current Future Tax Asset		
Provisions and future expenditures	$ 4,590	$ 3,813
Net operating losses carry-forward	–	855
	$ 4,590	$ 4,668
Non-current Future Tax Asset		
Amortizable property, plant and equipment	17,572	22,965
Provisions and future expenditures	11,463	13,284
Net operating losses carry-forward non-current	–	1,509
Less: valuation allowance	–	(1,509)
	29,035	36,249
Total Future Tax Asset	$ 33,625	$ 40,917
Non-current Future Tax Liability		
Amortizable property, plant and equipment	$ 46,804	$ 39,184
Provisions and future expenditures	31,712	37,368
Total Future Tax Liability	$ 78,516	$ 76,552

The Company has income tax losses totalling $ nil million and $3.1 million for the years ended December 31, 2010 and 2009, respectively, carried forward for which tax benefits have been recorded as future tax assets and net operating losses of $15.8 million and $5.3 million for 2010 and 2009, respectively, and capital losses of $19.9 and $19.7 million for the years ended December 31, 2010 and 2009, respectively, in various jurisdictions for which no future tax asset has been recognized.

The operating losses will expire as follows, with the "Thereafter" category including losses which carry-forward indefinitely, while the capital losses carry-forward indefinitely:

2011	506
2012	369
2013	234
2014	85
2015	–
Thereafter	14,605
Total	15,799

NOTE 27
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING DURING THE PERIOD

The Company calculates EPS based on Class A shares using the "if converted" method. The weighted average number of common shares for the purpose of the EPS calculation was as follows as at December 31:

	2010	2009
Basic		
Class A	57,507,625	57,397,485
Class B	13,058,073	13,059,983
Total	70,565,698	70,457,468
Dilutive effect of stock options		
Class A	878,760	510,502
Class B	–	–
Total	878,760	510,502
Diluted		
Class A	58,386,385	57,907,987
Class B	13,058,073	13,059,983
Total	71,444,458	70,967,970

NOTE 28
COMPARATIVE FIGURES

The comparative audited consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year audited consolidated financial statements.

Six-Year Review

(Unaudited)

(in thousands of Canadian dollars except per share information)

	2010	2009	2008	2007	2006	2005
			NOTE 2			
OPERATING RESULTS						
Revenue	$ 1,034,163	$ 1,183,978	$ 1,379,577	$ 1,048,099	$ 1,059,619	$ 1,012,453
EBITDA NOTE 2	183,777	254,143	262,158	201,076	187,828	140,447
Net income (loss) for the year	105,390	131,450	145,733	87,357	92,635	138,840
Cash Flow						
Cash from operating activities	$ 53,244	$ 299,333	$ 154,361	$ 97,514	$ 189,877	$ 79,890
Purchases of property, plant and equipment	48,723	34,358	89,799	91,855	58,170	38,141
FINANCIAL POSITION						
Working capital NOTE 1	$ 291,408	$ 312,966	$ 229,169	$ 255,625	$ 341,375	$ 274,103
Long-term debt	25,005	52,287	91,226	72,726	87,480	87,210
Shareholders' equity	842,751	790,422	732,452	578,787	629,927	535,238
Total assets	1,231,182	1,185,977	1,227,289	963,614	1,008,026	919,846
PER SHARE INFORMATION						
(Class A and Class B)						
Net Income (loss)						
Basic	$ 1.49	$ 1.86	$ 2.06	$ 1.20	$ 1.25	$ 1.85
Diluted	$ 1.48	$ 1.85	$ 2.03	$ 1.19	$ 1.25	$ 1.85
Dividends						
Class A	$ 0.2950	$ 0.5350	$ 0.2525	$ 0.2300	$ 0.1350	$ 0.0900
Class B	$ 0.2682	$ 0.4864	$ 0.2293	$ 0.2090	$ 0.1227	$ 0.0818
Shareholders' equity NOTE 3	$ 11.93	$ 11.21	$ 10.40	$ 8.12	$ 8.51	$ 7.22

Note 1: Working capital has been calculated as current assets minus current liabilities.

Note 2: Restated due to the adoption of CICA Handbook section 3064. Refer to notes 4 and 28 of the accompanying audited consolidated financial statements for additional information.

Note 3: EBITDA is a non-GAAP measure calculated by adding back to net income, reported income taxes, net interest expense and amortization of property, plant and equipment. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools.

Note 4: Shareholders' equity per share is a non-GAAP measure calculated by dividing shareholders' equity by the number of Class A and Class B shares outstanding at the date of the balance sheet.

Quarterly Information

(Unaudited)

(in thousands of Canadian dollars except per share information)

		First	Second	Third	Fourth	Total
Revenue	2010	$ 224,572	$ 234,546	$ 282,959	$ 292,086	$ 1,034,163
	2009	$ 307,464	$ 312,791	$ 302,812	$ 260,911	$ 1,183,978
Net income	2010	$ 9,999	$ 10,877	$ 33,746	$ 50,768	$ 105,390
	2009	$ 31,541	$ 34,636	$ 33,747	$ 31,526	$ 131,450
Net income per share (Class A and Class B)						
Diluted	2010	$ 0.14	$ 0.15	$ 0.47	$ 0.71	$ 1.48
	2009	$ 0.45	$ 0.49	$ 0.48	$ 0.43	$ 1.85

ShawCor Directors

J.T. BALDWIN
London, England

Mr. Baldwin is the Group Political Advisor of BP Group, a position he has held since October 2007, and has been a Director of ShawCor Ltd. since March 2010.

W.P. BUCKLEY
Toronto, Ontario

Mr. Buckley is President and CEO of ShawCor Ltd., a position he has held since June 2005, and has been a Director of the Company since August 2005.

J.W. DERRICK
Buffalo, New York

Mr. Derrick is Chief Executive Officer of Derrick Corporation, a position he has held since 1992, and has been a Director of ShawCor Ltd. since August 2007.

L.W.J. HUTCHISON
St. James, Barbados

Mr. Hutchison joined ShawCor in 1998 and is Managing Director of ShawCor Global Services Limited, a position he has held since November 2007, and has been a Director and Vice Chair of the Company since February 2008.

M.K. MULLEN
Calgary, Alberta

Mr. Mullen is Chairman and Chief Executive Officer of Mullen Group Ltd. and has been a Director of ShawCor Ltd. since August 2003.

J.F. PETCH Q.C.
Toronto, Ontario

Mr. Petch serves as Chair of the Governing Council of the University of Toronto and has been a Director of ShawCor Ltd. since March 2005.

R.J. RITCHIE
Calgary, Alberta

Mr. Ritchie was the President of the CP Rail Systems division of Canadian Pacific Limited from 1990 until 2001, retired as CEO and a Director of Canadian Pacific Railway Limited in 2006, and has been a Director of ShawCor Ltd. since April 1994.

P.G. ROBINSON
Toronto, Ontario

Mr. Robinson is President and General Manager of Litens Automotive Group, a position he has held since 2001, and has been a Director of ShawCor Ltd. since August 2001.

H.A. SHAW
Calgary, Alberta

Ms. Shaw is the Executive Chair of Corus Entertainment Inc., a position she has held since September 1999, and has been a Director of ShawCor Ltd. since May 2008.

V.L. SHAW
St. James, Barbados

Ms. Shaw was elected Chair of the Board of ShawCor Ltd. in February 2007, was Vice Chair of the Board from August 2000 until February 2007, and has been a Director of the Company since April 1994.

Z.D. SIMO
Oakville, Ontario

Mr. Simo is a former President and CEO of Tecsyn International Inc. and has been a Director of ShawCor Ltd. since August 1987.

E.C. VALIQUETTE
Pembroke, Ontario

Ms. Valiquette was Senior Vice President and Chief Financial Officer of ING Canada Inc. from 2000 to 2002, was a management consultant from 2002 to 2004, and has been a Director of ShawCor Ltd. since March 2005.

Corporate Governance

The Board of Directors (the "Board") and management of the Company recognize that effective corporate governance is central to the prudent direction and operation of the Company in a manner that ultimately enhances shareholder value. The following discussion outlines the Company's system of corporate governance.

The business and affairs of the Company are managed under the supervision of the Board. Broadly, the Board's role consists of approval of strategic plans, review of corporate risks identified by management and monitoring the Company's practices and policies for dealing with these risks, management succession planning, monitoring business practices and assessment of the integrity of the Company's internal controls, information and governance systems.

The Board oversees the Company's strategic planning process, reviews and approves overall corporate strategies and assesses management's success in implementing the strategies. This is done regularly and through an annual special purpose Board Meeting held each year to review and approve the Company's strategic and annual business plan. The strategic plan is updated each year so that it always projects the next three-year period. Management reports to the Board quarterly, highlighting and commenting upon divisional performance compared with annual business plan forecasts and prior year results. As part of the strategic plan review process, the Board identifies and evaluates the principal opportunities and risks of the Company's businesses and seeks to ensure that management puts in place appropriate policies and procedures to manage the principal risks.

During 2008, the position of Lead Director was established and is currently being filled by John F. Petch. The Lead Director facilitates the Board's ability to function independently of management of the Company and the non-independent Directors. The Lead Director promotes best practices and high standards of corporate governance, consistent with enhancing and promoting the effectiveness and performance of the Board. The Vice Chair of the Board, Leslie W.J. Hutchison, provides back-up to the Chair, Virginia L. Shaw.

The Audit, Compensation and Corporate Governance Committees of the Board are each comprised of independent Directors. The Executive Committee is comprised of the Chair, the Chief Executive Officer and three independent Directors. Nine of twelve members of the Board are considered to be independent.

The corporate governance practices and policies of the Company have been developed under the general stewardship of the Corporate Governance Committee. The Committee believes that the corporate governance practices of the Company are appropriate for the Company. As a result of evolving laws, policies and practices, the Corporate Governance Committee regularly reviews these corporate governance practices and policies to ensure that the Company complies with all applicable requirements and implements best practices appropriate to its operations.

Primary Operating Locations

PIPELINE AND PIPE SERVICES

Bredero Shaw

ShawCor Pipe Protection
3838 N. Sam Houston Pkwy. E.
Suite 300
Houston, Texas 77032
T: 281 886 2350
F: 281 886 2351

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Lakeside House
1 Furzeground Way
Stockley Park
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F: 44 208 622 3169

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Two Executive Place
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T: 403 263 2255
F: 403 264 3649

Bredero Shaw
#17-01/02 United Square
101 Thomson Road
Singapore 307591
T: 65 6732 2355
F: 65 6732 9073

Flexpipe Systems

3501 54th Avenue S.E.
Calgary, Alberta T2C 0A9
T: 403 503 0548
F: 403 503 0547

Canusa-CPS

25 Bethridge Road
Toronto, Ontario M9W 1M7
T: 416 743 7111
F: 416 743 5927

Shaw Pipeline Services

4250 N. Sam Houston Pkwy. E.
Suite 180
Houston, Texas 77032
T: 832 601 0850
F: 281 442 1593

Guardian

950 – 78th Avenue
Edmonton, Alberta T6P 1L7
T: 780 440 1444
F: 780 440 4261

PETROCHEMICAL AND INDUSTRIAL

DSG-Canusa

25 Bethridge Road
Toronto, Ontario M9W 1M7
T: 416 743 7111
F: 416 743 7752

ShawFlex

25 Bethridge Road
Toronto, Ontario M9W 1M7
T: 416 743 7111
F: 416 743 2565

Corporate Information

Corporate Officers

V.L. SHAW
Chair of the Board

L.W.J. HUTCHISON
Vice Chair of the Board

W.P. BUCKLEY
President and
Chief Executive Officer

G.S. LOVE
Vice President, Finance and
Chief Financial Officer

D.R. EWERT
Corporate Secretary

Operations Management

J.D. TIKKANEN
President,
Bredero Shaw

R.J. DUNN
Vice President and
General Manager,
Canusa-CPS

S.J. EDMONDSON
Vice President,
Research & Development
ShawCor Ltd.

P.L. EVANS
Senior Vice President,
Asia Pacific
Bredero Shaw

F. GALLINA
Vice President, Operations
ShawCor Ltd.

G.L. GRAHAM
Vice President,
Corporate Development
ShawCor Ltd.

F. HUTCHINGS
Vice President and
General Manager,
Acquisitions

J.H. McTURNAN
Vice President, Legal
ShawCor Ltd.

Y.F. PALETTA
Senior Vice President, Europe,
Middle East, Africa, Russia
and Latin America
Bredero Shaw

P.A. PIERROZ
Vice President,
Human Resources
ShawCor Ltd.

G.R. PRENTICE
Vice President and
General Manager
Shaw Pipeline Services

E.W. REYNOLDS
Vice President and
General Manager
DSG-Canusa, ShawFlex

K.C. WILLSON
Vice President and
General Manager
Guardian

Corporate Address, Stock Information and Annual Meeting

HEAD OFFICE
25 Bethridge Road
Toronto, Ontario
Canada M9W 1M7

Telephone: 416 743 7111
Facsimile: 416 743 7199

AUDITORS
Ernst & Young LLP

TRANSFER AGENT AND REGISTRAR
CIBC Mellon Trust Company

STOCK LISTING
The Toronto Stock Exchange
Class "A" Subordinate Voting Shares
Trading Symbol: SCL.A
Class "B" Multiple Voting Shares
Trading Symbol: SCL.B

ANNUAL MEETING
Thursday, May 12, 2011
4:00 p.m.
The Fairmont Royal York Hotel
Toronto, Ontario
Canada

www.shawcor.com

Why ShawCor?

An Expanding Global Presence

More than 70 manufacturing and service facilities in over 20 countries give ShawCor unrivalled proximity to every major energy-producing region.

Superior Execution

The industry's most advanced continuous improvement program helps us execute complex customer projects safely, on-time and on-budget, providing superior customer satisfaction.

Technological Leadership

Continuing research and development of market-leading, proprietary technology has created a powerful competitive advantage.

Organizational Excellence

We are becoming a high-performing organization in which everyone is aligned and motivated to advance our strategies for growth.

Strong Industry Fundamentals

Global energy demand is expected to increase 33% by 2035 due to rapid economic growth in developing countries.

Proven Performance

In the past 10 years, Shawcor's Class A Shares have delivered a total shareholder return 38% greater than the average of our peers in the Philadelphia Oil Services Sector Index (OSX).