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, 2011 and 2010 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.

This MD&A and the consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. For all periods up to and including the year ended December 31, 2010, we prepared our consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP"). Pursuant to the standard related to the first time adoption of IFRS, our transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been restated to be in accordance with our IFRS accounting policies. The financial information for years prior to 2010 contained within this MD&A has been prepared following CGAAP and, as allowed by the standard related to the first time adoption of IFRS ("IFRS 1"), has not been re-presented on an IFRS basis. Certain amounts in prior years have been reclassified to conform to the current year's IFRS presentation format.

1. 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 high quality pipe coating services, flexible composite pipe, onshore and offshore pipeline corrosion and thermal protection, state-of-the-art ultrasonic and radiographic inspection services, tubular management services, heat-shrinkable polymer tubing and 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, 2011, 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 88% of consolidated revenue for the year ended December 31, 2011. This segment includes the Bredero Shaw, Canusa–CPS, Shaw Pipeline Services, Flexpipe Systems and Guardian divisions.

- Bredero Shaw's product offerings include specialized internal anticorrosion and flow efficiency pipe coating systems, insulation coating systems, weight coating systems and custom coating and field joint application services for onshore and offshore pipelines.

- Canusa-CPS manufactures heat-shrinkable sleeves, adhesives, sealants and liquid coatings 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 pipelines.

- 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 includes the DSG-Canusa and ShawFlex divisions, accounted for 12% of consolidated revenue for the year ended December 31, 2011. Operations within this segment utilize polymer and adhesive technologies that were developed for the Pipeline and Pipe Services segment and are 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 molded 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") program 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 its progress in 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 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 (attributable to shareholders of the Company) decreased by $39.0 million, or 41%, from $95.1 million for the year ended December 31, 2010 to $56.1 million for the year ended December 31, 2011.The decrease was mainly attributable to lower revenue in the Asia Pacific and Latin America regions in the Pipeline and Pipe Services segment as described in *section 4.2.1 – Pipeline and Pipe Services* segment, an increase in selling, general and administrative (SG&A) expenses as described in *section 4.1 – Consolidated Information* and the accounting gain on acquisition of $13.2 million recorded in 2010.

Return on Equity ("ROE")

ROE is defined as net income for the year 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 ROE target of 15%, as described in s*ection 1.2 – Vision and Objectives*. The Company's ROE for the years ended December 31, 2011 and 2010 was 6.7% and11.7%, respectively. The decrease of 5.0 percentage points was primarily due to a decrease in net income of $38.4 million and an increase in average shareholders' equity of $36.5 million.

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 fund growth. FCF decreased by $16.6 million from a negative cash outflow of $15.9 million during 2010 to a negative cash outflow of $32.6 million during 2011. The change was primarily due to lower cash provided by operating activities of $7.9 million, an increase in capital expenditures of $7.3 million and an increase in dividends paid of $1.5 million.

Employees

The Company conducts periodic employee surveys and monitors turnover 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 demonstrate 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, 2011:

	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, 2011 and December 31, 2010 the Company had recordable injuries per million person hours worked of 6.7 and 7.3, respectively. During 2011, the Company completed 29 HSE audits at manufacturing and service locations across all seven divisions and developed action plans to correct 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 businesses. 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 $7.3 million from $48.7 million for the year ended December 31, 2010 to $56.0 million for the year ended December 31, 2011. 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 2012; 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 $67.3 million and $156.0 million as at December 31, 2011 and 2010, respectively, and had unutilized lines of credit available of $162.3 million and $164.9 million, as at December 31, 2011 and 2010, 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, 2011, the Company believes it has sufficient human resources to operate its businesses 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, 2011 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 ShawCor Manufacturing System ("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, 2011, the Company believes it has sufficient systems and processes in place to operate its businesses at an optimal level and execute its strategic plan.

2. 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)	2011		2010		2009[(c)]
Revenue	**1,157,265**	**$**	1,034,163	$	1,183,978
Cost of goods sold	**734,730**		623,641		695,521
Gross profit	**422,535**	**$**	410,522	$	488,457
Selling, general and administrative expenses	**269,241**		219,084		219,557
Research and development expenses	**13,119**		11,050		10,967
Foreign exchange (gains) losses	**1,338**		(5,647)		3,790
Amortization of property, plant and equipment	**41,906**		45,077		57,244
Amortization of intangible assets	**7,244**		5,038		4,380
Impairment of property, plant and equipment, intangible assets and goodwill	**5,244**		16,089		–
Income from Operations	**84,443**	**$**	119,831	$	192,519
Accounting gain on acquisition	–		(13,181)		–
Loss on investment in associate	**10,133**		1,939		–
Finance costs – net	**4,507**		2,805		(4,672)
Income before income taxes and non-controlling interest	**69,803**	**$**	128,268	$	187,847
Income taxes	**13,120**		33,196		56,397
Non-controlling interest	**597**		–		–
Net Income for the Year (attributable to shareholders of the Company**)**	**56,086**	**$**	95,072	$	131,450
Net Income for the Year (attributable to shareholders of the Company**)**	**56,086**	$	95,072	**$**	131,450
Add:					
Non-controlling interest	**597**		–		–
Income taxes	**13,120**		33,196		56,397
Finance costs – net	**4,507**		2,805		4,672
Impairment of property, plant and equipment, intangible assets and goodwill	**5,244**		16,089		–
Amortization of property, plant, equipment and intangible assets	**49,150**		50,115		61,624
Accounting gain on acquisition	–		(13,181)		–
Loss on investment in associate	**10,133**		1,939		–
EBITDA[(a)]	**138,837**	$	186,035	**$**	254,143
Total Assets	**1,223,265**	$	1,224,936	**$**	1,185,977
Total Non – current Financial Liabilities[(b)]	**110,445**	$	121,336	**$**	122,436
Per Share Information:					
Net Income					
Basic (Classes A and B)	**0.79**		1.35		1.86
Diluted (Classes A and B)	**0.78**		1.33		1.85
Cash Dividends per share					
Class A	**0.315**		0.295		0.535
Class B	**0.286**		0.268		0.486

(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, non-current provisions, deferred income taxes, non-current derivative financial instruments and the noncurrent portion of obligations under finance leases.

(c) Financial highlights for the Statement of Income and the schedule of EBITDA for year ended December 31, 2009 have been prepared under CGAAP.

Revenue

Revenue increased by $123.1 million, or 12%, from $1,034.2 million in 2010 to $1,157.3 million in 2011, primarily as a result of increased market activity in both the Pipeline and Pipe Services segment and the Petrochemical and Industrial segment (refer to *section 4.2 – Segment Information* for further details), partly offset by the unfavourable effects of foreign exchange fluctuations (refer to *section 2.2 - Foreign Exchange Impact*).

Income from Operations

Income from operations decreased by $35.4 million, or 30%, from $119.8 million in 2010 to $84.4 million in 2011. Revenue increased $123.1 million as explained above, with an increase in gross profit of $12.0 million and lower impairment charges on property, plant, equipment, goodwill and intangible assets of $10.8 million offset by increased foreign exchange losses of $7.0 million, an increase in research and development expenses of $2.1 million and an increase in SG&A expenses of $50.2 million.

Net Income

Net income (attributable to shareholders of the Company) decreased by $39.0 million, or 41%, from $95.1 million in 2010 to $56.1 million in 2011. The decrease was primarily due to the decrease in income from operations as explained above, an accounting gain on acquisition of $13.2 million reported in 2010, a higher loss on investment in associate of $8.2 million, partially offset by a 7.1 percentage point reduction in the effective income tax rate from 25.9% in 2010 to 18.8% in 2011.

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:

	Year Ended December 31	
	2011	2010
US Dollar	**0.9931**	1.0351
Euro	**1.3750**	1.3785
British Pound	**1.5854**	1.5987

The following table sets forth the impact on revenue, income from operations and net income (attributable to shareholders of the Company), 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)		**Year ended December 31, 2011**
Revenue	**$**	**(22,378)**
Income from operations		**(4,560)**
Net income (attributable to shareholders of the Company)		**(3,430)**

The Company recorded a foreign exchange loss of $1.3 million in 2011 compared to a gain of $5.6 million in 2010, as a result of the impact of changes in foreign exchange rates on monetary assets and liabilities and short term foreign currency intercompany loans within the group, net of hedging activities.

3. Significant Business Developments

Acquisition of CSI

On April 6, 2011, the Company acquired certain of the coating assets and business of Altus Energy Services Partnership, Altus Energy Services Ltd. and Nusco Northern Manufacturing Ltd. for $12.8 million. The assets purchased constitute a business as defined by IFRS 3, Business Combinations. The coating business, formerly known as CSI, and now known as ShawCor CSI Services (“CSI”) provides shop applied coatings at its modern facility in Nisku, Alberta and provides field coating services throughout Western Canada.

CSI specializes in the internal and external coating of bends, fittings, elbows and short spools of pipe including the internal corrosion coating of long straight lengths of pipe. The acquisition of the CSI assets will allow the Bredero Shaw division to supply a broad range of internal and external custom coating solutions in Canada that are complementary to its current range of anticorrosion, flow efficiency and insulation coatings for oil and gas gathering and transmission lines. This acquisition will also allow Bredero Shaw to provide a full range of custom coating solutions for pipeline rehabilitation applications.

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 ($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 ($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 ($3.4 million) into FineGlade to discharge additional liabilities of Socotherm.

During 2011, the Company invested an additional US$10.7 million ($10.5 million at the current exchange rates) in Fineglade as its pro rata share of a potential future capital increase by Fineglade in Socotherm and incurred an investment loss on its investment in Fineglade in the amount of $8.1 million.

During the third quarter of 2011, the Company advanced a loan to Fineglade in the amount of US$8.5 million ($8.2 million at the then current exchange rate) with a maturity date of December 31, 2013. The interest rate on this loan is reset on a quarterly basis at the 3-month LIBOR rate + 2.0%.

During the fourth quarter of 2011, the Company advanced another loan to Fineglade in the amount of US$2.0 million ($2.1 million at the then current exchange rate) payable on demand and bearing an upfront fee at 2%.

Significant Business Contracts

In October, 2011, the Company was awarded a contract with a value in excess of US$40.0 million from Subsea 7 to provide flow assurance pipeline coatings for subsea projects in the Norwegian sector of the North Sea. The work, consisting of coating in excess of 110 km of 6” to 16” pipe, will be executed at the Bredero Shaw pipe coating facility in Orkanger, Norway.

In October and November, 2011, the Company was awarded two contracts to provide pipeline coatings and related products and services for the Wheatstone project, from Chevron Australia Pty. Ltd., with a combined value in excess of US$170 million. The contracts involve coating approximately 300 km of 10” to 44” diameter pipe that will be protected with fusion bonded epoxy or three layer anticorrosion coatings, Thermotite® polypropylene insulation coating, Sureflo™ internal coatings and HeviCote® concrete weight coating. In addition, the Company has also received a contract for anode procurement and installation as well as custom coating. The contracts will be executed at the Bredero Shaw facilities in Kabil, Indonesia; Kuantan, Malaysia and Orkanger, Norway. Work will commence during the second quarter of 2012.

In November, 2011, the Company was awarded the Barzan pipeline project in the Qatari sector of the Arabian Gulf from Hyundai Heavy Industries, with a value in excess of US$45 million, to provide corrosion protection and concrete weight coating. The contract will be executed at Bredero Shaw’s facility in Ras Al Khaimah in the United Arab Emirates and will involve coating of 292 km of up to 24” pipe with fusion bonded epoxy anticorrosion coating and HeviCote® concrete weight coating. Work on this project is scheduled to commence late in the first quarter of 2012.

In January, 2012, the Company was awarded a significant contract from Technip USA to provide Concrete weight coatings, anode installation and other related services for a Latin American pipeline project, consisting of approximately 100 km of 36” pipe to be installed offshore for the transportation of natural gas. Bredero Shaw will mobilize two Compression Coat Technology (CCT) concrete weight coating plants to La Brea, Trinidad for this project. Initial operations are scheduled to commence during the first quarter of 2012, with concrete coating scheduled to start in the third quarter of 2012.

In February, 2012, the Company was awarded the Ichthys LNG project by Mitsui & Co., with a value in excess of US $400 million, to provide pipeline coatings and related products and services for the gas export pipeline. The Ichthys LNG project is a joint venture between INPEX and Total. The contract involves coating 889 km of 42” pipe that will be protected with Asphalt Enamel coating, Sureflow™ internal coating and HeviCote® concrete weight coating. In addition, Bredero Shaw has received a contract for anode procurement and installation as well as custom coating. The Company will execute the work starting in the third quarter of 2012 at Bredero Shaw’s facilities in Kabil, Indonesia and Kuantan, Malaysia.

Renewal of Normal Course Issuer Bid (“NCIB”)

On November 30, 2011, the Company received approval from the TSX to renew its NCIB for an additional one year period expiring on November 30, 2012. Under the terms of the renewal, the Company is authorized to acquire, through the facilities of the TSX, up to 3,000,000 of the then issued and outstanding Class A Subordinate Voting Shares (the “Class A Shares) and up to 100,000 of the then issued and outstanding Class B Multiple Voting Shares (the “Class B Shares”). These two amounts comprised approximately 5.81% and 9.36% of the public float outstanding as at December 31, 2011 for Class A Shares and Class B Shares, respectively. Daily purchases are limited to 27,449 Class A Shares and 1,000 Class B Shares, other than for block purchase exemptions. All Class A Shares and Class B Shares purchased under the NCIB will be cancelled. Please refer to *section 5.8 - Outstanding share capital*, for additional information with respect to the Company’s Class A Shares and Class B Shares.

4. 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)		**2011**		2010		Change
Pipeline and Pipe Services	**$**	**1,021,099**	$	**920,157**	$	100,942
Petrochemical and Industrial		**138,080**		**115,783**		22,297
Elimination		**(1,914)**		**(1,777)**		(137)
Consolidated	**$**	**1,157,265**	$	**1,034,163**	$	123,102

Consolidated revenue increased by $123.1 million, or 12%, from $1,034.2 million in 2010 to $1,157.3 million in 2011, due to growth of 11% in the Pipeline and Pipe Services segment and growth of 19% in the Petrochemical and Industrial segment.

Revenue for the Pipeline and Pipe Services segment was $100.9 million higher in 2011 compared with 2010 due to higher revenue in North America and EMAR of $135.3 million and $57.1 million, respectively, which was partially offset by lower revenue in Asia Pacific and Latin America of $73.5 million and $17.9 million, respectively. See *section 4.2.1 – Pipeline and Pipe Services segment* for additional information with respect to the change in revenue in the Pipeline and Pipe Services segment.

Revenue for the Petrochemical and Industrial segment reported strong growth in all regions. See *section 4.2.2 – Petrochemical and Industrial segment* for additional information with respect to the change 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)		**2011**		2010		Change
Income from operations	**$**	**84,443**	$	119,831	$	(35,388)
Operating Margin[(a)]		**7.3%**		11.6%		(4.3) points

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

Operating Income decreased by $35.4 million, or 30%, from $119.8 million in 2010 to $84.4 million in 2011, with an increase in gross profit of $12.0 million and lower impairment charges on property, plant, equipment, goodwill and intangible assets of $10.8 million, offset by increased foreign exchange losses of $7.0 million, an increase in research and development expenses of $2.1 million and an increase in SG&A expenses of $50.2 million.

Higher revenue, as explained above, generated increased gross profit which was somewhat mitigated by a reduction in the gross profit margin of 3.2 percentage points. The main factors in the gross profit margin reduction were the lower overhead absorption in Latin America and Asia Pacific due to low volumes and the inefficient utilization of the Leith, Scotland facility which experienced significant downtime in the second and third quarters as a result of interruptions in the Laggan - Tormore project production schedule.

SG&A expenses increased by $50.2 million compared with 2010 with three factors accounting for most of the increase. First, SG&A expenses were higher year over year as a result of increased salaries and other personnel related costs of $17.4 million, increased facility and occupancy costs of $6.2 million as a result of the acquisition of CSI in the beginning of the second quarter of 2011 and 50 % of the Brazilian joint venture in the third quarter of 2010 and other growth related additions. Second, 2011 SG&A expenses include one-time increases in pension expenses, decommissioning liabilities and inventory obsolescence of $14.2 million and an increase in the allowance for doubtful accounts related to a contract dispute with a customer of $9.6 million. Finally, the 2010 SG&A expenses had been reduced by income under a management services contract, now discontinued, of $2.5 million.

Finance Costs – Net

The following table sets forth the components of finance costs - net for the years ended December 31:

(in thousands of Canadian dollars)		2011		2010		Change
Interest income on short-term deposits	$	**(1,024)**	$	(1,455)	$	431
Interest expense, other		**4,864**		1,933		2,931
Interest expense on long term debt		**667**		2,327		(1,660)
Finance costs – net	$	**4,507**	$	2,805	$	1,702

The finance costs – net balance increased by $1.7 million, from $2.8 million in 2010 to $4.5 million in 2011, mainly due to higher accretion expense on certain non-current liabilities and lower interest income on short term deposits, partially offset by a decrease in the interest expense on long term debt of $1.7 million.

Income Taxes

The Company recorded an income tax expense of $13.1 million (19% of income before income taxes) for the year ended December 31, 2011, compared to income tax expense of $33.2 million (26% of income before income taxes) for the year ended December 31, 2010. The effective income tax rate was lower in 2011 than in 2010 primarily due to the Company earning more of its income in jurisdictions where the tax rate is 25% or lower, the recognition of previously unrecognized deferred tax assets in the second quarter of 2011 as a result of reorganizing the corporate structure in certain foreign jurisdictions, and a reduction in a prior year provision as a result of the settlement of certain items in dispute with tax authorities that were settled in the Company's favour.

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)		2011		2010		Change
North America	$	**547,881**	$	**412,622**	$	135,259
Latin America		**38,499**		**56,400**		(17,901)
EMAR		**241,885**		**184,768**		57,117
Asia Pacific		**192,834**		**266,367**		(73,533)
Total Revenue	$	**1,021,099**	$	**920,157**	$	100,942
Operating Income	$	**96,982**	$	131,637	$	(34,655)
Operating Margin		**9.5%**		14.3%		(4.8%.)

Revenue in the Pipeline and Pipe Services segment for the year ended December 31, 2011 was $1,021.1 million, an increase of $100.9 million, or 11%, from the prior year. The increase resulted from stronger demand for small diameter pipe from increased well completions in North America and higher project activity in EMAR, partially offset by lower project activity in Asia Pacific and Latin America and the translation impact of a weaker US dollar and Euro against the Company's Canadian dollar reporting currency:

- The increase in revenue in North America of $135.3 million was primarily due to growth in small diameter project activity in both the US and Canada, a 102% increase in spoolable composite pipe revenue particularly driven by growth in market share in the United States, increased tubular management services driven by increased drilling activity in Canada and Mexico, and revenue from the acquisition of CSI Services.

- A decrease in revenue in Latin America of $17.9 million was due to year over year reductions in pipe coating project activity of 25% in Mexico and 41% in Brazil.

- The increase in EMAR revenue of $57.1 million was mainly due to higher pipe coating volumes at the Company's flow assurance insulation coating facility in Orkanger, Norway and a significant increase in activity at Leith, Scotland to complete the Laggan - Tormore, Breagh and Gundrun projects, partially offset by lower volumes in Saudi Arabia and the UAE.

- In Asia Pacific, revenue decreased by $73.5 million as a result of a reduction in large project activity in 2011 as compared to 2010. In Kembla Grange, Australia, project activity was very low following the first quarter 2011 completion of the EPIC QSN project. At Kabil, Indonesia and Kuantan, Malaysia, activity levels were lower by 15 % and 20 %, respectively, as a number of large projects were executed in 2010.

Operating Income in the Pipeline and Pipe Services segment for the year ended December 31, 2011 was $97.0 million, a decrease of $34.7 million or 26% compared to the prior year. Gross profit increased by $6.9 million; however the gross profit margin declined by 3.4 percentage points due to the shift in project mix with 2010 experiencing a higher proportion of the Company's revenue derived from projects in Asia Pacific. Also contributing to lower gross margins was the lower overhead absorption in Latin America and Asia Pacific due to the reduced volumes and the inefficient utilization of the Leith, Scotland facility which experienced significant downtime in the second and third quarters as a result of interruptions in the Laggan - Tormore project production schedule. The final factor affecting operating income was the increase in SG&A expenses as explained in *section 4.1 – Consolidated Information*.

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:

		2011		2010		Change
North America	**$**	**80,762**	$	**64,053**	$	16,709
EMAR		**54,237**		**50,002**		4,235
Asia Pacific		**3,081**		**1,728**		1,353
Total Revenue	**$**	**138,080**	$	**115,783**	$	22,297
Operating Income	**$**	**18,242**	$	13,580	$	4,662
Operating Margin		**13.2%**		11.7%		1.5% P.P.

Revenue in the Petrochemical and Industrial segment increased by $22.3 million, or 19%, from $115.8 million in 2010 to $138.1 million in 2011. The revenue increase resulted from higher shipments of wire and cable products in the oil sands, transit and nuclear markets in North America combined with increased heat - shrink sleeve shipments resulting from a strengthening in industrial and automotive markets in North America, EMAR and Asia Pacific. This was partially offset by the translation impact of a weaker US dollar and Euro versus the Canadian dollar.

Operating income in the Petrochemical and Industrial segment for 2011 was $18.2 million, an increase of $4.7 million, or 34%, over 2010. The operating margin was higher by 1.5 points due to higher gross profit margins and improved overhead absorption due to increased revenue and better facility utilization, partly offset by higher selling, general and administrative expenses of $2.6 million.

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 the Company 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 under IFRS.

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)		**2011**		2010		Change
Financial and corporate expenses	**$**	**(29,443)**	$	(31,033)	$	1,590

Financial and corporate expenses decreased by $1.6 million, or 5% in 2011 compared to 2010, primarily due to lower professional fees of $1.9 million.

5. 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)		**2011**		2010
Net Income	**$**	**56,683**	$	95,072
Non-cash items		**63,854**		54,764
Settlement of decommissioning liability obligations		**(1,074)**		(3,218)
Settlement of provisions		**(2,240)**		(2,027)
Change in employee future benefits		**636**		(3,637)
Change in non-cash working capital and foreign exchange		**(72,532)**		(87,710)
Cash provided by operating activities		**45,327**		53,244
Cash used in investing activities		**(95,428)**		(100,250)
Cash used in financing activities		**(41,058)**		(39,551)
Foreign exchange gain (loss) on foreign cash and cash equivalents		**2,437**		(7,433)
Net increase (decrease) in cash and cash equivalents		**(88,722)**		(93,990)
Cash and cash equivalents, beginning of year		**155,998**		249,988
Cash and cash equivalents at end of period	**$**	**67,276**	$	155,998

5.1 Cash Provided by Operating Activities

Cash provided by operating activities decreased by $7.9 million, or 15% from $53.2 million in 2010 to $45.3 million in 2011. The change was primarily due to lower net income of $38.4 million, partially offset by an increase in non-cash items of $9.1 million and a decrease in the amount of non-cash working capital and foreign exchange invested of $15.2 million. Net income decreased due to the reasons outlined above. Non-cash items increased due to a higher investment loss in associate of $8.2 million in 2011 compared to 2010, and the accounting gain on acquisition of $13.2 million in 2010. Amounts invested in non-cash working capital and foreign exchange decreased by $15.2 million mainly due to a lower rate of growth in accounts receivable and inventory and increasing growth in accounts payable.

5.2 Cash Used in Investing Activities

Cash used in investing activities decreased $4.8 million as the cash outflow to acquire CSI services in 2011 was lower than the cash outflow for the acquisition of the remaining 50% interest in the two Brazilian joint ventures in 2010.

5.3 Cash Used in Financing Activities

Cash used in financing activities increased by $1.5 million, or 4%, from $39.6 million in 2010 to $41.1 million in 2011, as the incremental amounts that were spent in 2011 to repurchase Class A shares were offset by proceeds from bank indebtedness and funds from the exercise of stock options. Please refer to section *5.5 – Credit Facilities* for additional information with respect to changes in bank indebtedness, credit facilities and loans payable.

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 trade accounts receivable ("DSO") as at December 31:

(in thousands of Canadian dollars)		**2011**		2010		Change
Average trade accounts receivable	$	**236,275**	$	218,398	$	17,877
DSO[(a)]		**62**		67		(4)

(a) DSO is the average numbers of days that receivables are outstanding based on a 90 day cycle. See *section 13 - Reconciliation of non-GAAP Measures* of this report, for additional information with respect to DSO.

Average accounts receivable of $236.3 million in the fourth quarter of 2011 increased by $17.9 million from $218.4 million in the fourth quarter of 2010, in line with the higher sales volumes.

Inventories

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

(in thousands of Canadian dollars)		**2011**		2010		Change
Inventories	**$**	**146,786**	$	126,132	**$**	20,654

Inventories increased by $20.7 million, or 16%, from $126.1 million as at December 31, 2010 to $146.8 million as at December 31, 2011. The inventories balance consists primarily of raw materials purchased in advance of project execution. Raw materials as a percentage of inventories were 67% and 70% as at December 31, 2011 and December 31, 2010, 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 2011 and higher inventories of composite pipe and joint protection products.

Accounts Payable

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

(in thousands of Canadian dollars)		**2011**		2010		Change
Average accounts payable and accrued liabilities	**$**	**144,270**	**$**	126,278	$	(17,992)
DPO[(a)]		**62**		64		(2)

(a) DPO is the 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 $144.3 million in the fourth quarter of 2011increased by $18.0 million from $126.3 million in the comparable period of 2010. DPO decreased by 2 days to 62 days in 2011.

5.5 Credit Facilities

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

(in thousands of Canadian dollars)		**2011**		2010
Total available credit facilities	**$**	**236,168**	$	240,048
Standby letters of credit for performance, bid and surety bonds[(a)]		**73,836**		75,140
Unutilized credit facilities[(b)]	**$**	**162,332**	$	164,908

(a) Refer to *section 7 – Off-Balance Sheet Arrangements*, for additional information with respect to the Company's various bonds.
(b) Excludes the banking facilities of the Company's 30% owned joint venture, Arabian Pipe Coating Company Ltd. ("APCO").

Loan Payable

On February 4, 2010, the Company's Russian joint venture obtained a loan from OOO ArkhTekhnoProm in the amount of 600 million Russian roubles payable on demand. 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. The Company's portion of this loan that has been proportionately consolidated and included on the consolidated balance sheet as at December 31, 2011 in the amount of $5.0 million or 156 million Russian roubles at the current exchange rate (December 31, 2010 – $5.1 million or 156 million Russian roubles at the then current exchange rate).

Long-term Debt ("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 was 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). On June 30, 2010, the Company made the second repayment of US$25.0 million ($26.0 million at the then current exchange rate) ("Second Repayment"). On June 30, 2011, the Company made the third and final repayment of US$25.0 million ($24.4 million at the then current exchange rate) ("Final Payment").

The Company's Senior Notes and associated interest expense were denominated in US dollars. Fluctuations in the exchange rate between the Canadian and US dollar impacted the carrying value of the Senior Notes in terms of Canadian dollars as well as the amount of interest expense that was 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 US dollar based operations ("Net Investment"). After the Second Repayment, the remaining balance of the Senior Notes of US $25.0 million ($25.8 million) was hedged against the Net Investment. Upon making the Final Payment and extinguishing the hedge, a foreign exchange gain in the amount of $1.8 million was recognized and included in the consolidated statement of income.

Debt Covenants

Under the terms of the Company's credit facilities, 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 0.40 to 1.

The Company was in compliance with the debt covenants detailed above as at December 31, 2011. 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:

	2012	2013	2014	2015	2016	After 2016	Total
Operating leases	**9,755**	**7,308**	**5,798**	**4,341**	**2,615**	**11,921**	**41,738**
Decommissioning liabilities	**6,001**	**4,020**	**3,225**	**2,057**	**183**	**11,206**	**26,692**
Loans payable	**5,001**	–	–	–	–	–	**5,001**
Obligations under finance leases	**191**	**88**	**39**	–	–	–	**318**
Deferred purchase consideration	–	**16,721**	–	–	–	–	**16,721**
Total contractual obligations	**20,948**	**28,137**	**9,062**	**6,398**	**2,798**	**23,127**	**90,470**

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

(in thousands of Canadian dollars)		2011
Total future minimum lease payments	$	**318**
Less: imputed interest		**(50)**
Balance of obligations under finance leases		**268**
Less: current portion		**(165)**
Non – current obligations under finance leases		**103**

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

Litigation Matters

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

IFRS 7, Financial Instruments - Disclosure, 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 different 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 at December 31, 2011 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				
Derivative financial instruments – current	270	–	270	–
	270	–	270	–
Liabilities				
Derivative financial instruments – current	419	–	419	–
Derivative financial instruments – non-current	2,499	–	–	2,499
	2,918	–	419	2,499

The current derivative financial instruments relate to foreign exchange forward contracts entered into by the Company (as described below) and are valued by comparing the rates at the time the derivatives are acquired to the period-end rates quoted in the market. The non-current 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 14, 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.

The following table presents the changes in the Level 3 fair value category for the year ended December 31, 2011:

(in thousands of Canadian dollars)		**Fair value**
Opening balance - January 1, 2011	**$**	**807**
Transfers to level 3		–
Additions		–
Losses recognized in the statement of income		1,692
Closing balance - December 31, 2011		**2,499**

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.

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As at December 31, 2011, 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 (attributable to shareholders of the Company) for the year ended by approximately $32.5 million, $6.5 million and $4.7 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total shareholders' equity by $53.5 million, $34.5 million and $19.0 million, respectively.

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 US dollar based operations, the Company does not hedge translation exposures.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at December 31, 2011:

(in thousands of Canadian dollars)	**Floating rate** **$**	**Maturing in one year or less** **$**	**Total** **$**
Financial assets			
Cash equivalents	–	5,978	5,978
Long-term notes receivable	3,845	–	3,845
Long-term loan to related party	8,777	2,047	10,824
	12,622	**8,025**	**20,647**
Financial liabilities			
Bank indebtedness	12,281	–	12,281
Loan payable	5,001	–	5,001
	17,282	**–**	**17,282**

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

Credit Risk

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

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

As at December 31, 2011 and 2010, ShawCor had no customers who generated revenue greater than 10% of total consolidated revenue.

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 consolidated statement of income 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, 2011, $11.6 million, or 5.1% of trade accounts receivable, were more than 90 days overdue, which is consistent with prior period aging analysis. The Company expects to receive full payment on accounts receivable that are neither past due nor impaired.

The following is an analysis of the change in the allowance for doubtful accounts for the year ended December 31, 2011 and 2010:

(in thousands of Canadian dollars)	**2011 December 31 $**	2010 December 31 $
Balance - Beginning of year	**3,775**	5,353
Bad debt expense	**9,160**	697
Recovery of previously written-off bad debts	**126**	(384)
Write-offs of bad debts	**(328)**	(1,469)
Impact of change in foreign exchange rates	**1,234**	(422)
Balance - End of year	**13,967**	3,775

5.8 Outstanding Share Capital

As at March 15, 2012 the Company had 57,936,869 Class A shares outstanding and 12,784,335 Class B shares outstanding. In addition, as at March 15, 2012, the Company had stock options outstanding to purchase up to 2,440,480 Class A shares and share units outstanding to purchase up to 142,385 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 2011 and 2010:

(in thousands of Canadian dollars except per share amounts)	Q1-2011	Q2-2011	Q3-2011	**Q4-2011**
Operating Results				
Revenue	$ 279,466	$ 264,541	$ 271,478	**$ 341,780**
Income from operations	29,615	22,660	(60)	**31,748**
Net income (attributable to shareholders of the Company)	20,485	15,703	(3,144)	**23,042**
Net income per share (Classes A and B)				
Basic	$ 0.29	$ 0.22	$ (0.04)	$ **0.32**
Diluted	0.29	0.21	(0.04)	**0.32**

(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	18,485	18,944	42,718	**39,622**
(in thousands of Canadian dollars except per share amounts)	Q1-2011	Q2-2011	Q3-2011	**Q4-2011**
Net income (attributable to shareholders of the Company)	11,739	12,031	32,126	**39,176**
Net income per share (Classes A and B)				
Basic	$ 0.17	$ 0.17	$ 0.46	$ 0.55
Diluted	0.16	0.17	0.45	0.55

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

- The Company's operations in the Pipeline and Pipe Services segment, representing 88% of the Company's consolidated revenue in 2011, 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 2011 is transacted in currencies other than Canadian dollars, with a majority transacted in US dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars. 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.

6.1 Fourth Quarter Highlights

Highlights of the Company's 2011 fourth quarter include:

FOURTH QUARTER 2011 VERSUS FOURTH QUARTER 2010

- **Revenue:** Consolidated revenue increased by $49.7 million, or 17%, from $292.1 million during the fourth quarter of 2010 to $341.8 million during the fourth quarter of 2011, driven by an increase of $38.0 million in the Pipeline and Pipe Services segment and $10.7 million in the Petrochemical and Industrial segment. Revenue for the Pipeline and Pipe Services segment was higher in the fourth quarter of 2011 than in the fourth quarter of 2010, mainly because of increased activity in North America and EMAR, and was partially offset by lower revenue in Latin America. Revenue for the Petrochemical and Industrial segment was higher in the fourth quarter of 2011 than in the fourth quarter of 2010, mainly because of an increase of 26% in North American revenue.

- **Operating Income:** Operating Income decreased by $7.9 million, from $39.6 million during the fourth quarter of 2010 to $31.7 million during the fourth quarter of 2011. Higher gross profit of $15.5 million and lower impairment of property, plant, equipment, goodwill and intangible assets of $10.8 million were offset by an increase in SG&A expenses of $31.5 million. Higher revenue, as explained above, generated increased gross profit which was somewhat mitigated by a reduction in the gross profit margin of 1.2 percentage points. The gross profit margin was adversely affected by the shift in project mix with the fourth quarter 2010 experiencing a higher proportion of the Company's revenue derived from projects in Asia Pacific. SG&A expenses increased by $31.5 million compared with the fourth quarter of 2010 with three factors accounting for the increase. First, SG&A expenses were higher year over year as a result of increased salaries and other personnel related costs of $8.1 million as a result of the acquisition of CSI and other growth related additions. Second, the fourth quarter 2011 includes one-time increases in pension expenses, decommissioning liabilities and inventory obsolescence of $7.7 million. Finally, in the fourth quarter of 2010 SG&A expenses were reduced by income under a management services contract, now discontinued, of $2.5 million and reversals of provisions for pension expense, decommissioning liabilities, and management incentive compensation totaling $13.6 million.

- **Finance costs:** The finance costs – net balance increased from $0.6 million during the fourth quarter of 2010 to $1.2 million during the fourth quarter of 2011 as a result of higher accretion expense on certain non-current liabilities and lower interest income, partially offset by lower interest expense from the repayment of long-term debt.

- **Income taxes:** The Company recorded an income tax expense of $5.0 million (17% of income before income taxes) in the fourth quarter of 2011, compared to income tax expense of $11.1 million (22% of income before income taxes) in the fourth quarter of 2010. The effective tax rate in the fourth quarter of 2011 was lower than in the same period in 2010, primarily due to the fact that the Company earned more of its income in jurisdictions where the effective tax rate is 25% or lower and a reduction to the prior year provision as a result of the settlement of certain items in dispute with tax authorities that were settled in the Company's favour.

- **Net Income:** Net Income, attributable to the shareholders of the Company, decreased by $16.1 million, from $39.2 million during the fourth quarter of 2010 to $23.0 million during the fourth quarter of 2011. This was driven primarily by the decrease in operating income of $7.9 million as described above and an $13.2 million accounting gain on acquisition recorded in the fourth quarter of 2010, partially offset by lower income tax expense of $6.2 million.

FOURTH QUARTER 2011 VERSUS THIRD QUARTER 2011

- **Revenue:** Consolidated revenue increased by $70.3 million, or 26%, from $271.5 million during the third quarter of 2011 to $341.8 million during the fourth quarter of 2011, mainly due to an increase of $65.5 million in the Pipeline and Pipe Services segment. Revenue for the Pipeline and Pipe Services segment was $65.5 million higher during the fourth quarter of 2011 compared with the third quarter of 2011, as a result of higher revenue in all regions - EMAR, North America, Asia Pacific and Latin America. Revenue for the Petrochemical and Industrial segment increased $4.1 million during the fourth quarter of 2011 compared to the third quarter of 2011, due to higher activity levels in North America and Asia Pacific, partially offset by lower revenue in EMAR.

- **Operating Income:** Operating Income increased by $31.8 million, from an operating loss of $0.1 million during the third quarter of 2011 to $31.7 million during the fourth quarter of 2011, with an increase in gross profit of $39.8 million and an improvement in foreign exchange losses of $6.0 million partially offset by an increase in SG&A expenses of $7.9 million and a $5.2 million impairment loss on property, plant and equipment. The increase in gross profit resulted from higher revenue of $70.3 million coupled with a gross profit margin improvement of 4.7 percentage points. The gross profit margin was positively impacted by improved overhead absorption in Kuantan, Malaysia and in the Latin American operations. Further, in the third quarter of 2011, yard maintenance costs at Leith, Scotland and Camrose, Alberta and mobilization costs for the Jack St. Malo project at the new Brigden facility in Texas were significantly higher compared to the fourth quarter of 2011. The increase in SG&A expenses of $7.9 million was due to higher salary and other personnel related expenses of $4.5 million, one-time increases in pension expenses, decommissioning liabilities and inventory obsolescence of $7.7 million and increased provisions for management incentive compensation based on performance for the full year of $4.8 million. Partially offsetting these increases in SG&A expenses was the reduction in expense versus the third quarter when the Company recorded a charge of $9.6 million to increase the allowance for doubtful accounts due to a contract dispute with a customer.

- **Finance costs:** The finance costs – net balance in the fourth quarter of 2011 was largely unchanged from $1.1 million during the third quarter of 2011 as higher accretion expense on certain non-current liabilities was offset by higher interest income.

- **Income taxes:** The Company recorded an income tax expense of $5.0 million (17% of income before income taxes) in the fourth quarter of 2011, compared to an income tax recovery of $1.1 million (27% of loss before income taxes) in the third quarter of 2011. The company reported an income tax recovery in the third quarter of 2011 as a result of sustaining a loss from operations. The effective tax rate in the fourth quarter of 2011 was lower than the statutory Canadian tax rate because of the reasons discussed above.

- **Net Income:** Net Income, attributable to the shareholders of the Company, increased by $26.2 million, from a loss of $3.1 million in the third quarter of 2011 to an income of $23.0 million in the fourth quarter of 2011. This was driven primarily by the increase in operating income of $31.8 million as described above, partially offset by higher income tax expense of $6.1 million.

7. 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 $73.8 million and $75.1 million as at December 31, 2011 and 2010, respectively, in support of its bonds.

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

8. Critical Accounting Estimates and Accounting Policy Developments

8.1 Critical Accounting Estimates

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

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

The Company evaluates the carrying values of the Cash Generating Units' ("CGU") goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write-downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions.

Future Benefit Obligations

The Company provides future benefits to its employees under a number of defined benefit 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, rates of employee compensation increases, rates of inflation, medical costs and life expectancies. 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.

Provisions and Contingent Liabilities

Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably measured. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

The Company is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and whether the loss can be reliably measured. When a loss is determined it is charged to the consolidated statement of income. The Company must continually monitor known and potential contingent matters and make appropriate provisions by charges to income when warranted by circumstances.

Decommissioning Liabilities

Decommissioning liabilities include legal and constructive obligations related to owned and leased facilities. These have been recorded in the consolidated financial statements based on estimated future amounts required to satisfy these obligations. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a current pre-tax risk-free rate. A corresponding asset equal to the present value of the initial estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning liability and the related long-lived asset. The amount capitalized in property, plant and equipment is depreciated on a straight line basis over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of income. Actual expenditures incurred are charged against the accumulated decommissioning liability.

Financial Instruments

The Company has determined the estimated fair values of its financial instruments not traded in an active market based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates, mainly based on market conditions existing at the end of each reporting period. 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 deferred taxes. In particular, earnings and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada.

8.2 Accounting Standards Issued But Not Yet Applied

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in *IAS 39, Financial Instruments - Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. *IFRS 9* also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss).

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in *IAS 39*, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income (loss).

IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10 Consolidated Financial Statements

For annual periods beginning on January 1, 2013, *IFRS 10, Consolidated Financial Statements*, will replace portions of *IAS 27 Consolidated and Separate Financial Statements* and interpretation *SIC-12 Consolidation - Special Purpose Entities*. The new standard requires consolidated financial statements to include all controlled entities under a single control model. The Company will be considered to control an investee when it is exposed, or has rights to variable returns from its involvement with the investee, and has the current ability to affect those returns through its power over the investee. As required by this standard, control is reassessed as facts and circumstances change. All facts and circumstances must be considered to make a judgment about whether the Company controls another entity. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments, holding less than a majority of voting rights, how to consider protective rights and principal-agency relationships (including removal rights), all of which may differ from current practice.

IFRS 10 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 11 Joint Arrangements

On January 1, 2013, ShawCor will be required to adopt *IFRS 11, Joint Arrangements*, which applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting.

Due to the adoption of this new section, the Company will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item.

IFRS 11 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 Disclosure of Interests in Other Entities

On January 1, 2013, ShawCor will be required to adopt *IFRS 12, Disclosure of Interests in Other Entities*, which includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. Due to this new standard, the Company will be required to disclose the following: judgments and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities and the nature of the risks associated with interests in other entities.

IFRS 12 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13 Fair Value Measurement

On January 1, 2013, ShawCor will be required to adopt *IFRS 13, Fair Value Measurement*. The new standard will generally converge the IFRS and US GAAP requirements on how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the ‘exit price’ and concepts of ‘highest and best use’ and ‘valuation premise’ would be relevant only for non-financial assets and liabilities.

IFRS 13 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IAS 27 Separate Financial Statements

On January 1, 2013, ShawCor will be required to *adopt IAS 27, Separate Financial Statements*. As a result of the issue of the new consolidation suite of standards, *IAS 27* has been reissued to reflect the changes to the consolidation guidance recently included in *IFRS 10*.

In addition, *IAS 27* will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. The Company has not yet assessed the impact of this new accounting standard.

IAS 28 Investments in Associates and Joint Ventures

On January 1, 2013, ShawCor will be required to adopt *IAS 28, Investments in Associates and Joint Ventures*. As a consequence of the issue *of IFRS 10, IFRS 11 and IFRS 12, IAS 28* has been amended and will provide further accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control or significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control of those policy decisions. When it has been determined that the Company has an interest in a joint venture, the Company will recognize an investment and will account for it using the equity method in accordance with *IAS 28.*

IAS 28 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

8.3 First-time Adoption of IFRS

ShawCor has adopted IFRS on January 1, 2011 with a date of transition to IFRS of January 1, 2010. In accordance with IFRS 1, IFRS is applied retrospectively at the transition date, with any adjustments to the assets and liabilities as a result of the adoption taken to retained earnings unless certain exemptions are applied.

The effect of the Company's transition to IFRS, is summarized as follows:

a) Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, 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 with any adjustments to the assets and liabilities as a result of the adoption taken to retained earnings. IFRS 1 does however provide for certain mandatory exemptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the exemptions available under IFRS 1 that are significant to ShawCor and have been applied in preparing the Company's first financial statements under IFRS:

i) Property, Plant and Equipment

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

ii) 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. ShawCor has elected to recognize all cumulative actuarial gains and losses at the date of transition to IFRS through an adjustment to the opening retained earnings. This has resulted in an increase in the liability for employee benefits. The Company has elected to adopt the IFRS 1 option to disclose the amounts required by IAS 19 on a prospective basis.

iii) Cumulative Translation Account

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 elected to deem all cumulative translation differences to be zero on transition to IFRS as at January 1, 2010.

iv) 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. The Company has elected the business combinations exemption in IFRS 1 to not apply IFRS 3 retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

As ShawCor early adopted CICA Handbook Section 1582, Business Combinations, on January 1, 2010, which was harmonized with IFRS 3, there are no IFRS adjustments required for 2010 for the accounting for business combinations completed in 2010.

v) Stock-based Compensation

ShawCor is required to apply IFRS 2, Share-based Payments, to equity instruments that vest after January 1, 2010. ShawCor has consistently used the method of recognizing stock-based compensation expense on a graded vesting schedule. Adopting IFRS has resulted in a $145 thousand additional expense due to the revaluation of compound financial instruments (Share Appreciation Rights “SAR”) using the Black-Scholes model, compared to using the intrinsic value of liability under CGAAP.

vi) Borrowing Costs

ShawCor has elected not to capitalize any borrowing costs on a retrospective basis for qualifying assets acquired prior to January 1, 2010, the date of transition to IFRS.

vii) Decommissioning Liabilities

ShawCor has elected, in accordance with IFRS 1, to remeasure these liabilities as of the date of transition to IFRS in accordance with IAS 37, and has adjusted the asset cost and depreciable amount accordingly and will amortize the depreciable amount of the assets over the remaining useful lives.

b) IFRS 1 Guidelines

Under certain circumstances, a first time adopter must adhere to specific guidelines under IFRS 1. ShawCor Ltd. has applied the following guidelines to its opening IFRS statement of financial position as on January 1, 2010:

i) Goodwill

ShawCor is required to apply *IAS 36 Impairment of Assets*, on transition to IFRS on January 1, 2010. Under CGAAP goodwill is tested for impairment by comparing the carrying value to the fair value at the reporting unit level. Impairment for goodwill under IFRS is tested at the CGU level. There was no impairment recognized on transition from CGAAP to IFRS, based on the testing carried out under IFRS at the CGU level (note 16).

ii) Estimates

In accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition from CGAAP to IFRS must be consistent with estimates made in accordance with CGAAP unless there is objective evidence that those estimates were in error. Estimates under IFRS are consistent with the CGAAP estimates.

c) Reconciliations between CGAAP and IFRS

The impact of applying the above noted IFRS exemptions and the accounting policy differences between CGAAP and IFRS are summarized in the following tables and notes:

Reconciliation of the balance sheet under CGAAP to IFRS at January 1, 2010

(in thousands of Canadian dollars)	Note	CGAAP December 31, 2009 $	IFRS FS Reclassification $	Effect of Transition to IFRS $	Restated under IFRS January 1, 2010 $
Assets					
Current Assets					
Cash and cash equivalents		249,988	-	-	**249,988**
Accounts receivable		191,821	-	-	**191,821**
Income 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	i	4,668	(4,668)	-	-
		586,085	(4,668)	-	**581,417**
Non-current Assets					
Property, plant and equipment	b, d, f	270,219	–	14,072	**284,291**
Intangible assets		62,784	–	–	**62,784**
Investment in associates		24	–	–	**24**
Derivative financial instruments		39	–	–	**39**
Deferred income taxes	e, i	36,249	4,668	498	**41,415**
Other assets		16,128	–	(6,520)	**9,608**
Goodwill		214,449	–	–	**214,449**
		599,892	4,668	8,050	**612,610**
Total Assets		1,185,977	–	8,050	**1,194,027**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	j, i	127,932	(8,119)	-	**119,813**
Provisions	d, i	-	8,874	971	**9,845**
Income 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**
Obligations under finance lease		371	-	-	**371**
		273,119	755	971	**274,845**
Non-current Liabilities					
Long-term debt		26,052	-	-	**26,052**
Obligations under finance lease		492	-	-	**492**
Deferred income taxes	e	76,552	-	(976)	**75,576**
Provisions	c, i, d	-	18,585	7,462	**26,047**
Other non-current liabilities	i	19,340	(19,340)	-	-
		122,436	(755)	6,486	**128,167**
Total Liabilities		395,555	-	7,457	**403,012**
Shareholders' Equity					
Share capital		204,151	-	-	**204,151**
Contributed surplus		17,277	-	-	**17,277**
Retained earnings	a	695,800	-	(126,213)	**569,587**
Accumulated other comprehensive loss	a	(126,806)	-	126,806	-
		790,422	-	593	**791,015**
Total Liabilities and Shareholders' Equity		1,185,977	-	8,050	**1,194,027**

Reconciliation of the balance sheet under CGAAP to IFRS at December 31, 2010

(in thousands of Canadian dollars)	Note	CGAAP December 31, 2010 $	IFRS FS Reclassification $	Effect of Transition to IFRS $	Restated under IFRS December 31, 2010 $
Assets					
Current Assets					
Cash and cash equivalents		155,998	-	-	**155,998**
Accounts receivable		243,955	-	-	**243,955**
Income taxes receivable		13,823	-	-	**13,823**
Inventories		126,132	-	-	**126,132**
Prepaid expenses		14,171	-	-	**14,171**
Derivative financial instruments		1,130	-	-	**1,130**
Current future income taxes	i	4,590	(4,590)	-	**-**
		559,799	(4,590)	-	**555,209**
Non-current Assets					
Property, plant and equipment	b, d, f	283,286	-	4,411	**287,697**
Intangible assets		91,353	-	-	**91,353**
Investment in associates		31,995	-	-	**31,995**
Deferred income taxes	e, i	29,035	4,590	(70)	**33,555**
Other assets		15,622	-	(5,699)	**9,923**
Goodwill		215,204	-	-	**215,204**
		666,495	4,590	(1,358)	**669,727**
Total Assets		1,226,294	-	(1,358)	**1,224,936**
Liabilities					
Current Liabilities					
Loan payable		5,126	-	-	**5,126**
Accounts payable and accrued liabilities	j, i	137,669	(4,926)	-	**132,743**
Provisions	d, i	-	5,595	2,297	**7,892**
Income taxes payable		44,968	-	-	**44,968**
Derivative financial instruments		527	-	-	**527**
Deferred revenue		54,751	-	-	**54,751**
Current portion of long-term debt		25,005	-	-	**25,005**
Finance lease obligation		345	-	-	**345**
		268,391	669	2,297	**271,357**
Non-current Liabilities					
Long-term finance lease obligation		339	-	-	**339**
Derivative financial instruments		807	-	-	**807**
Deferred income taxes	e	78,516	-	(3,349)	**75,167**
Provisions	c, i, d	-	39,709	5,314	**45,023**
Other non-current liabilities	i	40,378	(40,378)	-	**-**
		120,040	(669)	1,965	**121,336**
Total Liabilities		388,431	-	4,262	**392,693**
Shareholders' Equity					
Share capital		206,775	-	-	**206,775**
Contributed surplus		18,144	-	-	**18,144**
Retained earnings	a	775,924	-	(131,733)	**644,191**
Accumulated other comprehensive loss	a	(162,980)	-	126,113	**(36,867)**
Total Shareholders' Equity		837,863	-	(5,620)	**832,243**
Total Liabilities and Shareholders' Equity		1,226,294	-	(1,358)	**1,224,936**

Reconciliation of the statement of income and comprehensive income under CGAAP to IFRS for the year ended December 31, 2010

(in thousands of Canadian dollars)	Note	CGAAP December 31, 2010 $	Effect of Transition to IFRS $	Restated under IFRS December 31, 2010 $
Consolidated Statement of Income				
Revenue		1,034,163	-	**1,034,163**
Cost of Goods Sold		623,641	-	**623,641**
Gross Profit		410,522	-	**410,522**
Selling, general and administrative expenses	h, j	221,648	(2,564)	**219,084**
Research and development expenses		11,050	-	**11,050**
Foreign exchange (gains) losses	g	(5,745)	98	**(5,647)**
Amortization of property, plant and equipment	f	50,376	(5,299)	**45,077**
Amortization of intangible assets		5,038	-	**5,038**
Impairment of property, plant & equipment	b	–	14,923	**14,923**
Impairment of intangible assets		958	-	**958**
Impairment of goodwill		208	-	**208**
Income from Operations		126,989	(7,158)	**119,831**
Gain on revaluation of investment		13,181	-	**13,181**
Loss on investment in associate		(1,939)	-	**(1,939)**
Interest income on short-term deposits		1,455	-	**1,455**
Interest expense on bank indebtedness		(1,631)	(302)	**(1,933)**
Interest expense on long-term debt		(2,327)	-	**(2,327)**
Income Before Income Taxes		135,728	(7,460)	**128,268**
Income Taxes		35,136	(1,940)	**33,196**
Net Income		100,592	(5,520)	**95,072**
Earnings per Share				
Basic		1.43		**1.35**
Diluted		1.41		**1.33**

Consolidated Statement of Comprehensive Income				
Net Income		100,592	(5,520)	**95,072**
Unrealized loss on translating financial statements of foreign operations		(37,379)	(693)	**(38,072)**
Gain on hedges of unrealized foreign currency translation		1,423	-	**1,423**
Income tax expense		(218)	-	**(218)**
Other comprehensive loss for the period		(36,174)	(693)	**(36,867)**
Comprehensive Income		64,418	(6,213)	**58,205**

Reconciliation of Shareholders' Equity

(in thousands of Canadian dollars)	Note	December 31, 2010 $	January 1, 2010 $
Shareholders' equity in accordance with Canadian GAAP		837,863	790,422
Property, plant and equipment	b, f	30,462	25,977
Impairment of property, plant, and equipment	b	(27,087)	(14,275)
Employee future benefits	c, e	(8,170)	(10,547)
Effects of change in FX rates	g	(931)	(396)
Provisions		210	222
Decomissioning of liabilities	d	41	(388)
Share-based compensation	j	(145)	–
Shareholders' equity in accordance with IFRS		832,243	791,015

Notes to the Reconciliations

a) Cumulative Translation Account

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 on January 1, 2010. Consequently, the Company has transferred a deficit of $126.8 million to retained earnings from the cumulative translation adjustment account.

b) Property, Plant and Equipment

The adjustment to property, plant and equipment at the January 1, 2010 transition date is a net increase of $14.1 million to the Net Book Value ("NBV"). NBV increased by $28.4 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 by comparing the carrying amount to the recoverable amount, calculated using the value in use method, which uses a risk adjusted pre-tax rate to discount cash flows (i.e. a higher rate than under CGAAP) to their net present value. Under CGAAP, there is a two-step process:

i) A reasonability test using the sum of the undiscounted cash flows and comparing them to the carrying value, and if the test fails

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

Under CGAAP, no impairment existed on the above assets as of December 31, 2010.

Under IFRS, ShawCor recognized an additional impairment at December 31, 2010 on these fixed assets in the amount of $14.9 million. The impairment recognized has been expensed in the statement of income for the year ended December 31, 2010.

c) Employee Benefits

Under IFRS, the $14.4 million adjustment as at the IFRS Transition Date resulted 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 any unrecognized actuarial gains and losses as at the IFRS Transition Date for all plans be immediately recognized through an adjustment to the opening retained earnings and an increase to the defined employee future benefit liability.

For the year ended December 31, 2010, the expense for defined employee future benefits under IFRS was $3.3 million lower than that under CGAAP due to the application of IFRIC 14 and IAS 19 on a prospective basis.

d) Decommissioning Liabilities

As at the IFRS Transition Date, the decommissioning obligation liability increased by $1.1 million on transition to IFRS due to the use of country specific risk free rates under IFRS, as opposed to the use of country specific risk-adjusted discount rates under CGAAP. The use of lower discount rates also resulted in the calculation of higher decommissioning liability balances throughout 2010 under IFRS, which resulted in an IFRS transitional adjustment to the property, plant and equipment account (relating to decommissioning costs) in the amount of $1.6 million as at December 31, 2010.

e) Deferred Income Tax Effect

These are the required deferred tax effects related to the various IFRS adjustments (i.e., property, plant and equipment; employee future benefits; decommissioning liabilities etc.). The rates used were based on the statutory tax rates in the jurisdiction where the adjustment was made.

f) Amortization of Property, Plant and Equipment

The 2010 income statement adjustment was due to the recalculation of depreciation expense on all fixed assets due to the application of a more detailed componentization analysis including their expected useful lives, which in a number of cases was extended. This resulted in a decrease in the amortization cost under IFRS versus CGAAP of $5.1 million for the year ended December 31, 2010.

g) Foreign Exchange

Foreign exchange gains decreased by $0.1 million for the twelve months ended December 31, 2010, primarily due to the change in the translation method for certain entities from the Temporal Method under CGAAP to the Current Rate Method under IFRS.

h) Selling, General and Administrative Expense

The selling, general and administrative expense for the year ended December 31, 2010 has decreased by $2.5 million under IFRS versus CGAAP, because of lower defined employee future benefits expense under IFRS of $3.3 million due to the application of IFRIC 14 on transition to IFRS and the application of IAS 19 on a prospective basis, which was partly offset by higher decommissioning liabilities expense of $0.5 million.

i) Account Reclassification

Certain accounts were reclassified for financial statement presentation purposes, including deferred tax assets from current to non-current, reflecting the adoption of IAS 12 and the requirements for provisions to be presented separately by IAS 37.

j) Stock-based Compensation

Adopting IFRS has resulted in a $145 thousand additional expense due to revaluing liability settled instruments (Share Appreciation Rights "SAR") using the Black-Scholes model, compared to using the intrinsic value of liability under CGAAP.

k) Adjustment to the Consolidated Statement of Cash Flows

The changes to the consolidated statement of income and consolidated balance sheet have resulted in various reclassifications on the consolidated statement of cash flows; however, there were no material changes to the net cash flows. As a result, no reconciliations have been presented.

9. 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, 2011 and 2010. 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, 2011. There were no material changes in either the Company's DC&Ps or its ICFRs during 2011.

10. General Outlook

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. Commencing in 2010 and continuing in 2011, energy demand rebounded strongly and many of the major pipeline projects that had been delayed or deferred during the economic recession were reactivated, with front end engineering, project bidding, and by the end of 2011, the commencement of contract awards. The strengthening of pipeline infrastructure market demand was first indicated early in 2011 when the value of projects for which ShawCor had provided firm bids, exceeded $1.5 billion for the first time. During the fourth quarter of 2011 and early 2012, the improving outlook for pipeline infrastructure was further evidenced when ShawCor received contracts or letters of intent for projects with a cumulative value exceeding $800 million. As a result of the award of new contracts, ShawCor's order backlog reached a new record level of $548 million at December 31, 2011 and this backlog is expected to lead to revenue growth, particularly in the Company's Pipeline and Pipeline Services Segment operations in Asia Pacific and Latin America as noted below.

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 produced strong growth in revenue in North America during 2011 and current overall levels of activity are expected to remain strong in 2012 and 2013. The improvement in revenue in 2011 was largely driven by the increased level of well drilling and completions throughout North America which has bolstered demand for the Company's small diameter pipe coating, composite pipe, joint protection products and drill pipe services. With total well completion volumes expected to stabilize at current levels, growth will be driven by market share gains. This is most evident with the Company's spoolable composite pipe business unit which has steadily gained market share in the United States following the installation of service centers in locations well positioned to supply pipe demand

from emerging shale resources. The Company believes that the potential exists for further gains in market share and revenue growth in the North American composite pipe market. Another market targeted for share gain is drill string tubular services in the United States. The first US drill string tubular service center was successfully launched in 2011 in Pennsylvania to supply the Marcellus and Utica shale plays and further centers will be opened in the United States in 2012 to support customers in other active shale regions.

In pipe coating, growth in 2012 from projects involving offshore applications is expected to largely offset modest weakening in large diameter project volumes. In the fourth quarter of 2011, the Company commenced production on the $40 million Jack St. Malo project at the Brigden™ facility in Beaumont, Texas. The Company has also submitted bids for additional deepwater flow assurance projects in the Gulf of Mexico that, if won, will be executed in 2012 and 2013. In addition, the Company will mobilize a mobile concrete weight coating plant to the Beaumont site to execute a project for a customer in South America.

Pipeline and Pipe Services Segment - Latin America

The Company experienced weak market conditions in both Mexico and Brazil throughout 2011 with revenue well below historical levels. For 2012, the Company has secured several large projects that will deliver significant revenue growth. Offshore Mexico activity is expected to pick up based on the Company's level of bidding activity. In Brazil, the $20 million P55 Risers pipe coating project has finally commenced production after customer delays during 2011. Elsewhere in the Latin America region, the Company has secured a project with Technip for concrete weight coating on a large diameter offshore gas transmission line. This work will be executed in Trinidad and is expected to contribute in excess of $60 million in revenue.

Beyond 2012, the Company expects the Latin America region to be a continuing source of revenue growth as Brazil undertakes the development of pipeline infrastructure necessary to bring to production the vast deepwater oil resources discovered in the pre-salt Santos basin. The Company also expects that Mexico and other markets in South America will offer growth potential for composite pipe products that are now experiencing growing market acceptance in North America.

Pipeline and Pipe Services Segment - EMAR

During 2011, revenue increased over the prior year in the Europe, Middle East, Africa, Russia ("EMAR") region as a result of the execution of the US $93 million Laggan – Tormore project at ShawCor's Leith, Scotland facility. The Company does not expect to be able to fully replace the 2011 Leith volume of activity in 2012. The outlook is thus for a modest slowdown in region revenue with lower volumes from Leith partially offset by a pick up in facility utilization at the Company's pipe coating plants in Orkanger, Norway and in the UAE. Beyond 2012, the potential for growth exists through expansion opportunities that 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

The Company's Asia Pacific region, having experienced a significant reduction in revenue in 2011 versus the prior year, is now in a position, with booked production orders, to generate very strong revenue growth. During 2011 and in the first quarter of 2012, ShawCor has booked production orders or holds letters of intent for projects that will be executed at the Company's facilities in Malaysia and Indonesia with a value that exceeds $700 million. These projects include the PTTEP Zawtika Development Project, the Pearl Energy Ruby pipeline, the trunk line and flow assurance pipe coating contracts for the Chevron Wheatstone LNG project and the Ichthys gas export pipeline. These orders should deliver strong revenue growth for the Company's Asia Pacific region in 2012 and 2013.

In the first quarter of 2012, Asia Pacific revenue will be largely unchanged from the fourth quarter of 2011, while operating margins will be impacted by the costs associated with loading in pipe and ramping up the facilities for the launch of the Wheatstone and Ichthys projects. However a steady growth in revenue and improvement in margins are expected once production begins in the second quarter. By the fourth quarter, the Company's facilities in Malaysia and Indonesia are expected to be operating at record volume levels with resulting strong operating margins. This level of activity, based on the booked orders, will be sustained throughout 2013 and well into 2014.

Petrochemical and Industrial Segment

The improved revenue and operating income generated by the Petrochemical and Industrial segment businesses in 2011 was the result of the recovery from the abrupt decline in activity associated with the global economic recession in late 2008 and in 2009. With continued stability in the global economy, operating performance is expected to continue to improve in 2012 based on a stronger backlog for wire and cable project activity particularly for the oil sands market and the continued ramp up of production and sales in the segment's DSG Canusa China facility. The major risk to this outlook relates to the potential for economic deceleration in Europe and the impact this would have on the Company's automotive and industrial products shipments.

Order Backlog

The Company's order backlog consists of firm customer orders only and represents the revenue the Company expects to realize on booked orders over the succeeding twelve months. The Company reports the twelve month billable backlog because it provides a leading indicator of significant changes in consolidated revenue. A majority of the Company's revenue is typically derived from small orders and projects less than $5 million in value. These orders/projects do not typically enter the backlog as they are booked and executed with minimal lead times. In contrast, projects with values exceeding $5 million often have extended lead times before production commences and thus the growth or decline in such project activity will cause the backlog to change over time and signal changes in future revenue. In the third quarter of 2008, the Company's backlog peaked at $529 million and revenue in 2008 reached a record level of $1.38 billion. Subsequent to 2008, the order backlog declined and reached a low level for 2011 of $333 million at the end of first quarter. Since that time, the resurgence of pipeline infrastructure demand and new contract orders has resulted in an increase in the backlog to a new record level of $548 million at December 31, 2011. With the award, in the first quarter of 2012, of the Ichthys GEP project, with a value exceeding $400 million, further growth in the backlog through 2012 is expected.

With a record backlog in hand and further backlog increases expected, the Company has a high degree of confidence in its outlook for growth in revenue in 2012 and 2013. Revenue growth will also lead to gains in facility utilization, the operational driver for operating margin improvement. With a focus on the successful execution of the projects that have been secured, ShawCor is well positioned to generate strong cash flows over the next two years. Increasing cash flows from operations, plus the Company's current healthy financial position create the resources to allow ShawCor to pursue its strategy of growth through geographic expansion, new product and service introductions in existing and complementary markets and through the acquisition of companies that broaden the Company's market position within the global pipeline and energy services industry.

11. 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 88% of consolidated sales in 2011. 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 and copper and other nonferrous 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 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 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 clean-up 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 US 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, US 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 2011, the Company derived over 23% 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 US 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, US 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 US operations. If actions under Canadian, US 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 US trade laws if the Company were a US entity or controlled by a US entity or person. While the Company believes that it and its subsidiaries currently are in compliance with applicable US 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. 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, 2011, the accruals on the consolidated balance sheet related to environmental matters and included as decommissioning liability obligations were $23.4 million. The Company believes the accruals to be sufficient to fully satisfy all liabilities related to known environmental matters.

13. 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, impairment of property, plant, equipment, goodwill and intangible assets, investment losses and gain on revaluation of investment. 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 – Selected Annual Information* of this report, for a reconciliation of the Company's EBITDA to its net income (attributable to shareholders of the Company) 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 shareholders' equity.

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

(in thousands of Canadian dollars)		**2011**		2010
Net income for the year	**$**	**56,683**	**$**	95,072
Average shareholders' equity		**848,152**		811,629
ROE		**6.7%**		11.7%

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 of the Company's FCF as at December 31:

(in thousands of Canadian dollars)		**2011**		2010
Cash provided by operating activities	**$**	**45,327**	$	53,244
Less:				
Capital expenditures		**(55,982)**		(48,723)
Dividends paid		**(21,930)**		(20,468)
FCF		**(32,585)**		(15,947)

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 trade 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)		**2011**		2010
Average accounts receivable		**236,275**		218,398
Revenue for the fourth quarter	**$**	**341,780**	$	292,086
DSO		**62**		67

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)		**2011**		2010
Average accounts payable and accrued liabilities		**144,270**		126,278
Cost of goods sold for the fourth quarter	$	**210,449**	$	176,293
DPO		**62**		64

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)		**2011**		2010
Current assets	$	**530,607**	$	555,209
Current liabilities		**248,759**		271,357
Working capital ratio		**2.13**		2.05

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.

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

(in thousands of Canadian dollars)		**2011**		2010
EBITDA	$	**138,837**	$	183,035
Interest expense		**4,507**		2,805
Fixed charge coverage ratio		**31**		65

The Company is in compliance with this debt covenant as at December 31, 2011.

Debt to Total Capitalization Ratio

Debt to total capitalization ratio is defined as the Company's long-term debt divided by the sum of shareholders' equity and long-term debt. The Company is required to maintain a debt to total capitalization ratio of no more than 0.40 to 1. The Company is in compliance with this debt covenant as at December 31, 2011.

14. 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 the existing order backlog on the Company's revenue, 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 and likelihood 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; shortages of or significant increases in the prices of raw materials used by the Company; 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 29, 2012