Shawcor Ltd.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2016

Shawcor Ltd.

Interim Consolidated Statements of Income (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenue				
Sale of products	**$ 63,677**	$ 123,627	**$ 188,592**	$ 258,793
Rendering of services	**191,682**	274,393	**432,346**	611,167
	255,359	398,020	**620,938**	869,960
Cost of Goods Sold and Services Rendered	**184,489**	274,421	**423,133**	577,336
Gross Profit	**70,870**	123,599	**197,805**	292,624
Selling, general and administrative expenses	**86,005**	103,064	**169,836**	196,777
Research and development expenses	**4,722**	4,539	**9,030**	8,612
Foreign exchange (gains) losses	**(274)**	2,920	**1,439**	(177)
Amortization of property, plant and equipment	**14,253**	14,631	**29,082**	28,374
Amortization of intangible assets	**6,038**	5,523	**12,342**	10,500
Gain on sale of land	**(511)**	–	**(511)**	–
Impairment	**1,429**	–	**1,429**	–
(Loss) Income from Operations	**(40,792)**	(7,078)	**(24,842)**	48,538
Loss from investments in associates	**(715)**	(146)	**(1,168)**	(257)
Finance costs, net (note 9)	**(3,973)**	(4,213)	**(8,717)**	(8,661)
Costs associated with repayment and modification of long-term debt (note 14)	**(2,061)**	–	**(2,061)**	–
(Loss) Income before Income Taxes	**(47,541)**	(11,437)	**(36,788)**	39,620
Income taxes	**(5,826)**	(3,111)	**(3,228)**	9,679
Net (Loss) Income	**$ (41,715)**	$ (8,326)	**$ (33,560)**	$ 29,941
Net (Loss) Income Attributable to:				
Shareholders of the Company	**$ (41,678)**	$ (8,538)	**$ (34,217)**	$ 29,236
Non-controlling interests	**(37)**	212	**657**	705
Net (Loss) Income	**$ (41,715)**	$ (8,326)	**$ (33,560)**	$ 29,941
Earnings (Loss) per Share ("EPS") (note 10)				
Basic	**$ (0.65)**	$ (0.13)	**$ (0.53)**	$ 0.45
Diluted	**$ (0.65)**	$ (0.13)	**$ (0.53)**	$ 0.45
Weighted Average Number of Shares Outstanding (000's) (note 10)				
Basic	**64,589**	64,508	**64,560**	64,503
Diluted	**64,589**	64,738	**64,560**	64,748

Shawcor Ltd.
Interim Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands of Canadian dollars)		Three Months Ended June 30,				Six Months Ended June 30,		
		2016		2015		**2016**		2015
Net (Loss) Income for the Period	**$**	**(41,715)**	$	(8,326)	**$**	**(33,560)**	$	29,941
Other Comprehensive (Loss) Income to be Reclassified to Net Income in Subsequent Periods								
Exchange differences on translation of foreign operations		**(9,914)**		(14,762)		**(49,302)**		22,791
Cash flow hedge losses reclassified to net income		**1,536**		–		**1,536**		–
Other comprehensive (loss) income attributable to investments in associates		**(66)**		(81)		**(978)**		198
Net Other Comprehensive (Loss) Income to be Reclassified to Net Income in Subsequent Periods		**(8,444)**		(14,843)		**(48,744)**		22,989
Other Comprehensive Loss not to be Reclassified to Net Income in Subsequent Periods								
Actuarial loss on defined benefit plan		**(9,697)**		–		**(9,697)**		–
Income tax expense		**2,606**		–		**2,606**		–
Net Other Comprehensive Loss not to be Reclassified to Net Income in Subsequent Periods		**(7,091)**		–		**(7,091)**		–
Other Comprehensive (Loss) Income, Net of Income Tax		**(15,535)**		(14,843)		**(55,835)**		22,989
Total Comprehensive (Loss) Income	**$**	**(57,250)**	$	(23,169)	**$**	**(89,395)**	$	52,930
Comprehensive (Loss) Income Attributable to:								
Shareholders of the Company	**$**	**(56,881)**	$	(22,637)	**$**	**(89,177)**	$	52,600
Non-controlling interests		**(369)**		(532)		**(218)**		330
Total Comprehensive (Loss) Income	**$**	**(57,250)**	$	(23,169)	**$**	**(89,395)**	$	52,930

Shawcor Ltd.
Interim Consolidated Balance Sheets (Unaudited)

(in thousands of Canadian dollars)		June 30, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents (note 12)	$	**115,616**	$	260,645
Short-term investments		**2,776**		2,954
Accounts receivable		**237,060**		396,974
Income taxes receivable		**32,456**		35,804
Inventories		**127,209**		167,557
Prepaid expenses		**16,534**		20,112
Derivative financial instruments (note 5)		**4,091**		3,024
		535,742		887,070
Non-current Assets				
Loans receivable (note 13)		**7,448**		7,908
Property, plant and equipment		**475,865**		485,555
Intangible assets		**216,374**		223,298
Investments in associates		**28,722**		30,868
Deferred income tax assets		**28,206**		27,668
Other assets		**24,984**		26,268
Goodwill		**447,835**		457,070
		1,229,434		1,258,635
	$	**1,765,176**	$	2,145,705
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	$	**200,889**	$	295,911
Provisions		**23,243**		25,562
Income taxes payable		**29,468**		34,624
Derivative financial instruments (note 5)		**1,373**		1,984
Deferred revenue		**29,820**		58,129
Obligations under finance lease		**1,001**		1,176
Other liabilities		**10,205**		23,279
		295,999		440,665
Non-current Liabilities				
Long-term debt (note 15)		**353,343**		485,147
Obligations under finance lease		**11,659**		12,600
Provisions		**39,609**		44,075
Employee future benefits		**32,349**		21,942
Deferred income tax liabilities		**9,553**		14,898
Other liabilities		**1,682**		1,177
		448,195		579,839
		744,194		1,020,504
Equity				
Share capital (note 17)		**536,847**		534,484
Contributed surplus		**20,773**		18,638
Retained earnings		**439,174**		492,713
Non-controlling interests		**7,237**		7,455
Accumulated other comprehensive income		**16,951**		71,911
		1,020,982		1,125,201
	$	**1,765,176**	$	2,145,705

Shawcor Ltd.

Interim Consolidated Statements of Change in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings	Non-controlling Interests	Accumulated Other Comprehensive Income (Loss)	Total Equity
	$	$	$	$	$	$
Balance - December 31, 2015	534,484	18,638	492,713	7,455	71,911	1,125,201
Net loss	–	–	(34,217)	657	–	(33,560)
Other comprehensive loss	–	–	–	(875)	(54,960)	(55,835)
Comprehensive loss	–	–	(34,217)	(218)	(54,960)	(89,395)
Issued on exercise of stock options	1,644		–	–	–	1,644
Compensation cost on exercised stock options	541	(541)	–	–	–	–
Compensation cost on exercised restricted share units	178	(178)	–	–	–	–
Share-based compensation expense	–	2,854	–	–	–	2,854
Dividends declared and paid to shareholders (note 17)	–	–	(19,322)	–	–	(19,322)
Balance – June 30, 2016	**536,847**	**20,773**	**439,174**	**7,237**	**16,951**	**1,020,982**
Balance – December 31, 2014	533,660	14,625	433,177	7,254	(8,103)	980,613
Net income	–	–	29,236	705	–	29,941
Other comprehensive income	–	–	–	(375)	23,364	22,989
Comprehensive income	–	–	29,236	330	23,364	52,930
Issued on exercise of stock options	500	–	–	–	–	500
Compensation cost on exercised stock options	195	(195)	–	–	–	–
Compensation cost on exercised restricted share units	119	(119)	–	–	–	–
Share-based compensation expense	–	1,964	–	–	–	1,964
Dividends declared and paid to shareholders (note 17)	–	–	(19,352)	–	–	(19,352)
Balance – June 30, 2015	534,474	16,275	443,061	7,584	15,261	1,016,655

Shawcor Ltd.

Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Operating Activities				
Net (loss) income	**$ (41,715)**	$ (8,326)	**$ (33,560)**	$ 29,941
Add (deduct) items not affecting cash				
Amortization of property, plant and equipment	**14,253**	14,631	**29,082**	28,374
Amortization of intangible assets	**6,038**	5,523	**12,342**	10,500
Amortization of long-term prepaid expenses	**82**	583	**197**	1,077
Impairment	**1,429**	–	**1,429**	–
Decommissioning liabilities expenses	**327**	1,079	**368**	1,190
Other provision expenses	**6,449**	7,465	**8,188**	9,677
Share-based and other incentive-based compensation (note 11)	**2,636**	1,852	**3,876**	3,439
Loss on disposal of property, plant and equipment	**599**	141	**764**	189
Gain on Sale of Land	**(511)**	–	**(511)**	–
Unrealized (gain) loss on derivative financial instruments	**(924)**	3,135	**1,720**	5,831
Loss from investments in associates	**715**	146	**1,168**	257
Deferred income taxes	**(5,098)**	(6,940)	**(10,071)**	(4,865)
Other	**(1,341)**	–	**(1,341)**	–
Settlement of decommissioning liabilities	**(3)**	–	**(6)**	(6)
Settlement of other provisions	**(3,553)**	(1,601)	**(11,292)**	(2,808)
Net change in employee future benefits	**(916)**	(297)	**(313)**	27
Change in non-cash working capital and foreign exchange	**(10,191)**	90,359	**51,988**	41,222
Cash (Used in) Provided by Operating Activities	**(31,724)**	107,750	**54,028**	124,045
Investing Activities				
(Increase) decrease in loans receivable	**–**	(35)	**–**	4
Decrease (Increase) in short-term investments	**2**	(5,767)	**178**	(6,911)
Purchase of property, plant and equipment	**(15,434)**	(13,022)	**(33,395)**	(28,246)
Proceeds on disposal of property, plant and equipment	**2,316**	282	**3,362**	856
Purchase of intangible assets	**–**	(17)	**–**	(54)
Deferred purchase consideration payment	**–**	(241)	**–**	(1,305)
Investments in associates	**–**	(3,256)	**–**	(3,256)
(Increase) decrease in other assets	**(1,888)**	134	**(3,008)**	77
Business acquisition, net of cash acquired (note 4)	**(6,792)**	–	**(32,331)**	(17,036)
Cash Used in Investing Activities	**(21,796)**	(21,922)	**(65,194)**	(55,871)
Financing Activities				
Decrease in bank indebtedness	**–**	(6,103)	**–**	(4,685)
Decrease in loans payable	**–**	–	**(520)**	(2,513)
Repayment of long-term debt	**(101,820)**	–	**(101,820)**	–
Repayment of obligations under finance lease	**(192)**	(77)	**(365)**	(601)
Issuance of shares (note 17)	**1,112**	456	**1,644**	500
Dividends paid to shareholders (note 17)	**(9,689)**	(9,677)	**(19,322)**	(19,352)
Cash Used in Financing Activities	**(110,589)**	(15,401)	**(120,383)**	(26,651)
Effect of Foreign Exchange on Cash and Cash Equivalents	**1,548**	(2,677)	**(13,480)**	7,290
Net (decrease) increase in Cash and Cash Equivalents	**(162,561)**	67,750	**(145,029)**	48,813
Cash and Cash Equivalents - Beginning of Period	**278,177**	97,619	**260,645**	116,556
Cash and Cash Equivalents - End of Period	**$ 115,616**	$ 165,369	**$ 115,616**	$ 165,369

Shawcor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange. Shawcor Ltd., together with its wholly owned subsidiaries (collectively referred to as the "Company" or "Shawcor"), is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates eight divisions with over 80 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 6.

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

1 Basis of Financial Statement Preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (″IFRS″) applicable to the preparation of interim financial statements, including International Accounting Standard (″IAS″) 34, *Interim Financial Reporting*. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and thus should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2015 ("Annual Consolidated Financial Statements"). The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Annual Consolidated Financial Statements, except as set out in note 3.

Basis of Presentation and Consolidation

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

The interim consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise stated.

The interim consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company's equity accounted interests in joint ventures and associates.

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

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

The interim consolidated financial statements and accompanying notes as at and for the six-month period ended June 30, 2016 were authorized for issue by the Company's Board of Directors ("Board") on August 10, 2016.

2 Accounting Standards Issued but Not Yet Applied

IFRS 2, Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The Company has not yet determined the impact of this standard on the interim unaudited consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of *IFRS 9 – Financial Instruments*, which replaces all phases of the financial instruments project, *IAS 39 – Financial Instruments*: *Recognition and Measurement* and all previous versions of *IFRS 9*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet determined the impact of this standard on the interim consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15 - Revenue from Contracts with Customers*, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under *IFRS 15*, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in *IFRS 15* provide a more structured approach to measuring and recognizing revenue.

In April 2016, certain amendments were made to the original standard issued in May 2014. The amendments to the Revenue Standard do not change the underlying principles of the Standard but clarify how those principles should be applied.

The amendments clarify how to:

- identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a licence should be recognised at a point in time or over time.

In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the interim consolidated financial statements.

IFRS 16 – Leases

IFRS 16, issued by the IASB in January 2016, supersedes *IAS 17 Leases* (and related Interpretations). The standard is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for entities that have also adopted *IFRS 15, Revenue from Contracts with Customers*. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The most significant effect of the new requirements will be an increase in leased assets and financial liabilities. The Company has not yet determined the impact of this standard on the interim consolidated financial statements.

3 New Accounting Standards Adopted

Amendments to IAS 1 Disclosure Initiative

The amendments to *IAS 1* clarify, rather than significantly change, existing *IAS 1* requirements. The amendments clarify:

- The materiality requirements in *IAS 1*;
- That specific line items in the statements of income, comprehensive income and financial position that may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company's adoption of these amendments did not have a material impact on the interim consolidated financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

In May 2014, the IASB issued amendments to *IAS 16* and *IAS 38*, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company's adoption of these amendments did not have a material impact on the interim consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to *IFRS 11* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant *IFRS 3 Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to *IFRS 11* to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The Company's adoption of these amendments did not have a material impact on the interim consolidated financial statements.

4 Acquisition of Lake Superior Consulting, LLC

On January 5, 2016, the Company completed the acquisition of Lake Superior Consulting, LLC ("Lake Superior") for approximately $37.3 million, inclusive of an earn out payment that was paid in the second quarter of 2016 (excluding cash acquired of $5.2 million). Lake Superior is a Duluth, Minnesota based professional services firm, specializing in pipeline engineering and integrity management services to major pipeline operators. The business operates from facilities in Minnesota, Texas, Nebraska, Kansas and North Dakota, provides pipeline design, engineering, inspection and commissioning as well as integrity management services, and had 2015 revenue of approximately US$45 million.

The preliminary approximate value of tangible assets acquired and tangible liabilities assumed was $11.7 million and $4.7 million, respectively and the approximate value of intangible assets acquired and intangible liabilities assumed was $33.0 million and $8.0 million, respectively.

5 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	**June 30 2016**	December 31 2015
Loans and Receivables, Measured at Amortized Cost		
Loans receivable	**$ 7,448**	$ 7,908
Trade accounts receivable, net	**155,615**	284,538
Held-to-maturity		
Short-term investments	**2,776**	2,954
Deposit guarantee	**197**	960
Fair Value through Profit or Loss		
Cash and cash equivalents	**115,616**	260,645
Derivative financial instruments – assets	**4,091**	3,024
Derivative financial instruments – liabilities	**1,373**	1,984
Available-for-sale		
Convertible preferred shares	**10,000**	10,000
Other Financial Liabilities, Measured at Amortized Cost		
Accounts payable	**72,595**	110,648
Deferred purchase consideration	**3,748**	3,939
Long-term debt	**353,343**	485,147

Fair Value

IFRS 13, Fair Value – Measurement, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflects the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs which are used to measure fair value fall into the following three 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 the fair value of financial assets and liabilities in the fair value hierarchy as at June 30, 2016:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ **115,616**	$ **115,616**	$ **–**	$ **–**
Short-term investments	**2,776**	**2,776**	**–**	**–**
Derivative financial instruments	**4,091**	**–**	**4,091**	**–**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
Deposit guarantee	**197**	**–**	**197**	**–**
	$ **132,680**	$ **118,392**	$ **4,288**	$ **10,000**
Liabilities				
Deferred purchase consideration	$ **3,748**	$ **–**	$ **3,748**	$ **–**
Long-term debt	**320,788**	**–**	**320,788**	**–**
Derivative financial instruments	**1,373**	**–**	**1,373**	**–**
	$ **325,909**	$ **–**	$ **325,909**	$ **–**

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

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange 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.

Market Risk

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 June 30, 2016, 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 six-month period then ended by approximately $25.3 million, $0.1 million and $0.3 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by $63.1 million, $14.1 million and $49.0 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 forward contracts for speculative purposes. With the exception of the Company's US dollar based operations, the Company does not hedge translation exposures.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at June 30, 2016:

(in thousands, except weighted average rate amounts)	
Canadian dollars sold for US dollars	
Less than one year	**C$ 14,832**
Weighted average rate	**0.75**
US dollars sold for Canadian dollars	
Less than one year	**US$ 14,664**
Weighted average rate	**1.32**
US dollars sold for Euros	
Less than one year	**US$ 30,706**
Weighted average rate	**0.89**
Euros sold for US dollars	
Less than one year	**€ 27,619**
Weighted average rate	**1.11**
Euros sold for British Pounds Sterling	
Less than one year	**€ 2,400**
Weighted average rate	**0.81**
US dollars sold for Malaysian Ringgits	
Less than one year	**US$ 2,000**
Weighted average rate	**4.13**
US dollars sold for British Pounds Sterling	
Less than one year	**US$ 1,337**
Weighted average rate	**0.75**
British Pounds Sterling sold for US dollars	
Less than one year	**£ 407**
Weighted average rate	**1.44**
Norwegian Kroners sold for US dollars	
Less than one year	**NOK 119,454**
Weighted average rate	**0.12**

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

As at June 30, 2016, the Company had notional amounts of $140.6 million of foreign exchange forward contracts outstanding (December 31, 2015 – $145.7 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling $0.7 million (December 31, 2015 – $1.0 million net gain).

Net Investment Hedge

The long-term debt has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the US dollar as its functional currency. During the six-month period ended June 30, 2016, a gain of $29.9 million on the translation of the long-term debt was transferred to other comprehensive income to offset the losses on translation of the net investment in the US dollar functional currency subsidiary. There was no ineffectiveness of this hedge for the quarter ended June 30, 2016.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at June 30, 2016:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial Assets				
Cash equivalents	**$ –**	**$ –**	**$ 11,840**	**$ 11,840**
Short-term investments	**2,776**	**–**	**–**	**2,776**
Loans receivable	**189**	**4,846**	**2,413**	**7,448**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
	$ 12,965	**$ 4,846**	**$ 14,253**	**$ 32,064**

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	**$ 68,561**	**$ –**	**$ –**	**$ 68,561**
Long-term debt	**–**	**–**	**353,343**	**353,343**
	$ 68,561	**$ –**	**$ 353,343**	**$ 421,904**

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

Credit Risk

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

For the quarter ended June 30, 2016, there was no customer who generated revenue greater than 10% of total consolidated revenue.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at June 30, 2016, the Company had cash and cash equivalents totalling $115.6 million (December 31, 2015 – $260.6 million) and had unutilized lines of credit available to use of $419.2 million (December 31, 2015 – $491.9 million).

6 Segment Information

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

As at June 30, 2016, the Company had two reportable operating segments: Pipeline and Pipe Services; and Petrochemical and Industrial. Inter-segment transactions between Pipeline and Pipe Services and Petrochemical and Industrial are accounted for at negotiated transfer prices. The aggregation of the reportable segments is based on the customers and markets that the Company serves.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment comprises the following divisions:

- Bredero Shaw, which provides pipe coating, lining and insulation products. During 2015, the Socotherm division was integrated with the Bredero Shaw division;
- Canusa - CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubular products;
- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction;
- Desert NDT, which provides non-destructive testing services for new oil and gas gathering pipelines and infrastructure integrity management services; and
- Lake Superior Consulting, which provides pipeline engineering and integrity management services to major North American pipeline operators.

Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the Connection Systems division. The Connection Systems division was formed from the 2015 integration of the DSG-Canusa and Shawflex divisions:

- Connection Systems 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; and
- Connection Systems also manufactures wire and cable for control, instrumentation, thermocouple, power, marine and robotics applications.

Financial and Corporate

The financial and corporate division for Shawcor does not meet the definition of a reportable operating segment as defined in IFRS, as it does not earn revenue.

Segment

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

(in thousands of Canadian dollars)	**Pipeline and Pipe Services**		**Petrochemical and Industrial**		**Financial and Corporate**		**Eliminations and Adjustments**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue										
External	**206,784**	352,472	**48,575**	45,548	**–**	–	**–**	–	**255,359**	398,020
Inter-segment	**206**	(135)	**243**	296	**–**	–	**(449)**	(161)	**–**	–
Total Revenue	**206,990**	352,337	**48,818**	45,844	**–**	–	**(449)**	(161)	**255,359**	398,020
Income (loss) from operations	**(42,572)**	1,905	**9,751**	6,971	**(7,971)**	(15,954)	**–**	–	**(40,792)**	(7,078)
Income (loss) before income taxes	**(52,650)**	(2,599)	**9,508**	6,581	**(4,399)**	(15,419)	**–**	–	**(47,541)**	(11,437)

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

(in thousands of Canadian dollars)	**Pipeline and Pipe Services**		**Petrochemical and Industrial**		**Financial and Corporate**		**Eliminations and Adjustments**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue										
External	**523,735**	780,546	**97,203**	89,414	–	–	–	–	**620,938**	869,960
Inter-segment	**235**	605	**488**	670	–	–	**(723)**	(1,275)	–	–
Total Revenue	**523,970**	781,151	**97,691**	90,084	–	–	**(723)**	(1,275)	**620,938**	869,960
Income (loss) from operations	**(26,379)**	57,022	**17,346**	13,232	**(15,809)**	(21,716)	**–**	–	**(24,842)**	48,538
Income (loss) before income taxes	**(41,058)**	48,099	**16,742**	12,374	**(12,472)**	(20,853)	**–**	–	**(36,788)**	39,620

The following table sets forth information for total assets by segment as at:

(in thousands of Canadian dollars)	**June 30, 2016**	December 31, 2015
Pipeline and Pipe Services	**$ 1,805,344**	$ 2,373,313
Petrochemical and Industrial	**114,681**	118,464
Financial and Corporate	**1,316,322**	1,048,489
Elimination and adjustments	**(1,471,171)**	(1,394,561)
	$ 1,765,176	$ 2,145,705

7 Employee Benefits Expense

The Company's costs for the defined benefit pension plans, the post-retirement life insurance plans and the post-employment benefit plan for the three-month and six-month periods ended June 30, 2016 were $1.2 and $2.4 million, respectively (three-month and six-month periods ended June 30, 2015 – $1.6 and $2.9 million, respectively). The Company's costs for the defined contribution pension arrangements for the three-month and six-month periods ended June 30, 2016 were $2.6 and $5.0 million, respectively (three-month and six-month periods ended June 30, 2015 – $2.4 and $4.3 million, respectively).

8 Restructuring Costs

During the quarter ended June 30, 2016, the Company recorded pre-tax restructuring charges of $12.6 million (June 30, 2015 – $15.0 million) relating to employee severance, plant and office closures, and co-location costs.

9 Finance Costs

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

(in thousands of Canadian dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Interest income on short-term deposits	**$ (183)**	$ (195)	**$ (499)**	$ (395)
Interest expense, other	**1,418**	415	**2,332**	1,227
Interest expense on long-term debt	**2,738**	3,993	**6,884**	7,829
Finance Costs – net	**$ 3,973**	$ 4,213	**$ 8,717**	$ 8,661

10 Earnings (Loss) Per Share

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

(in thousands of Canadian dollars except share and per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Net (loss) income used to calculate EPS				
Net (loss) income (attributable to shareholders of the Company) for the period	**$ (41,678)**	$ (8,538)	**$ (34,217)**	$ 29,236
Weighted average number of shares outstanding – basic (000’s)	**64,589**	64,508	**64,560**	64,503
Dilutive effect of stock options	**–**	230	**–**	245
Weighted average number of shares outstanding – diluted (000’s)	**64,589**	64,738	**64,560**	64,748
Basic EPS	**$ (0.65)**	$ (0.13)	**$ (0.53)**	$ 0.45
Diluted EPS	**$ (0.65)**	$ (0.13)	**$ (0.53)**	$ 0.45

11 Share-based and Other Incentive-based Compensation

A summary of the status of the Company’s stock option and other incentive-based compensation plans and changes during the period is presented below:

Stock Options without Tandem Share Appreciation Rights ("SARs")

	Six Months Ended June 30, 2016			Year Ended December 31, 2015		
	Total Shares		**Weighted Average Exercise Price**	Total Shares		Weighted Average Exercise Price
Balance Outstanding - Beginning of Period	**1,043,440**	**$**	**32.27**	989,870	$	31.71
Granted	**178,600**		**26.60**	77,700		35.79
Exercised	**(66,300)**		**24.79**	(24,130)		21.05
Balance Outstanding - End of Period	**1,155,740**	**$**	**31.82**	1,043,440	$	32.27
Options exercisable	**732,020**	**$**	**30.57**	686,508	$	28.90

June 30, 2016	**Options Outstanding**				**Options Exercisable**		
Range of Exercise Price	**Outstanding as at June 30, 2016**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise Price**	**Exercisable as at June 30, 2016**		**Weighted Average Exercise Price**
$15.01 to $20.00	**167,520**	**2.49**	**$**	**15.51**	**167,520**	**$**	**15.51**
$25.01 to $30.00	**331,760**	**5.65**		**27.59**	**154,860**		**28.83**
$30.01 to $35.00	**182,100**	**5.49**		**32.81**	**145,160**		**32.81**
$35.01 to $40.00	**181,660**	**6.24**		**36.65**	**118,140**		**37.11**
$40.01 to $45.00	**246,300**	**6.49**		**41.69**	**127,780**		**41.59**
$45.01 to $50.00	**46,400**	**7.49**		**45.73**	**18,560**		**45.73**
	1,155,740	**5.51**	**$**	**31.82**	**732,020**	**$**	**30.57**

December 31, 2015	Options Outstanding				Options Exercisable		
Range of Exercise Price	Outstanding as at December 31, 2015	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Exercisable as at December 31, 2015		Weighted Average Exercise Price
$15.01 to $20.00	169,520	2.98	$	15.51	169,520	$	15.51
$25.01 to $30.00	219,160	1.54		27.73	219,160		27.73
$30.01 to $35.00	182,100	5.98		32.81	108,220		32.81
$35.01 to $40.00	179,960	6.71		36.66	81,808		37.32
$40.01 to $45.00	246,300	6.98		41.69	98,520		41.69
$45.01 to $50.00	46,400	7.98		45.73	9,280		45.73
	1,043,440	5.01	$	32.27	686,508	$	28.90

The Board of Directors approved the granting of 178,600 stock options during the six month period ended June 30, 2016 (December 31, 2015 – 77,000) under the 2001 Employee Plan. The total fair value of the stock options granted during the six month period ended June 30, 2016 was $1.15 million (six month period ended June 30, 2015 – $0.6 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

	Six Months Ended June 30, 2016	2015
Weighted average share price	**$ 26.60**	$ 35.79
Exercise price	**$ 26.60**	$ 35.79
Weighted average expected life of options	**6.25**	6.25
Weighted average expected stock price volatility	**30.4%**	29.0%
Weighted average expected dividend yield	**2.14%**	1.63%
Weighted average risk-free interest rate	**1.08%**	1.34%

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

The fair value of options granted will be amortized to compensation expense over the five-year vesting period of the options. The compensation cost from the amortization of stock options for the six month period ended June 30, 2016, included in selling, general and administrative expenses, was $0.6 million (six month period ended June 30, 2015 – $0.5 million).

Stock Options with Tandem Share Appreciation Rights

	Six Months Ended June 30, 2016		Year Ended December 31, 2015	
	Total Shares	**Weighted Average Fair Value[(a)]**	Total Shares	Weighted Average Fair Value
Balance Outstanding - Beginning of Period	**277,300**	**$ 11.69**	182,100	$ 13.29
Granted	**110,800**	**6.77**	94,800	8.62
Expired	**(20,800)**	**11.30**	400	12.94
Balance Outstanding - End of Period	**367,300**	**$ 10.23**	277,300	$ 11.69
Options exercisable	**144,000**	**$ 10.98**	113,760	$ 13.07

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.

The mark-to-market liability for the stock options with SARs as at June 30, 2016 is $1.2 million (December 31, 2015 – $0.8 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

On March 3, 2010, the Board approved a new long-term incentive program (″LTIP″) for executives and key employees and a deferred share unit (″DSU″) plan for directors of the Company. Additional details with respect to the LTIP and DSU plan are as follows:

LTIP

The LTIP includes the existing stock option plan discussed above, the Value Growth Plan (″VGP″) and the Employee Share Unit Plan (″ESUP″).

VGP

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

The VGP liability as at June 30, 2016 is $2.0 million (December 31, 2015 – $16.6 million).

ESUP

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

The following table sets forth the Company's RSUs/PSUs reconciliation as at the periods indicated:

	Six Months Ended June 30, 2016			Year Ended December 31, 2015		
	Total Shares		**Weighted Average Grant Date Fair Value[(a)(b)]**	Total Shares		Weighted Average Grant Date Fair Value[(a)(b)]
Balance Outstanding - Beginning of Period	**472,849**	**$**	**32.84**	261,708	$	36.69
Granted	**86,293**		**25.54**	231,979		28.77
Exercised	**(6,748)**		**28.52**	(3,322)		34.21
Forfeited	**(13,284)**		**30.60**	(17,516)		36.27
Balance Outstanding - End of Period	**539,110**	**$**	**31.78**	472,849	$	32.84
RSUs/PSUs exercisable	**136,927**	**$**	**34.26**	95,838	$	33.63

a) RSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

b) PSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

DSU

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

All DSUs granted will be classified as liability instruments on the date of the grant in accordance with IFRS as the unitholder has the option to settle in cash or in shares.

The following table sets forth the Company's DSU reconciliation as at the period indicated:

	Six Months Ended June 30, 2016			Year Ended December 31, 2015		
	Total Shares		**Weighted Average Grant Date Fair Value[(a)]**	Total Shares		Weighted Average Grant Date Fair Value[(a)]
Balance Outstanding - Beginning of Period	**110,597**	**$**	**36.37**	99,675	$	38.04
Granted	**20,297**		**29.86**	41,032		31.98
Exercised[(b)]	**–**		**–**	(30,110)		35.92
Balance Outstanding - End of Period	**130,894**	**$**	**35.36**	110,597	$	36.37

(a) DSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.
(b) DSU awards cannot be exercised while the director is still a member of the Board.

The mark-to-market liability for the DSUs as at June 30, 2016 is $4.2 million (December 31, 2015 – $3.1 million), all of which is included in current other liabilities on the consolidated balance sheets.

Incentive-based Compensation

The following table sets forth the incentive-based compensation expense for the period indicated:

(in thousands of Canadian dollars)	**Three Months Ended June 30,**				**Six Months Ended June 30,**			
		2016		2015		**2016**		2015
Stock option expense	**$**	**314**	$	99	**$**	**622**	$	539
VGP expense		**(62)**		224		**(481)**		1,045
DSU expense		**761**		511		**1,088**		133
RSUs/PSUs expense		**1,112**		780		**2,232**		1,425
SAR expense		**512**		238		**415**		297
Total incentive-based compensation expense	**$**	**2,637**	$	1,852	**$**	**3,876**	$	3,439

12 Cash and Cash Equivalents

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

(in thousands of Canadian dollars)		**June 30, 2016**		December 31, 2015
Cash	**$**	**103,776**	$	250,030
Cash equivalents		**11,840**		10,615
Total	**$**	**115,616**	$	260,645

13 Loans Receivable

The following table details the long-term loans receivable as at:

(in thousands of Canadian dollars)		**June 30, 2016**		December 31, 2015
Non-current				
Notes receivable[(a)]	**$**	**4,846**	$	5,166
Loan receivable		**2,602**		2,742
Total	**$**	**7,448**	$	7,908

(a) Long-term notes receivable relate to an amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia. Interest is payable semi-annually at U.S. prime plus 0.25%, with principal repayments to be made in four semi-annual instalments beginning no later than March 31, 2018, as set out in the loan agreement terms. As at June 30, 2016, the amount of the note receivable was U.S.$3,725 (December 31, 2015 – U.S.$3,726).

14 Credit Facilities

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

(in thousands of Canadian dollars)		**June 30, 2016**		December 31, 2015
Bank indebtedness	**$**	**–**	$	–
Standard letters of credit for performance and bid bonds (note 16)		**68,561**		132,052
Total utilized credit facilities		**68,561**		132,052
Total available credit facilities[(a)]		**487,763**		623,970
Unutilized Credit Facilities	**$**	**419,202**	$	491,918

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

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by US$100 million from US$150 million to US$250 million, with an option to increase the credit limit to US$400 million with the consent of lenders. On June 16, 2015, the option to increase the credit limit to US$400 million was exercised with the consent of the lenders and a new option to increase the credit limit to US$550 million with the consent of the lenders was added. The Company pays a floating interest rate on this Credit Facility that is a function of the Company's Total Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility is US$50 million. In May 2016, the Company and the lenders agreed to certain amendments to the Credit Facility, including a reduction in the credit limit to US$325 million as described below in the section captioned, "Amendments to Senior Notes Agreement and Credit Facility".

Repurchase of US$78 Million of Long-term Debt ("Senior Notes")

In the second quarter of 2016, the Company utilized a portion of its existing cash balances to repurchase approximately US$78 million of its Senior Notes at a purchase price of approximately US$79 million plus accrued interest.

Amendments to Senior Notes Agreement and Credit Facility

On May 10, 2016, the Company entered into amending agreements with holders of its Senior Notes and the syndicate of lenders under the Credit Facility. The principal amendments to the agreements with the holders of the Senior Notes and to the Credit Facility were as follows:

a) an increase in the Company's permitted Total Debt to EBITDA covenant (the "Leverage Ratio") (currently a maximum of 3.00 to 1.00) to 4.25 to 1.00 for the fiscal quarters ending September 30, 2016 and December 31, 2016;

b) at the Company's option, an increase in the Leverage Ratio to 3.75 to 1.00 and 3.5 to 1.00 for the quarters ending March 31, 2017 and June 30, 2017, respectively;

c) increased interest rates and standby and other fees payable to Senior Notes holders, and under the Credit Facility during any period when the Company is permitted an increased Leverage Ratio (an "Increased Leverage Period");

d) a reduction in the size of the Credit Facility from US$400 million to US$325 million; and

e) a change to the definition of the Leverage Ratio, which currently permits deductions from Total Debt of up to US$75 million in letters of credit which are performance guarantees ("Performance Guarantees"), to permt deduction from Total Debt of up to US$100 million in Performance Guarantees on a permanent basis and up to US$150 million in Performance Guarantees on a temporary basis during any Increased Leverage Period.

The Company incurred fees and expenses to implement these amendments of $2.1 million in the second quarter of 2016.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the Unsecured Committed Bank Credit Facility. Specifically, the Company is required to maintain an Interest Coverage Ratio (EBITDA plus rental payments divided by interest expense plus rental payments) of more than 2.50 to 1 and Leverage Ratio of less than 3.00 to 1. The Company was in compliance with these covenants as at June 30, 2016 and December 31, 2015.

15 Long-term Debt

The Senior Notes balance as at June 30, 2016 is $353.3 million (US$271.8 million) (December 31, 2015 – $485.1 million (US$350.0 million)). The Senior Notes have been designated as a hedge of the Company's net investment in its US dollar functional currency subsidiary as described in note 5.

The Company has undertaken to maintain certain covenants in respect of the Senior Notes that are consistent with the debt covenants described for the Company's Credit Facility. The Company was in compliance with these covenants as at June 30, 2016 and December 31, 2015. Please refer to note 14 for a description of the changes made to the debt in respect of the Senior Notes during May 2016.

16 Commitments and Contingencies

Legal Claims

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

Performance, Bid and Surety Bonds

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

The Company utilizes the Credit Facility to support its bonds. The Company has utilized total credit facilities of $68.6 million as at June 30, 2016 (December 31, 2015 – $132.1 million) for support of its bonds. In addition, as at June 30, 2016, the Company had $98.1 million of outstanding surety bonds through insurance companies (December 31, 2015 – $130.8 million).

17 Share Capital

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

(in thousands of Canadian dollars)		
Number of Shares		
Balance, December 31, 2015		**64,521,301**
Issued on exercise of stock options		**66,300**
Issued on exercise of RSUs		**6,748**
Balance, June 30, 2016		**64,594,349**
Stated Value:		
Balance, December 31, 2015	**$**	**534,484**
Proceeds from exercise of stock options		**1,644**
Compensation cost on exercised stock options		**541**
Compensation cost on exercised RSUs		**178**
Balance, June 30, 2016	**$**	**536,847**

(in thousands of Canadian dollars)		
Number of Shares		
Balance, December 31, 2014		64,493,849
Issued on exercise of stock options		24,130
Issued on exercise of RSUs		3,322
Balance, December 31, 2015		64,521,301
Stated Value:		
Balance, December 31, 2014	$	533,660
Issued on exercise of stock options		508
Compensation cost on exercised stock options		197
Compensation cost on exercised RSUs		119
Balance, December 31, 2015	$	534,484

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

Dividends declared and paid were as follows:

(Dollar amounts per share)	**Three Months Ended June 30,**				**Six Months Ended June 30,**			
		2016		2015		**2016**		2015
Dividends declared and paid to shareholders	**$**	**9,689**	$	9,677	**$**	**19,322**	$	19,352
Dividends declared and paid per share	**$**	**0.15**	$	0.15	**$**	**0.30**	$	0.30