

ShawCor Ltd.

Interim Consolidated Financial Statements
(Unaudited)

March 31, 2012

(in thousands of Canadian dollars)

ShawCor Ltd.
Interim Consolidated Balance Sheets
(Unaudited)

(in thousands of Canadian dollars)	March 31, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents (note 5)	\$ 380,190	\$ 56,731
Short-term investments (note 6)	130,423	10,545
Accounts receivable	301,947	279,324
Income taxes receivable	12,793	15,981
Inventories	153,399	146,786
Prepaid expenses	17,639	20,970
Derivative financial instruments	292	270
	996,683	530,607
Non-current Assets		
Property, plant and equipment	296,155	299,118
Intangible assets	84,622	86,362
Investment in associate (note 7)	31,322	30,095
Deferred income taxes	29,221	30,058
Other assets (note 8)	26,250	26,691
Goodwill	217,991	220,334
	685,561	692,658
	\$ 1,682,244	\$ 1,223,265
LIABILITIES AND EQUITY		
Current Liabilities		
Bank Indebtedness (note 11)	\$ 833	\$ 12,281
Loan payable (note 14)	5,306	5,001
Accounts payable and accrued liabilities	162,033	155,796
Provisions	21,008	12,317
Income taxes payable	39,534	35,334
Derivative financial instruments	449	419
Deferred revenue (note 9)	191,021	27,446
Obligations under finance lease	127	165
	420,311	248,759
Non-current Liabilities		
Obligations under finance lease	80	103
Provisions	41,534	50,859
Deferred revenue (note 9)	284,363	–
Derivative financial instruments (note 7)	2,676	2,499
Deferred income taxes	54,535	56,984
	383,188	110,445
	803,499	359,204
Commitments and contingencies (note 11)		
Equity		
Share capital (note 12)	221,132	218,381
Contributed surplus	16,129	16,391
Retained earnings	671,771	654,062
Non-controlling interest	8,496	7,473
Accumulated other comprehensive loss	(38,783)	(32,246)
	878,745	864,061
	\$ 1,682,244	\$ 1,223,265

The accompanying notes are an integral part of these interim consolidated financial statements.

ShawCor Ltd.
Interim Consolidated Statements of Income
(Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended	
	March 31,	
	2012	2011
Revenue		
Sale of products	\$ 104,481	\$ 69,328
Rendering of services	207,787	210,138
	312,268	279,466
Cost of Goods Sold	193,774	174,412
Gross Profit	\$ 118,494	\$ 105,054
Selling, general and administrative expenses	71,976	61,646
Research and development expenses	3,105	2,917
Foreign exchange losses (gains)	845	(1,348)
Amortization of property, plant and equipment	9,905	9,998
Amortization of intangible assets	1,808	1,742
Income from Operations	\$ 30,855	\$ 30,099
(Gain) loss on long-term investment	(1,268)	1,439
Finance costs, net	413	1,013
Income before Income Taxes	\$ 31,710	\$ 27,647
Income Taxes	7,550	7,162
Net Income for the Period	\$ 24,160	\$ 20,485
Net Income Attributable to:		
Shareholders of the Company	\$ 23,274	\$ 20,485
Non-controlling interests	886	–
Net Income for the Period	\$ 24,160	\$ 20,485
Earnings per share (note 15)		
Basic	\$ 0.33	\$ 0.29
Diluted	\$ 0.33	\$ 0.29
Weighted Average Number of Shares Outstanding		
Basic	70,651	70,655
Diluted	71,306	71,761

The accompanying notes are an integral part of these interim consolidated financial statements.

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

(in thousands of Canadian dollars)	Three Months Ended	
	March 31,	
	2012	2011
Net Income for the Period	\$ 24,160	\$ 20,485
Other Comprehensive Loss		
Unrealized loss on translation of foreign operations	(7,196)	(1,463)
Gain on hedges of unrealized foreign currency	–	533
Other comprehensive income attributable to investment in associate	796	–
Income tax on other comprehensive income (loss)		
Gain on hedges of unrealized foreign currency	–	(91)
Other Comprehensive Loss for the Period, net of	(6,400)	(1,021)
Comprehensive Income for the Period	\$ 17,760	\$ 19,464
Comprehensive Income Attributable to:		
Shareholders of the Company	16,737	19,464
Non-controlling interests	1,023	–
Comprehensive Income for the Period	\$ 17,760	\$ 19,464

The accompanying notes are an integral part of these interim consolidated financial statements.

ShawCor Ltd.

Interim Consolidated Statements of Shareholders' Equity (Unaudited)

(in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Non-Controlling Interest	Accumulated other comprehensive loss	Total Shareholders' equity
December 31, 2011	\$ 218,381	\$ 16,391	\$ 654,062	\$ 7,473	\$ (32,246)	\$ 864,061
Net income for the period	–	–	23,274	886	–	24,160
Issued on exercise of stock options	2,000	–	–	–	–	2,000
Compensation cost on exercised options	736	(736)	–	–	–	–
Compensation cost on exercised RSUs	15	(15)	–	–	–	–
Stock-based compensation	–	489	–	–	–	489
Other comprehensive income (loss)	–	–	–	137	(6,537)	(6,400)
Dividends paid	–	–	(5,565)	–	–	(5,565)
March 31, 2012	\$ 221,132	\$ 16,129	\$ 671,771	\$ 8,496	\$ (38,783)	\$ 878,745
December 31, 2010	\$ 206,775	\$ 18,144	\$ 644,191	–	\$ (36,867)	\$ 832,243
Net income for the period	–	–	20,485	–	–	20,485
Issued on exercise of stock options	1,821	–	–	–	–	1,821
Compensation cost on exercised options	591	(591)	–	–	–	–
Stock-based compensation	–	520	–	–	–	520
Other comprehensive loss	–	–	–	–	(940)	(940)
Dividends paid	–	–	(5,213)	–	–	(5,213)
March 31, 2011	\$ 209,187	\$ 18,073	\$ 659,463	–	\$ (37,807)	\$ 848,916

The accompanying notes are an integral part of these interim consolidated financial statements.

ShawCor Ltd.
Interim Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended	
	March 31,	
	2012	2011
Operating Activities		
Net income for the period	\$ 24,160	\$ 20,485
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	9,905	9,998
Amortization of intangible assets	1,808	1,742
Amortization of long-term prepaid expenses	154	149
Decommissioning obligations expense	593	116
Other provision (recovery) expenses	(2,751)	816
Stock-based and incentive based compensation (note 13)	2,222	1,723
Deferred income taxes	(1,611)	4,199
Loss on disposal of property, plant and equipment	35	181
Loss on derivative financial instruments	185	87
Accretion expense on deferred purchase	197	183
(Gain) loss on investment in associate (note 7)	(1,268)	1,439
Settlement of decommissioning liabilities	(249)	–
Settlement of other provisions	(144)	(350)
Increase in non-current deferred revenue (note 9)	284,363	–
Net change in employee future benefits (note 10)	702	–
Net change in non-cash working capital and foreign exchange	149,701	(27,262)
Cash Provided by Operating Activities	\$ 468,002	\$ 13,506
Investing Activities		
Net purchase of short-term investments (note 6)	(119,878)	–
Purchases of property, plant and equipment	(9,613)	(12,068)
Proceeds on disposal of property, plant and equipment	212	–
Increase in intangible assets	(35)	–
(Decrease) increase in other assets (note 8)	(45)	12
Investment in associate (note 7)	–	(9,085)
Cash Used in Investing Activities	\$ (129,359)	\$ (21,141)
Financing Activities		
Repayment of bank indebtedness	(11,448)	–
Repayment of obligations under finance lease	(61)	(111)
Issuance of shares	2,000	1,333
Dividend paid to shareholders	(5,565)	(5,213)
Cash Used in Financing Activities	\$ (15,074)	\$ (3,991)
Effect of Foreign Exchange on Cash and Cash	\$ (110)	\$ (2,412)
Net Increase (decrease) in Cash and Cash Equivalents for the period	323,459	(14,038)
Cash and Cash Equivalents - Beginning of Period	56,731	155,998
Cash and Cash Equivalents - End of Period	\$ 380,190	\$ 141,960

The accompanying notes are an integral part of these interim consolidated financial statements.

ShawCor Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

1. Corporate information

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 seven divisions with over 70 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 4.

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

2. Basis of preparation and adoption of International Financial Reporting Standards

The Company prepares its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these interim consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2011 ("Annual Consolidated Financial Statements"). The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of March 31, 2012.

Basis of presentation and consolidation

The interim consolidated financial statements have been prepared on the historical cost basis, except for certain non-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.

These 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 proportionate share in joint ventures.

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 the consolidated financial statements, are described in note 3 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 and joint ventures to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses have been eliminated upon consolidation.

The interim consolidated financial statements and accompanying notes as at and for the three-month period ended March 31, 2012 were authorized for issue by the Company's Board of Directors on May 8, 2012.

ShawCor Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

3. Accounting standards issued but not yet applied

IAS 1 Presentation of Financial Statements

The IASB amended *IAS 1, Presentation of Financial Statements*, by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to profit and loss will be separated from items that will not. The standard is effective for financial years beginning on or after July 1, 2012 with early adoption permitted. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements and has not yet determined whether it will adopt the standard early.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, was issued in November 2009 and 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.

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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 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 U.S. Generally Accepted Accounting Principles 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.

ShawCor Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

4. 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 operating income or loss in the consolidated financial statements. Finance costs and income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at March 31, 2012, 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.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment comprises the following business units:

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

Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the following business units:

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

Financial and Corporate

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

ShawCor Ltd.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Segment

The following table sets forth information for revenue and income from operations by segment for the three months ended March 31:

(in thousands of Canadian dollars)	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Eliminations and Adjustments		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue										
External	274,858	246,425	37,410	33,041	–	–	–	–	312,268	279,466
Inter-segment	39	44	343	320	–	–	(382)	(364)	–	–
	274,897	246,469	37,753	33,361	–	–	(382)	(364)	312,268	279,466
Income (loss) from operations	\$ 37,547	\$ 34,661	\$ 5,041	\$ 3,525	\$ (11,733)	\$ (8,087)	\$ –	\$ –	\$ 30,855	\$ 30,099

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

(in thousands of Canadian Dollars)	March 31, 2012	December 31, 2011
Pipeline and Pipe Services	\$ 1,344,183	\$ 1,043,722
Petrochemical and Industrial	115,299	75,218
Financial and Corporate	928,498	812,480
Elimination and adjustments	(705,736)	(708,155)
	\$ 1,682,244	\$ 1,223,265

5. Cash and Cash Equivalents

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

(in thousands of Canadian Dollars)	March 31, 2012	December 31, 2011
Cash	\$ 211,267	\$ 56,731
Cash equivalents	168,923	–
	\$ 380,190	\$ 56,731

6. Short Term Investments

Short term investments consist of liquid financial instruments with a maturity date greater than 90 days and less than one year.

ShawCor Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

7. Investment in Associate

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

(in thousands of Canadian Dollars)	March 31, 2012	December 31, 2011
Investment in company subject to significant influence	\$ 31,322	\$ 30,095
	\$ 31,322	\$ 30,095

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

On July 2, 2010, the Company made an equity investment in Fineglade Limited (Ireland) ("Fineglade") in the amount of U.S.\$24.7 million (CDN\$25.7 million at the then current exchange rate) to form an investor group with two private equity firms, 4D Global Energy Investments of Paris, France, and Sophia Capital of Buenos Aires, Argentina, with the Company holding a 40% interest in the investor group. Fineglade was formed to complete a share capital investment in Socotherm S.p.A ("Socotherm") and has resulted in Fineglade attaining a 95% ownership interest in Socotherm. The Company also entered into a shareholders' agreement with the other shareholders of Fineglade that provides the Company with significant influence over the strategic operating, investing and financing activities of Fineglade, without having joint control.

During the fourth quarter of 2010, the Company made an incremental investment in Fineglade of U.S.\$5.1 million (\$5.2 million at the then current exchange rate) as its pro rata share of a secured bridge loan provided by Fineglade to Socotherm, and a further investment in Socotherm of U.S.\$3.3 million (\$3.4 million at the then current exchange rate) to discharge additional liabilities. On October 29, 2010, the court of Vicenza issued a homologation decree that approved the share capital investment, and the acquisition between the investor group and Socotherm was subsequently completed.

During the year ended December 31, 2011, the Company invested an additional U.S.\$10.7 million (\$10.5 million at the then current exchange rate) in Fineglade as its pro rata share of a potential future capital increase by Fineglade in Socotherm. For the year ended December 31, 2011, the Company incurred an investment loss on its investment in Fineglade in the amount of \$10.1 million. In addition, the Company recorded its pro-rata share of Fineglade's other comprehensive income (loss) in the amount of \$0.8 million for the quarter ended March 31, 2012 (for the year ended December 31, 2011 – \$3.1 million).

In connection with the investment in Fineglade, the Company also entered into a financial instruments agreement that may result in the Company increasing its ownership in Fineglade after January 1, 2013. The net fair value of the financial instruments as at March 31, 2012 was \$2.7 million (December 31, 2011 – \$2.5 million) and this long-term liability has been classified under long-term derivative financial instruments, a financial liability through profit and loss, on the consolidated balance sheet.

During the third quarter of 2011, the Company advanced a loan to Fineglade in the amount of U.S.\$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 three month LIBOR rate plus 2.0%. During the fourth quarter of 2011, the Company advanced a loan to Fineglade in the amount of U.S.\$2.0 million (\$2.1 million at the then current exchange rate), payable on demand and bearing an upfront fee of 2%. The interest on this loan is fixed at 4% of the principal amount.

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Notes to the Interim Consolidated Financial Statements

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8. Other Assets

The following table details the other assets as at:

(in thousands of Canadian dollars)	March 31, 2012	December 31, 2011
Long-term prepaid expenses	\$ 9,011	\$ 9,146
Long-term notes receivable ^(a)	3,785	3,845
Long-term loan to associate ^(b)	10,581	10,824
Defined employee future benefit asset	2,873	2,876
	\$ 26,250	\$ 26,691

- (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 US 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.
- (b) Long-term loan to Fineglade Limited.

9. Deferred Revenue

During the quarter ended March 31, 2012, certain customers provided advance payments on long term contracts, taking the total value of deferred revenue to \$475.4 million. Of this amount \$191.0 million is included in current liabilities and \$284.4 million in long term liabilities.

10. Employee Future Benefits

The Company's cost under both defined benefit and defined contribution arrangements included in selling, general and administrative expenses for the three-month period ended March 31, 2012 was \$2.5 million (three-month period ended March 31, 2011 – \$2.3 million).

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

The Company utilizes its credit facilities to support its bonds. The Company had utilized credit facilities of \$83.3 million as at March 31, 2012, and \$73.8 million as at December 31, 2011, for support of its bonds.

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Notes to the Interim Consolidated Financial Statements
(Unaudited)

Unsecured Credit Facilities

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

(in thousands of Canadian dollars)	March 31, 2012	December 31, 2011
Bank indebtedness ^(a)	\$ 833	\$ 12,281
Standard letters of credit for performance, bid and surety	82,438	61,555
Total utilized credit facilities	83,271	73,836
Total available credit facilities ^(b)	231,772	236,168
Unutilized credit facilities	\$ 148,501	\$ 162,332

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

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

On June 22, 2011, the Company renewed its Unsecured Committed Bank Credit Facility for a period of four years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was reduced by US\$40.0 million from US\$190.0 million to US\$150.0 million, with an option to increase the credit limit to US\$200.0 million with the consent of lenders.

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 a Fixed Charge Coverage Ratio (Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") divided by interest expense) of more than 2.5 to 1 and a debt to total capitalization ratio of less than 0.40 to 1. The Company was in compliance with these covenants as at March 31, 2012 and December 31, 2011.

ShawCor Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

12. Share capital

The following table sets forth the Company's shares outstanding:

(all dollar amounts in thousands of Canadian dollars)				2012
	Class A	Class B	Total	
Number of shares				
Balance, December 31, 2011	57,832,572	12,784,335	70,616,907	
Issued on exercise of stock options	106,120	–	106,120	
Issued on exercise of RSUs	491	–	491	
Balance, March 31, 2012	57,939,183	12,784,335	70,723,518	
Stated value:				
Balance, December 31, 2011	\$ 217,398	\$ 983	\$	218,381
Issued on exercise of stock options	2,000	–	2,000	
Compensation cost on exercised options	736	–	736	
Compensation cost on exercised RSUs	15	–	15	
Balance, March 31, 2012	\$ 220,149	\$ 983	\$	221,132
(all dollar amounts in thousands of Canadian dollars)				2011
	Class A	Class B	Total	
Number of Shares				
Balance, December 31, 2010	57,578,299	13,058,073	70,636,372	
Issued on exercise of stock options	622,380	–	622,380	
Issued on exercise of RSUs	255	–	255	
Conversions of Class B into Class A	273,738	(273,738)	–	
Purchase – normal course issuer bid	(642,100)	–	(642,100)	
Balance, December 31, 2011	57,832,572	12,784,335	70,616,907	
Stated Value				
Balance, December 31, 2010	\$ 205,772	\$ 1,003	\$	206,775
Issued - stock options	9,878	–	9,878	
Compensation cost on exercised options	4,122	–	4,122	
Compensation cost on exercised RSUs	7	–	7	
Conversions of Class B into Class A	20	(20)	–	
Purchase – Normal Course Issuer Bid	(2,401)	–	(2,401)	
Balance, December 31, 2011	\$ 217,398	\$ 983	\$	218,381

All shares issued have been fully paid, and have no par value.

There are an unlimited number of Class A subordinate voting shares ("Class A shares") and Class B multiple voting shares ("Class B shares") authorized. Holders of Class A shares are entitled to one vote per share and receive a non-cumulative dividend

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premium of 10% of the dividends paid to holders of Class B shares. Holders of Class B shares are entitled to ten votes per share and are convertible at any time into Class A shares on a one-for-one basis.

Under the terms of the Normal Course Issuer Bid ("NCIB"), the Company was entitled to repurchase up to 2,000,000 Class A shares and up to 100,000 Class B shares between December 1, 2010 and November 30, 2011.

The NCIB was renewed on November 30, 2011 entitling the Company to repurchase up to 3,000,000 Class A shares and up to 100,000 Class B Shares between December 1, 2011 and November 30, 2012.

During the year ended December 31, 2011, 642,100 Class A shares were repurchased and cancelled for total consideration of \$16.5 million.

During the three months ended March 31, 2012, the Company did not repurchase and cancel any Class A or Class B shares under the NCIB.

In 2012, dividends declared and paid for the three months ended March 31, 2012 were \$0.080 per Class A share and \$ 0.073 per Class B share (three months ended March 31, 2011 - \$0.075 per Class A share and \$0.068 per Class B share).

13. Share-based and other incentive-based compensation

As at March 31, 2012, the Company had the following two stock option plans, both of which were initiated in 2001:

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

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

On March 3, 2011, the Board modified the Amended 2001 Employee Plan (the "Restated 2001 Employee Plan") to facilitate the cashless exercise of stock options and SARs by the holders of such instruments.

- ii. Under the Company's 2001 director plan (the "2001 Director Plan"), options are granted on an annual basis and the maximum number of Class A shares issued in any single grant shall be equal to the number of Class A shares and Class B shares of the Company owned by the individual director, at the date of the option grant, subject to a maximum of 8,000 Class A shares for each of the Chairman and Vice Chair, and 4,000 Class A shares for each of the other eligible directors. The options vest immediately and have a legal life of five years. The grant price equals the closing sale price of the Class A shares on the day prior to the grant. No options have been granted under the 2001 Director Plan since 2006 and none are currently outstanding.

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A summary of the status of the Company's stock option plan changes during the year is presented below:

Stock Options without Tandem Share Appreciation Rights

	Three Months Ended March 31, 2012		Year Ended December 31, 2011	
	Total shares	Weighted average exercise price	Total shares	Weighted average exercise price
Balance outstanding, beginning of period	2,164,600	\$ 20.67	2,702,160	\$ 18.93
Granted	187,000	32.81	102,260	37.32
Exercised	(106,120)	18.85	(622,380)	15.87
Forfeited	(30,200)	21.47	(17,440)	20.06
Balance outstanding, end of period	2,215,280	21.77	2,164,600	20.67
Options exercisable	1,681,232	\$ 20.04	1,548,020	\$ 19.35

2012	Options outstanding			Options exercisable		
	Range of exercise price	Outstanding as at March 31, 2012	Weighted average remaining contractual life (years)	Weighted average exercise price	Exercisable as at March 31, 2012	Weighted average exercise price
	\$10.00 to \$15.00	246,000	1.43	\$ 12.05	246,000	\$ 12.05
	\$15.01 to \$20.00	969,780	4.57	16.32	791,380	16.48
	\$20.01 to \$25.00	44,000	4.30	21.00	38,000	20.85
	\$25.01 to \$30.00	636,240	5.30	27.68	567,400	27.41
	\$30.01 to \$35.00	217,000	9.20	32.67	18,000	31.77
	\$35.01 to \$40.00	102,260	8.75	37.32	20,452	37.32
		2,215,280	5.07	\$ 21.77	1,681,232	\$ 20.04

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2011	Options outstanding			Options exercisable		
	Range of exercise price	Outstanding as at December 31, 2011	Weighted average remaining contractual life (years)	Weighted average exercise price	Exercisable as at December 31, 2011	Weighted average exercise price
\$10.00 to \$15.00	247,200	1.68	\$ 12.06	247,200	\$ 12.06	
\$15.01 to \$20.00	1,065,380	4.61	16.32	781,580	16.58	
\$20.01 to \$25.00	44,000	4.55	21.00	38,000	20.85	
\$25.01 to \$30.00	675,760	5.54	27.65	463,240	27.31	
\$30.01 to \$35.00	30,000	6.00	31.77	18,000	31.77	
\$35.01 to \$40.00	102,260	9.00	37.32	–	–	
	2,164,600	4.79	\$ 20.67	1,548,020	\$ 19.35	

The Board of Directors approved the granting of 187,000 stock options during the three months ended March 31, 2012 under the 2001 Employee Plan. The total weighted average fair value of the stock options granted during the three months ended March 31, 2012 was \$2.0 million (three months ended March 31, 2011 – \$1.3 million) and was calculated using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended March 31,	
	2012	2011
Weighted average share price	\$ 32.81	\$ 36.31
Exercise price	\$ 32.81	\$ 37.32
Expected life of options	7.25	7.25
Expected stock price volatility	35%	35%
Expected dividend yield	0.9%	0.8%
Risk-free interest rate	1.7%	3.2%

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the last ten years.

The fair value of options granted under the Plan will be amortized to compensation expense over the five-year vesting period of options. The compensation cost from the amortization of granted stock options for the three months ended March 31, 2012, included in selling, general and administrative expenses, was \$0.3 million (three months ended March 31, 2011 – \$0.4 million).

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Stock Options with Tandem Share Appreciation Rights

	Three Months Ended March 31, 2012		Year Ended December 31, 2011	
	Total Shares	Weighted average fair value ^(a)	Total Shares	Weighted average fair value ^(a)
Balance outstanding, Beginning of period	154,300	\$ 12.93	118,500	\$ 12.94
Granted	68,900	11.74	35,800	12.89
Balance outstanding, End of period	223,200	12.56	154,300	12.93
Options exercisable	54,560	\$ 9.56	–	\$ –

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

The mark-to-market liability for the stock options with SARs as at March 31, 2012 is \$0.7 million (December 31, 2011 - \$0.6 million), all of which is included in provisions on the interim 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 and two new plans, the Value Growth Plan ("VGP") and the Employee Share Unit Plan ("ESUP").

VGP

The VGP is a cash-based awards plan, which rewards executives and key employees for improving operating income and revenue over a three year performance period. Units granted to participants vest 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 income and revenue 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 liability as at March 31, 2012 is \$3.8 million (December 31, 2011 - \$2.6 million).

ESUP

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

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The following table sets forth the Company's RSU reconciliation as at the periods indicated:

	March 31, 2012		December 31, 2011	
	Total Shares	Weighted average fair value^(a)	Total Shares	Weighted average fair value^(a)
Balance outstanding, beginning of period	93,289	\$ 30.34	53,563	\$ 26.51
Granted	55,411	31.68	40,772	35.30
Exercised	(491)	30.82	(255)	27.69
Forfeited	(6,138)	31.74	(791)	27.69
Balance outstanding – End of year	142,071	\$ 30.80	93,289	\$ 30.34
RSUs exercisable	15,996	\$ 30.00	6,057	\$ 26.72

(a) RSU awards do not have an exercise price; as a result, weighted average grant date fair value has been calculated.

DSU

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

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

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

	March 31, 2012		December 31, 2011	
	Total Shares	Weighted average grant date fair value^(a)	Total Shares	Weighted average grant date fair value^(a)
Balance outstanding, Beginning of period	60,924	\$ 28.45	30,260	\$ 29.53
Granted	9,072	31.52	36,910	28.26
Exercised ^(b)	–	–	(6,246)	32.55
Balance outstanding, End of period	69,996	\$ 28.85	60,924	\$ 28.45
DSUs exercisable	–	–	–	–

(a) DSU awards do not have an exercise price; as a result, weighted average grant date fair value has been calculated.

(b) DSU awards cannot be exercised while the director is still a member of the Board of Directors.

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The mark-to-market liability for the DSUs as at March 31, 2012 is \$2.2 million (December 31, 2011 - \$1.8 million), all of which is included in the provision accounts on the interim consolidated balance sheets.

Incentive-based compensation

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

(in thousands of Canadian dollars)	Three Months Ended	
	2012	March 31, 2011
Stock option expense	\$ 292	\$ 395
VGP expense	1,194	856
DSU expense	438	237
RSU expense	196	128
SAR expense	102	107
Total incentive-based compensation expense	\$ 2,222	\$ 1,723

14. Interest in joint ventures

The following table presents the joint venture interests of the Company as at March 31, 2012, which have been consolidated proportionately:

Legal Entity	Country of incorporation	Activity	Proportion of interest held
Hal Shaw Inc.	USA	Pipe coating	50%
Arabian Pipecoating Company Ltd.	Saudi Arabia	Pipe coating	30%
Shaw & Shaw Ltd.	Canada	Pipe coating	83%
Helicone Holdings Ltd.	Russia	Pipe coating	25%

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The following table presents the Company's share of the assets, liabilities, income, expenses and cash flows of the jointly controlled entities described above for the periods indicated.

(in thousands of Canadian dollars)	Three Months Ended	
	March 31,	
	2012	2011
Revenue	\$ 6,860	\$ 4,469
Operating expenses	6,057	5,272
Income (loss) before income taxes	803	(803)
Income tax expense (recovery)	112	(78)
Net Income (loss)	\$ 691	\$ (725)
Cash provided by (used in)		
Operating activities	\$ (1,174)	\$ 60
Investing activities	\$ 281	\$ (102)
Financing activities	\$ 305	\$ 278

The following table presents the Company's share of the assets and liabilities of the jointly controlled entities as at the periods indicated:

(in thousands of Canadian dollars)	March 31,	December 31,
	2012	2011
Current assets	\$ 22,719	\$ 21,981
Non-current assets	5,443	5,687
Total assets	\$ 28,162	\$ 27,668
Current liabilities	\$ 11,672	\$ 11,089
Non-current liabilities	778	769
Total liabilities	\$ 12,450	\$ 11,858
Net assets	\$ 15,712	\$ 15,810

The Company's Russian joint venture has a loan from OOO ArkhTekhnoProm in the amount of 600 million Russian roubles (\$21.3 million at the then current exchange rate) payable on demand. The Company's portion of this loan that has been proportionately consolidated and included on the interim consolidated balance sheet as at March 31, 2012 is \$5.3 million or 156 million Russian roubles at the current exchange rate (December 31, 2011 – \$5.0 million or 156 million Russian roubles at the then current exchange rate). Interest is calculated on this loan at 9.625% per annum and is to be paid over the period of actual use. In the event that the Company's Russian joint venture fails to repay the outstanding loan within the time specified by the loan agreement, a penalty in the amount of 24% per annum will be assessed on the outstanding loan amount on a daily basis.

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15. Earnings per share ("EPS")

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 per share amounts)	March 31, 2012	March 31, 2011
Net income used to calculate EPS		
Net income for the period	\$ 23,274	\$ 20,485
Average number of shares outstanding – basic		
Class A	57,867	57,597
Class B	12,784	13,058
	70,651	70,655
Dilutive effect of stock options		
Class A	655	1,106
Class B	–	–
	655	1,106
Average number of shares outstanding – diluted		
Class A	58,522	58,703
Class B	12,784	13,058
	71,306	71,761
Basic EPS	\$ 0.33	\$ 0.29
Diluted EPS	\$ 0.33	\$ 0.29

16. Subsequent Event

On April 18, 2012, 4D Global Energy Investments sold its 30% interest in Fineglade to Sophia Capital. Fineglade Limited, which currently holds 96% of the outstanding shares of Socotherm S.P.A., is now owned 40% by the Company and 60% by Sophia Capital. The Company and Sophia Capital also agreed on certain arrangements that will govern Fineglade, pursuant to which the Company has provided a €45 million secured loan to Sophia Capital due in 2013. Under these new arrangements, Socotherm will have a five person Board of Directors, two of which will be nominated by the Company. The Company and Sophia Capital have also entered into a put and call agreement whereby, commencing in 2013 and continuing for three years, Sophia Capital could require the Company to purchase Sophia Capital's 60% interest in Fineglade and the Company could require Sophia Capital to sell such interest to the Company at a formula price based, in part, on events transpiring throughout the remainder of this year.

17. Comparative interim consolidated financial statements

The comparative interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 interim consolidated financial statements in accordance with IFRS.