

**SHAWCOR LTD.**  
**(TSX: SCL.A, SCL.B)**
**May 11, 2009**
**PRESS RELEASE**
**SHAWCOR LTD. ANNOUNCES FIRST QUARTER 2009 RESULTS**
**Financial Summary**

(In thousands of Canadian dollars except per share amounts)	Three Months Ended Mar. 31	
	2009	2008 Restated (note 1)
<b>Operating Results</b>		
Revenue	\$ 307,464	\$ 293,357
EBITDA (note 2)	66,671	54,291
Operating income from continuing operations	50,434	40,919
Income from continuing operations	31,520	26,921
Income (loss) from discontinued operations	21	(69)
Net income	31,541	26,852
Net income (loss) per share (Class A and B) – Basic		
Continuing operations	0.45	0.38
Discontinued operations	0.00	0.00
Total	0.45	0.38
Net income (loss) per share (Class A and B) - Diluted		
Continuing operations	0.45	0.37
Discontinued operations	0.00	0.00
Total	0.45	0.37
<b>Cash Flow</b>		
Cash from (used in) operating activities	38,745	(11,568)
Additions to property, plant and equipment	14,143	12,261
<b>Financial Position</b>		
Working capital	262,389	281,215
Total assets	1,221,270	1,018,685
Shareholders' equity per share (Class A and B) (note 3)	\$ 10.90	\$ 8.62

**Note 1: Restated for change in accounting policy. Refer to note 1 to the interim consolidated financial statements for the three months ended March 31, 2009.**

**Note 2: EBITDA is a non-GAAP measure calculated by adding back to income from continuing operations, the sum of interest (income)/expense, taxes and depreciation/amortization of property, plant and equipment and intangible assets. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures prescribed by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. The following is the calculation of EBITDA for the periods presented above:**

Income from continuing operations						31,520		26,921
Add (deduct):								
Income taxes						17,251		14,340
Interest (income) expense						1,663		87
Amortization of property, plant and equipment						15,142		12,943
Amortization of intangible assets						1,095		-
EBITDA						66,671		54,291

**Note 3: Shareholders' equity per share is a non-GAAP measure calculated by dividing shareholders' equity by the number of Class A and Class B shares outstanding at the date of the balance sheet.**

ShawCor Ltd. (“ShawCor” or the “Company”) is a growth-oriented, global energy services company specializing in technology-based products and services for the Pipeline and Pipe Services and the Petrochemical and Industrial markets. The Company operates seven divisions with over seventy manufacturing, sales and service facilities located around the world.

Consolidated revenue from continuing operations for the first quarter of 2009 totaled \$307.5 million, 4.8% higher than the first quarter of 2008, and reflected increased revenue in the Pipeline and Pipe Services segment of the Company primarily as a result of the impact of the weaker Canadian dollar on the translation of the Company’s U.S. dollar denominated revenue partially offset by lower revenue from the Company’s Petrochemical and Industrial segment. During the first quarter of 2009, the Canadian dollar was 22.9% weaker versus the U.S. dollar, on average, than in the first quarter of last year. The weakening of Canadian dollar on the translation of foreign currency operating results had a net favourable impact on revenue, income from continuing operations and net income of approximately \$26.9 million, \$9.9 million and \$8.3 million, respectively.

Net income in the quarter totaled \$31.5 million (\$0.45 per diluted share), compared to \$26.9 million (\$0.37 per diluted share) in the first quarter of last year, with the improvement reflecting the increased revenue in the quarter together with improved operating margins (operating income from continuing operations divided by revenue from continuing operations). Operating margins in the quarter improved 2.5 percentage points from the first quarter of last year as a result of strong performance in the Pipeline and Pipe Services segment where higher sales combined with lower fixed costs.

The Company’s backlog at March 31 2009 of \$402.4 million, declined 11.7% from the level at the beginning of the quarter as strong revenue exceeded new order bookings. While the backlog may decline further in subsequent quarters, bidding activity remains high and the Company continues to pursue several large offshore pipe coating projects. These projects, if awarded to the Company, could generate significant revenue growth in 2010 and beyond. Overall, consolidated revenue in 2009 is expected to be slightly below the record levels achieved in 2008; however, the Company expects that operating margins in 2009 will meet or exceed those achieved in 2008 as a result of several initiatives including programs to reduce costs and improve efficiencies.

## MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is management’s interim discussion and analysis of operations and financial position and should be read in conjunction with the Consolidated Financial Statements and Management’s Discussion and Analysis included in the Company’s 2008 Annual Report.

### Revenue, Income from Operations and Net Income

#### *Consolidated Results*

Three months ended (in thousands of Canadian dollars)	<b>Mar. 31 2009</b>	Dec. 31 2008 Restated (note)	Mar. 31 2008 Restated (note)
Revenue from continuing operations	<b>307,464</b>	433,853	293,357
Operating income from continuing operations	<b>50,434</b>	75,588	40,919
Operating margin	<b>16.4%</b>	17.4%	13.9%

Note: restated for change in accounting policy – refer to note 1 to the interim consolidated financial statements for the three months ended March 31, 2009.

### Current Quarter versus Q1 2008

Consolidated revenue from continuing operations for the first quarter of 2009 totaled \$307.5 million, 4.8% higher than in the first quarter of 2008 due to the impact of the weaker Canadian dollar which was partially offset by market declines in the Petrochemical and Industrial segment. During the first quarter of 2009, the Canadian dollar was, on average, 22.9% weaker compared with the U.S. dollar, than in the first quarter of last year, which on translating foreign currency operating results, favourably impacted revenue, income from continuing operations and net income by approximately \$26.9 million, \$9.9 million and \$8.3 million, respectively.

Operating income from continuing operations totaled \$50.4 million (16.4% of revenue from continuing operations) in the first quarter, representing a 23.3% increase over \$40.9 million (13.9% of revenue from continuing operations) achieved in the first quarter of last year, with the improvement reflecting the increased revenue in the period together with improved operating margins in the Pipeline and Pipe Services segment.

Net income in the quarter totaled \$31.5 million (\$0.45 per share, diluted) compared to \$26.9 million (\$0.37 per share, diluted) in the first quarter of 2008, with the improvement in earnings per share due to the higher net income together with the benefit of the reduction in shares outstanding due to the repurchase of 602 thousand Class A Subordinate Voting shares under the Normal Course Issuer Bid over the preceding twelve months.

### Current Quarter versus Q4 2008

Consolidated revenue from continuing operations in the first quarter of 2009 was 70.9% of the record level achieved in the prior quarter, and resulted from reduced pipeline project activity in the Pipeline and Pipe Services segment from the record level achieved in the prior quarter as well as a continued deterioration in the industrial markets served by the Petrochemical and Industrial segment.

Operating income from continuing operations in the first quarter was 66.7% of the level achieved last quarter and reflected the impact of the lower revenue together with a significant decrease in operating margins in the Petrochemical and Industrial segment as a result of low factory utilization.

Net income in the quarter decreased \$25.1 million or \$0.34 per share diluted, from the record \$56.6 million (\$0.79 per share, diluted) in the fourth quarter of 2008, in line with the lower operating income from continuing operations generated during the quarter.

ShawCor classifies its revenue and income from operations in two industry segments: Pipeline and Pipe Services, and Petrochemical and Industrial. Discussion of the operating results of each of these segments follows:

#### *Pipeline and Pipe Services*

Three months ended (In thousands of Canadian dollars)	<b>Mar. 31 2009</b>	Dec. 31 2008 Restated (note)	Mar. 31 2008 Restated (note)
Revenue from continuing operations	<b>\$279,951</b>	\$401,768	\$255,794
Operating income from continuing operations	<b>\$56,646</b>	\$75,636	\$37,822
Operating margin	<b>20.2%</b>	18.8%	14.8%

Note: restated for change in accounting policy – refer to note 1 to the interim consolidated financial statements for the three months ended March 31, 2009.

#### Current Quarter versus Q1 2008

In the Pipeline and Pipe Services segment, revenue in the first quarter of 2009 totaled \$280.0 million and was 9.4% higher than in the first quarter of last year, driven by strong results at Canusa-CPS and Guardian and the inclusion of \$16.8 million in revenue from Flexpipe Systems which was acquired on June 27, 2008. At Bredero Shaw, revenue in the first quarter of the year was unchanged from the first quarter of 2008 with the favourable impact of the weaker Canadian dollar on the translation of the division's mainly U.S. dollar-based revenue as well as growth in the division's Asia Pacific region offsetting a weakening of activity in the division's other regions. In the Asia Pacific region, revenue in the first quarter increased by 60.7% over the first quarter of the prior year as a result of the Pluto and Kumang Cluster pipe coating projects executed at the region's plant in Kuantan, Malaysia. In the America's region, revenue in the first quarter declined by 20.0% from the first quarter of last year. Key factors impacting revenue included small diameter pipe coating activity in Western Canada and the United States which declined by 41% and 19% respectively, and lower volumes of Canadian and U.S. transmission pipeline projects, partially offset by growth in Mexico. In the Europe, Africa and Russia region, and in the Middle East region, revenue in the quarter was 16.6% and 17.1% lower, respectively, than in the first quarter of 2008, reflecting reduced pipe coating project activity in those regions.

In the segment's other business units, revenue in the first quarter at Canusa-CPS increased 24.8% from the first quarter of 2008, on very strong project activity in markets outside of North America, while at Guardian, revenue increased 37.1% over levels in the first quarter of last year as a result of increased market share for Guardian's drill pipe inspection and refurbishment services in Western Canada. Revenue at Shaw Pipeline Services in the first quarter was 22.9% lower than in the same quarter of last year due to lower offshore pipeline weld inspection activity partially offset by stronger U.S. onshore activity.

Operating income from continuing operations in the quarter for the segment totaled \$56.6 million (20.2% of revenue from continuing operations) and increased 49.8% from the first quarter of 2008. The improvement resulted from higher revenue combined with operating margins that increased 5.4 percentage points over the 14.8% achieved in the first quarter of last year, a result of the favourable movement in the foreign currency to Canadian dollar translation rate, improved manufacturing efficiencies associated with higher factory utilization, and a \$7 million reduction in fixed costs at Bredero Shaw's Europe, Africa and Russia region.

#### Current Quarter versus Q4 2008

Revenue in the first quarter of the year in the Pipeline and Pipe Services segment was 30.3% lower than the record levels achieved in the prior quarter as a 35.7% increase at Canusa-CPS and a 1.2% increase at Guardian were offset by quarter-over-quarter decreases at the other divisions in the segment. Revenue in the quarter at Bredero Shaw decreased 35.6% from the fourth quarter of last year as a result of lower small diameter pipe coating volumes in North America and the impact of the winding down of several large diameter pipe coating projects in the Middle East and Europe, Africa and Russia regions. Revenue in the quarter at Shaw Pipeline Services decreased 45.3% from the prior quarter reflecting lower levels of offshore pipe girth weld inspection activity while at Flexpipe Systems, revenue in the quarter decreased 47.3% from the prior quarter, the result of lower demand for the division's small diameter composite pipe systems due to lower drilling activity in Western Canada and the United States and the build up of excessive inventories of small diameter steel line pipe throughout North America.

Operating income from continuing operations in the quarter was 25.1% lower than the level achieved in the prior quarter as a result of the reduction in revenue in the quarter partially offset by a quarter over quarter 1.4 percentage point improvement in operating margins. The first quarter operating margin of 20.2%, compared to 18.8% in the fourth quarter of 2008, was achieved despite the significant decrease in revenue with the improvement attributable to increased pipe coating project contribution margins at Bredero Shaw, the result of raw materials price reductions and improved manufacturing efficiencies, together with lower fixed costs and a \$6.8 million decrease in property plant and equipment amortization expense.

### *Petrochemical and Industrial*

Three months ended (In thousands of Canadian dollars)	<b>Mar. 31 2009</b>	Dec. 31 2008	Mar. 31 2008
Revenue from continuing operations	<b>\$29,318</b>	\$33,001	\$38,137
Operating income from continuing operations	<b>\$325</b>	\$2,527	\$6,075
Operating margin	<b>1.1%</b>	7.7%	15.9%

#### Current Quarter versus Q1 2008

In the Petrochemical and Industrial segment, revenue in the first quarter of 2009 totaled \$29.3 million and was 76.9% of the level in the first quarter of last year, due to reduced business activity levels at both DSG-Canusa and ShawFlex as a result of deteriorating conditions in industrial and automotive markets in North America and Western Europe. Operating income from continuing operations in the quarter for the segment totaled \$325 thousand (1.1% of revenue from continuing operations) compared to \$6.1 million (15.9% of revenue from continuing operations) in the first quarter of 2008 and reflected the impact of the lower revenue in the period.

#### Current Quarter versus Q4 2008

Revenue for the segment in the quarter was 11.2% lower than the level in the fourth quarter of last year reflecting the lower levels of business activity in the quarter. Operating income in the quarter decreased \$2.2 million from the prior quarter due to the impact of the decrease in revenue to near break-even levels, partially offset by \$1.1 million of fixed cost reductions in the quarter.

### *Financial and Corporate*

Financial and corporate costs consist of corporate office costs not charged to the operating divisions and other non-operating items including foreign exchange gains and losses on cash balances. Financial and corporate costs for the quarter, before net foreign exchange gains of \$1.4 million, totaled \$7.9 million compared to \$6.1 million in the first quarter of last year, before net foreign exchange gains of \$3.1 million. The increase in corporate costs reflects compensation and other costs associated with an increase in personnel active in the deployment of the Company's improvement programs.

### *Interest Expense*

Net interest expense totaled \$1.7 million in the quarter, compared to interest expense of \$87 thousand in the first quarter of 2008. The increase in expense from the first quarter of 2008 was a result of lower average cash balances due to the significant cash flows used in investing activities over the preceding twelve months.

### *Income Taxes*

Income tax expense related to continuing operations in the quarter was \$17.3 million, an effective rate of 35.4%, compared to \$14.3 million or an effective rate of 35.1% in the first quarter of last year and \$17.5 million, an effective rate of 23.8%, in the fourth quarter of 2008. The effective tax rate in the quarter was higher than the Company's expected tax rate of 31.0% as a result of foreign exchange capital losses for which the tax benefit was not recognized, together with the impact of a \$1.4 million increase to the Company's income tax reserve relating to potential tax liabilities associated with certain foreign jurisdictions.

### **Cash Flow**

Cash provided by continuing operating activities in the quarter totaled \$38.7 million, compared to \$76.8 million in the fourth quarter of 2008 and cash used in continuing operating activities of \$11.6 million in the first quarter of 2008 with the changes reflecting the changes in income from continuing operations as well as the movement in net working capital. During the quarter, the change in non-cash working capital and foreign exchange was an increase of \$11.9 million primarily as a result of increased prepaid project expenses and reduced taxes payable and deferred revenue.

Cash used in continuing investing activities in the quarter totaled \$14.0 million, compared to \$29.1 million last quarter and \$12.2 million in the first quarter of 2008, and was comprised of capital expenditures of \$14.1 million partially offset by proceeds received on the disposal of property, plant and equipment of \$98 thousand. Major capital additions in the quarter included \$1.8 million to expand Guardian's drill pipe threading and machining capacity, a \$1.8 million capacity expansion at Flexpipe Systems, a \$1.3 million insulation pipe coating upgrade in Kuantan, Malaysia, and \$1.4 million related to DSG-Canusa's new facility in China.

Cash used in continuing financing activities in the quarter totaled \$18.7 million, compared to \$50.4 million last quarter and \$16.2 million in the first quarter of 2008, and consisted of dividends paid to shareholders of \$4.5 million and the repayment in bank indebtedness of \$14.2 million.

### **Other Comprehensive Income**

Other comprehensive income in the quarter totaled \$7.3 million and was comprised of an unrealized foreign currency translation gain, net of hedging activities, resulting from the 0.8% weakening of the Canadian dollar versus the U.S. dollar from the beginning of the quarter.

### **Liquidity and Capitalization**

At March 31, 2009, the Company recorded a working capital ratio (the ratio of current assets to current liabilities) of 1.85 to 1 compared to 1.65 to 1 at December 31, 2008. Operating working capital, excluding cash, cash equivalents, bank indebtedness, the current portion of long-term debt, current future taxes and working capital of discontinued operations, increased \$13.4 million during the quarter to \$194.2 million, reflecting increased prepaid project expenses and lower taxes payable, and deferred revenue balances.

## Change in Accounting Policies

The following are changes in the Company's accounting policies which came into effect in the first quarter of 2009:

### a) Goodwill and Intangible Assets

On January 1, 2009, the Company adopted CICA Handbook section 3064, *Goodwill and Intangible Assets*. Also as of this date, as is required on adoption of this section, the Company no longer applies Emerging Issues Committee Abstract EIC-27, *Revenues and Expenditures During the Pre-operating Period*. As required, this accounting standard has been adopted retrospectively with restatement of prior year figures. The following adjustments were made to the Company's consolidated financial statements as a result of adopting this accounting standard:

### Change in Consolidated Balance Sheets:

(in thousands of Canadian dollars)	As at Dec. 31, 2008	As at Dec. 31, 2007
Increase in inventories	\$ 1,678	\$ 2,501
Decrease in other assets	(3,285)	(5,067)
Increase in future taxes	484	770
Decrease in total assets	<u>\$ (1,123)</u>	<u>\$ (1,796)</u>
Future income taxes	\$ -	\$ -
Decrease in retained earnings	(1,123)	(1,796)
Decrease in total liabilities and shareholders' equity	<u>\$ (1,123)</u>	<u>\$ (1,796)</u>

### Change in Consolidated Statement of Income:

(in thousands of Canadian dollars)	Three Months Ended March 31, 2008	
Increase in cost of goods sold	\$	300
Decrease in income taxes		(90)
Increase in income from continuing operations	<u>\$</u>	<u>210</u>
Increase in net income	<u>\$</u>	<u>210</u>
Earnings per share		
Basic		
Continuing operations	\$	0.00
Total	\$	0.00
Diluted		
Continuing operations	\$	0.00
Total	\$	0.00

The following is a description of the revised accounting policy adopted by the Company as a result of implementing this accounting change:

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

b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 1, 2009, the Company adopted EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The adoption of this accounting standard had no effect on the Company's consolidated financial statements.

### International Financial Reporting Standards

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

The Company has commenced the process to transition to IFRS and has developed a project plan, which was described in the Company's 2008 Annual Report to Shareholders.

The Company is currently engaged in the solution development phase of the project, which involves the training of project team members and the development of new IFRS accounting policies and implementation guidance. This phase of the project is expected to be completed by the end of the fourth quarter of 2009.

During the implementation phase, the Company will execute the changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting that will be required to implement IFRS. This phase of the project is expected to be completed by the end of the second quarter of 2010.

At this time, the impact on the Company's consolidated financial statements is not reasonably determinable.

### Financial Instruments

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 March 31, 2009:

<b>Maturity</b>	<b>Mar 31, 2009</b>
<i>(in thousands)</i>	
<b>U.S. dollars sold for Canadian dollars</b>	
Less than one year	US\$12,000
Weighted average rate	1.1099
One year to two years	US\$1,000
Weighted average rate	1.2006



**Euros sold for U.S. dollars**

One year to two years	Euro 2,150
Weighted average rate	1.4490
Two year to three years	Euro 2,200
Weighted average rate	1.4465

At March 31, 2009, the Company had notional amounts of \$23.3 million of forward contracts outstanding (December 31, 2008 - \$25.5 million) with the fair value of the Company's net obligation from all foreign exchange forward contracts totaling \$1.0 million (December 31, 2008 - \$1.5 million).

**Critical Accounting Estimates**

The preparation of the consolidated financial statements in conformity with Canadian Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. These estimates and assumptions are made with management's best judgment given the information available at the time; however, actual results could differ from the estimates. Critical estimates used in preparing the consolidated financial statements were materially unchanged during the quarter, as compared to those disclosed in the Company's last annual Management's Discussion and Analysis contained in the Company's 2008 Annual Report.

**Risks and Uncertainties**

Operating in an international environment, servicing predominantly the oil and gas industry, ShawCor faces a number of business risks and uncertainties that could materially adversely affect the Company's projections, businesses, results of operations and financial condition. There were no material changes in the nature or magnitude of such business risks during the quarter. A more complete outline of the risks and uncertainties facing the Company are included in the annual Management's Discussion and Analysis contained in the Company's 2008 Annual Report.

**Contractual Obligations**

There were no material changes to the Company's contractual obligations during the quarter, other than those that would be expected in the ordinary course of business.

## Summary of Quarterly Results

The following is a summary of selected financial information for the nine most recently completed quarters:

(In thousands of Canadian dollars  
except per share amounts)

	First	Second	Third	Fourth	Full Year
<b>Revenue</b> (Restated – see note below)					
2009	\$ 307,464	\$ -	\$ -	\$ -	\$ -
2008	293,357	295,118	357,249	433,853	1,379,577
2007	221,329	276,440	264,892	285,438	1,048,099
<b>Operating income from continuing operations</b> (Restated – see note below)					
2009	50,434	-	-	-	-
2008	40,919	27,189	52,315	75,588	196,011
2007	27,074	39,764	52,149	43,081	162,068
<b>Income from continuing operations</b> (Restated – see note below)					
2009	31,520	-	-	-	-
2008	26,952	17,825	33,962	56,013	134,722
2007	22,679	25,177	34,845	36,565	119,266
<b>Income (loss) from discontinued operations</b> (Restated – see note below)					
2009	21	-	-	-	-
2008	(69)	10,553	(82)	609	11,011
2007	(55)	(48)	(59)	(30,300)	(30,462)
<b>Net income</b> (Restated – see note below)					
2009	31,541	-	-	-	-
2008	26,852	28,378	33,880	56,623	145,733
2007	22,624	25,129	34,786	6,265	88,804
<b>Operating income from continuing operations per share (Classes A and B)</b> (Restated – see note below)					
<b>Basic</b>					
2009	0.72	-	-	-	-
2008	0.57	0.38	0.74	1.07	2.76
2007	0.37	0.55	0.73	0.60	2.23
<b>Diluted</b>					
2009	0.72	-	-	-	-
2008	0.57	0.38	0.73	1.07	2.74
2007	0.36	0.54	0.72	0.59	2.21
<b>Income from continuing operations per share (Classes A and B)</b> (Restated – see note below)					
<b>Basic</b>					
2009	0.45	-	-	-	-
2008	0.38	0.25	0.48	0.79	1.90
2007	0.31	0.35	0.49	0.51	1.64

**Operating income from continuing operations per share (Classes A and B)** (Restated – see note below)

<b>Diluted</b>					
<b>2009</b>	<b>0.45</b>	-	-	-	-
2008	0.37	0.25	0.47	0.78	1.88
2007	0.30	0.34	0.48	0.51	1.62

**Income (loss) from discontinued operations per share (Classes A and B)** (Restated – see note below)

<b>Basic</b>					
<b>2009</b>	<b>0.00</b>	-	-	-	-
2008	0.00	0.15	0.00	0.01	0.16
2007	0.00	0.00	0.00	(0.42)	(0.42)

<b>Diluted</b>					
<b>2009</b>	<b>0.00</b>	-	-	-	-
2008	0.00	0.15	0.00	0.01	0.15
2007	0.00	0.00	0.00	(0.42)	(0.41)

**Net income per share (Classes A and B)** (Restated – see note below)

<b>Basic</b>					
<b>2009</b>	<b>0.45</b>	-	-	-	-
2008	0.38	0.40	0.48	0.80	2.06
2007	0.31	0.35	0.49	0.09	1.22

<b>Diluted</b>					
<b>2009</b>	<b>0.45</b>	-	-	-	-
2008	0.37	0.40	0.47	0.79	2.03
2007	0.30	0.34	0.48	0.09	1.21

Note: Quarterly revenue and operating income from continuing operations figures have been restated to reflect the change in accounting policy for deferred project costs adopted in Q1 2009. Refer to note 1 to the interim consolidated financial statements for the three months ended March 31, 2009.

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

The Company's operations in the Pipeline and Pipe Services segment, representing more than 90% of the Company's consolidated revenue, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The following are additional key factors impacting the comparability of the quarterly information disclosed above:

The majority of the Company's revenue is transacted in currencies other than Canadian dollars, with a majority transacted in U.S. dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amount of this revenue when it is translated into Canadian dollars.

### **Outstanding Share Capital**

As at April 30, 2009, the Company had 57,366,937 Class A Subordinate Voting Shares ("Class A") outstanding and 13,060,209 Class B Multiple Voting Shares ("Class B") outstanding. Each Class B share is convertible into a Class A share at the option of the holder. In addition, as at April 30, 2009, the Company had stock options outstanding to purchase up to 2,978,266 Class A shares.

## **Management's Health, Safety and Environmental Commitment**

The Company is committed to providing a safe and healthy workplace and ensuring that all business activities are conducted in a manner that protects the environment. This commitment includes designing and operating its plants and individual processes in compliance with applicable government requirements regulating the discharge of substances into the environment or otherwise relating to the protection of the environment. The Company's program for health, safety and environmental management is further described in the Company's Annual Information Form under Health, Safety, and Environmental Policy.

## **Outlook**

The Company's consolidated order backlog at March 31, 2009, representing the value of firm customer purchase orders expected to be completed within one year, totaled \$402.4 million, 11.7% lower than at the beginning of the quarter, and reflected the completion of some large diameter pipe coating projects in the quarter as well as the general softening in activity levels in certain of the markets served by the Company. While the backlog may decline further in subsequent quarters, bidding activity remains high and the Company continues to pursue several large offshore pipe coating projects. These projects, if awarded to the Company, could generate significant revenue growth in 2010 and beyond.

The Company's current outlook is for pipeline activity to decline somewhat from the levels experienced in 2008 with full year 2009 consolidated revenues for the Company expected to be slightly below the record levels achieved in the prior year. However, the Company expects that operating margins in 2009 will meet or exceed those achieved in 2008 as a result of several initiatives including programs to reduce costs and improve efficiencies.

## **Forward Looking Information**

This document includes certain statements that reflect management's expectations and objectives for ShawCor's future performance, opportunities and growth which constitute forward-looking information under applicable securities laws. Such statements, except to the extent that they contain historical facts, are forward-looking and accordingly involve estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may," "will," "should", "anticipate," "expect", "believe", "predict", "estimate," "continue," "intend," "plan," and variations of these words or other similar expressions. These statements are based on assumptions, estimates and analysis made by ShawCor in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. Although ShawCor believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions in light of currently available information, ShawCor can give no assurance that such expectations will be achieved.

Forward-looking statements involve known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted, expressed or implied by the forward-looking statements. Significant risks facing ShawCor include, but are not limited to: changes in global economic activity and changes in energy supply and demand which impact on the level of drilling activity and pipeline construction; political, economic and other risks arising from ShawCor's international operations; compliance with environmental, trade and other laws; liability claims; fluctuations in foreign exchange rates; fluctuations in prices of raw materials, as well as other risks and uncertainties.

Other information relating to the Company, including its Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

ShawCor will be hosting a Shareholder and Analyst conference call and webcast on May 12, 2009 at 10:00 am EDT to discuss the Company's first quarter 2009 financial results. Please visit our website at [www.shawcor.com](http://www.shawcor.com) for future details.

For further information, please contact:

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**SHAWCOR LTD.**  
**INTERIM FINANCIAL INFORMATION (Unaudited)**  
**(in thousands of Canadian dollars except per share data)**

**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	2008
		Restated - note 1
Revenue	\$ 307,464	\$ 293,357
Cost of goods sold	183,949	187,954
Gross profit	123,515	105,403
Selling, general and administrative expenses (notes 2 and 3)	55,865	53,008
Amortization of property, plant and equipment	15,142	12,943
Amortization of intangible assets	1,095	-
Foreign exchange losses (gains)	(1,371)	(3,145)
Research and development expenses	2,350	1,678
Operating income from continuing operations	50,434	40,919
Interest income on short-term deposits	235	1,452
Interest expense on bank indebtedness	(571)	(356)
Interest expense on long-term debt	(1,327)	(1,183)
Income before income taxes and non-controlling interest	48,771	40,832
Income taxes	17,251	14,340
Income before non-controlling interest	31,520	26,492
Non-controlling interest	-	429
Income from continuing operations	31,520	26,921
Income (loss) from discontinued operations (note 4)	21	(69)
Net income	\$ 31,541	\$ 26,852
Earnings per shares, (note 19)		
Basic		
Continuing operations	\$ 0.45	\$ 0.38
Discontinued operations	-	-
Total	\$ 0.45	\$ 0.38
Diluted		
Continuing operations	\$ 0.45	\$ 0.37
Discontinued operations	-	-
Total	\$ 0.45	\$ 0.37

**SEGMENTED INFORMATION**

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	2008
		Restated - note 1
Revenue		
Pipeline and Pipe Services	\$ 279,951	\$ 255,794
Petrochemical and Industrial	29,318	38,137
Intersegment Eliminations	(1,805)	(574)
	\$ 307,464	\$ 293,357
Income (loss) from operations		
Pipeline and Pipe Services	\$ 56,646	\$ 37,822
Petrochemical and Industrial	325	6,075
Financial and Corporate	(6,537)	(2,978)
	\$ 50,434	\$ 40,919

**SHAWCOR LTD.**  
**INTERIM FINANCIAL INFORMATION (Unaudited)**  
**(in thousands of Canadian dollars)**

**CONSOLIDATED STATEMENTS OF CASH FLOW**

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	2008
		Restated-note 1
Operating activities:		
Income from continuing operations	\$ 31,520	\$ 26,921
Items not requiring an outlay of cash:		
Amortization of property, plant and equipment	15,142	12,943
Amortization of intangible assets	1,095	-
Amortization of transaction costs	110	110
Asset retirement obligation expense (note 10)	1,788	1,066
Stock-based compensation (note 2)	848	887
Future income taxes	563	(3,734)
Loss (gain) on disposal of property, plant and equipment	144	(9)
Impairment of available-for-sale financial asset (note 7)	336	1,498
Non-controlling interest in earnings of subsidiaries	-	(429)
Settlement of asset retirement obligations (note 10)	(1,947)	(959)
Change in employee future benefits	1,085	766
Change in non-cash working capital and foreign exchange	(11,939)	(50,629)
Cash provided by (used in) continuing operating activities	<u>38,745</u>	<u>(11,569)</u>
Investing activities:		
Purchases of property, plant and equipment	(14,143)	(12,261)
Proceeds on disposal of property, plant and equipment	98	32
Cash used in continuing investing activities	<u>(14,045)</u>	<u>(12,229)</u>
Financing activities:		
Increase (decrease) in bank indebtedness	(14,247)	9
Issue of shares (note 11)	29	459
Purchase of shares for cancellation	-	(12,642)
Dividends paid to shareholders	(4,500)	(4,015)
Cash used in continuing financing activities	<u>(18,718)</u>	<u>(16,189)</u>
Foreign exchange on foreign cash and cash equivalents	521	5,718
Net cash provided by (used in) continuing operations	6,503	(34,269)
Net cash provided by (used in) discontinued operations (note 4)	(112)	1,260
Cash and cash equivalents at beginning of period	<u>78,932</u>	<u>175,017</u>
Cash and cash equivalents at end of period	<u>\$ 85,323</u>	<u>\$ 142,008</u>

**SHAWCOR LTD.**  
**INTERIM FINANCIAL INFORMATION (Unaudited)**  
**(in thousands of Canadian dollars)**

**CONSOLIDATED BALANCE SHEETS**

	<b>March 31 2009</b>	December 31 2008 Restated-Note 1
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 5)	\$ 85,323	\$ 78,932
Accounts receivable	287,707	307,933
Taxes receivable	9,488	9,261
Inventories	153,588	152,284
Prepaid expenses	18,399	14,635
Derivative financial instruments	338	523
Current future income taxes	3,002	3,532
Current assets of discontinued operation (note 4)	12,354	12,256
	<b>570,199</b>	579,356
Property, plant and equipment, net	306,539	307,735
Goodwill	234,564	229,549
Intangible assets (note 6)	66,057	66,452
Future income taxes	31,780	31,173
Derivative financial instruments	307	-
Other assets (note 7)	11,824	13,024
	<b>\$ 1,221,270</b>	<b>\$ 1,227,289</b>
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness (note 8)	\$ 1,171	\$ 15,418
Accounts payable and accrued liabilities	173,775	193,675
Taxes payable	51,390	53,405
Derivative financial instruments	1,623	2,049
Deferred revenues	48,517	54,692
Current portion of long-term debt	30,914	30,672
Current liabilities of discontinued operation (note 4)	420	455
	<b>307,810</b>	350,366
Long-term debt	61,150	60,554
Future income taxes	74,789	73,939
Derivative financial instruments	33	-
Other non-current liabilities (note 9)	9,835	9,978
	<b>453,617</b>	494,837
<b>Shareholders' Equity</b>		
Capital stock (note 11)	202,111	202,073
Contributed surplus (note 12)	15,351	14,512
Retained earnings	628,448	601,407
Accumulated other comprehensive loss (note 13)	(78,257)	(85,540)
	<b>767,653</b>	732,452
	<b>\$ 1,221,270</b>	<b>\$ 1,227,289</b>



**SHAWCOR LTD.**  
**INTERIM FINANCIAL INFORMATION (Unaudited)**  
(in thousands of Canadian dollars)

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	2008 Restated-note 1
Balance at beginning of period	\$ 601,407	\$ 489,836
Transitional adjustment (note 1)	-	(1,796)
Adjusted balance at beginning of year	<u>601,407</u>	488,040
Net income	<u>31,541</u>	<u>26,852</u>
	<b>632,948</b>	514,892
Excess of purchase price paid over stated value of shares (note 11)	-	(11,235)
Dividends declared	<u>(4,500)</u>	<u>(4,015)</u>
Balance at end of period	<u><u>\$ 628,448</u></u>	<u><u>\$ 499,642</u></u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	2008 Restated-note 1
Net income	\$ 31,541	\$ 26,852
Other comprehensive income (loss), net of income taxes:		
Unrealized gain on translating financial statements of self-sustaining foreign operations	7,886	22,103
Loss on hedges of unrealized foreign currency translation	(727)	(3,278)
Income tax benefit	124	-
Unrealized foreign currency translation gain, net of hedging activities	<u>7,283</u>	<u>18,825</u>
Unrealized loss on available-for-sale financial assets arising during the period	(336)	(911)
Unrealized loss on available-for-sale financial assets transferred to net income in the current period	336	1,498
Income tax expense transferred to net income in the period	-	253
Change in unrealized loss on available-for-sale financial assets	<u>-</u>	<u>840</u>
Gain on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	-	(1,508)
Income tax expenses transferred to net income in the current period	-	512
Change in loss on derivatives designated as cash flow hedges	<u>-</u>	<u>(996)</u>
Other comprehensive income	<u>7,283</u>	<u>18,669</u>
Comprehensive income	<u><u>\$ 38,824</u></u>	<u><u>\$ 45,521</u></u>

## ShawCor Ltd.

### Notes to the Consolidated Financial Statements (Unaudited)

#### 1. Accounting policies

The accompanying unaudited interim consolidated financial statements of ShawCor Ltd. (the “Company”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for the preparation of interim financial statements. They do not include all of the information and disclosures required by GAAP for annual consolidated financial statements. Except as noted below, these unaudited interim consolidated financial statements have been prepared in accordance with accounting policies outlined in the Company’s audited consolidated financial statements for the year ended December 31, 2008. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements.

##### a) Goodwill and Intangible Assets

On January 1, 2009, the Company adopted CICA Handbook section 3064, *Goodwill and Intangible Assets*. Also as of this date, as is required on adoption of this section, the Company no longer applies Emerging Issues Committee Abstract EIC-27, *Revenues and Expenditures During the Pre-operating Period*. As required, this accounting standard has been adopted retrospectively with restatement of prior year figures. The following adjustments were made to the Company’s consolidated financial statements as a result of adopting this accounting standard:

#### Change in Consolidated Balance Sheets:

(in thousands of Canadian dollars)	As at Dec. 31, 2008	As at Dec. 31, 2007
Increase in inventories	\$ 1,678	\$ 2,501
Decrease in other assets	(3,285)	(5,067)
Increase in future taxes	484	770
Decrease in total assets	<u>\$ (1,123)</u>	<u>\$ (1,796)</u>
Future income taxes	\$ -	\$ -
Decrease in retained earnings	(1,123)	(1,796)
Decrease in total liabilities and shareholders' equity	<u>\$ (1,123)</u>	<u>\$ (1,796)</u>

## Change in Consolidated Statement of Income:

(in thousands of Canadian dollars)	Three Months Ended March 31, 2008	
Increase in cost of goods sold	\$	300
Decrease in income taxes		(90)
Increase in income from continuing operations	\$	210
Increase in net income	\$	210
Earnings per share		
Basic		
Continuing operations	\$	0.00
Total	\$	0.00
Diluted		
Continuing operations	\$	0.00
Total	\$	0.00

The following is a description of the revised accounting policy adopted by the Company as a result of implementing this accounting change:

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

*b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

On January 1, 2009, the Company adopted EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The adoption of this accounting standard had no effect on the Company's consolidated financial statements.

**2. Stock-based compensation**

The Board of Directors approved the granting of 490,200 stock options on February 24, 2009 and 20,000 on March 12, 2009 under the 2001 Employee Plan. The total fair value of the stock options granted during the three months ended March 31, 2009 was \$2.6 million and the weighted average fair value of the options was \$5.58 (2008 - \$10.57), calculated using the Black-Scholes pricing model with the following assumptions:

	<b>2009</b>	2008
Expected life of options .....	<b>6.25 years</b>	6.25 years
Expected stock price volatility .....	<b>34.68%</b>	29.30%
Expected dividend yield .....	<b>1.55%</b>	0.75%
Risk-free interest rate .....	<b>2.38%</b>	3.68%

The fair value of options granted under the 2001 Employee Plan will be amortized to compensation expense over the 5 year vesting period of options. The compensation cost from the continuing amortization of granted stock options for

the three months ended March 31, 2009, included in selling, general and administrative expenses, is \$848 thousand, (March 31, 2008 - \$887 thousand).

### **3. 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 months ended March 31, 2009 is \$2.8 million (March 31, 2008 - \$2.4 million).

### **4. Discontinued operations**

On November 2, 2004, the Company announced its decision to close the Mobile, Alabama pipe coating facility (the "Mobile Facility") and by December 31, 2005, operations at the Mobile Facility had ceased. The Company adopted discontinued operation accounting treatment for the Mobile Facility in 2005. The Mobile Facility was part of the Pipeline and Pipe Services market segment.

The following table summarizes the financial results and cash flows from discontinued operations for the three months ended March 31, 2009 and 2008 and the asset and liabilities as of those dates:

(in thousands of Canadian dollars)	Three Months Ended Mar. 31	
	2009	2008
Revenue	\$ -	\$ -
Income (loss) from operations	21	(69)
Interest expense	-	-
Income (loss) from discontinued operations before income taxes	21	(69)
Income tax recovery	-	-
Income (loss) from discontinued operations	\$ 21	\$ (69)
Cash flow used in operating activities	\$ (112)	\$ 1,260
Cash flow from (used in) investing activities	-	-
Cash flow used in operating activities	\$ (112)	\$ 1,260
Current assets	12,354	17,029
Property, plant and equipment, net	-	-
Current liabilities	420	53,318

## 5. Cash and cash equivalents

(in thousands of Canadian dollars)	Mar. 31 2009	Dec. 31 2008
Cash	\$ 85,323	\$ 78,932
Cash equivalents	-	-
	\$ 85,323	\$ 78,932

## 6. Intangible assets

(in thousands of Canadian dollars)	Mar. 31 2009	Dec. 31 2008 Restated - note 1
Cost		
Intellectual property with limited life	\$ 57,576	\$ 57,576
Intangible assets with limited life	9,547	8,847
Intangible assets with indefinite life	1,931	1,931
	\$ 69,054	\$ 68,354
Accumulated amortization	2,997	1,902
	\$ 66,057	66,452

Intellectual property represents the costs of certain technology and know-how and patents obtained in acquisitions.

Intangible assets include trademarks, brand names and customer relationships obtained in acquisitions.

## 7. Other assets

(in thousands of Canadian dollars)	Mar. 31 2009	Dec. 31 2008 Restated - note 1
Long-term investment	\$ 24	\$ 360
Long-term prepaid expenses	5,806	5,931
Accrued employee future benefit asset	5,994	6,733
	<u>\$ 11,824</u>	<u>\$ 13,024</u>

Long-term investment at March 31, 2009 represents an investment in Garneau Inc., a Canadian-based, publicly traded pipe coating company. The Company has reviewed the 2008 financial performance of Garneau, as outlined in its public filings, and the protracted decline in its share price and has concluded that the decrease in fair value, based on quoted market prices, of the investment from original cost is other than temporary. The Company has recorded a charge to selling, general and administrative expenses, in the financial and corporate segment, during the three months ended March 31, 2009 of \$336 thousand (March 31, 2008 – \$1.5 million).

## 8. Bank indebtedness

At March 31, 2009, the Company had total operating credit lines of \$295.8 million (December 31, 2008 - \$293.5 million), of which \$79.9 million has been drawn for various standby letters of credit for performance, bid and surety bonds (December 31, 2008 - \$81.5 million) and bank indebtedness of \$1.2 million (December 31, 2008 – \$15.4), to yield unutilized credit facilities of \$215.9 million (December 31, 2008 - \$198.0 million), excluding the Company's proportionate share of the bank indebtedness of its joint venture, Arabian Pipecoating Company Limited.

## 9. Other non-current liabilities

(in thousands of Canadian dollars)	Mar. 31 2009	Dec. 31 2008
Non-current asset retirement obligations (note 10)	\$ 6,190	\$ 6,680
Accrued employee future benefit obligations	3,645	3,298
	<u>\$ 9,835</u>	<u>\$ 9,978</u>

**10. Assets retirement obligations**

(in thousands of Canadian dollars)	Three Months Ended Mar. 31	
	2009	2008
Balance, at beginning of year	\$ 22,606	\$ 14,082
Liabilities settled in year	(1,947)	(959)
Liabilities incurred in year	902	0
Revisions to cash flow estimates	597	888
Accretion expense	289	178
Translation of self-sustaining foreign operations	886	432
	<u>\$ 23,333</u>	<u>\$ 14,621</u>

Asset retirement obligations are included in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	Mar. 31	Dec. 31
	2009	2008
Account payable and accrued liabilities	\$ 17,143	\$ 15,926
Other non-current liabilities	6,190	6,680
	<u>\$ 23,333</u>	<u>\$ 22,606</u>

The total undiscounted cash flows which are estimated to be required to settle all asset retirement obligations is \$26.5 million (December 31, 2008 - \$24.0 million) and the credit-adjusted risk-free rates at which the estimated cash flows have been discounted range between 5.11% and 7.0%.

## 11. Capital stock

The following shares were outstanding as at March 31, 2009 and December 31, 2008:

### Capital Stock

(in thousands of Canadian dollars except number of share information)

	Mar. 31 2009	Dec. 31 2008
<b>Number of shares: Class A</b>		
Balance, beginning of the period	57,358,537	58,234,570
Issued - stock options	2,400	113,234
Conversions Class B to Class A	-	17,933
Purchase - normal course issuer bid	-	(1,007,200)
Balance, end of the period	57,360,937	57,358,537
Number of shares: Class B	13,060,209	13,060,209
Total number of shares	70,421,146	70,418,746

### Stated value:

Balance, beginning of the period	\$ 201,070	\$ 202,248
Issued - stock options	29	1,763
Conversions Class B to Class A	-	1
Purchase - normal course issuer bid	-	(3,518)
Compensation cost on exercised options	9	576
Balance, end of the period	201,108	201,070
Stated value: Class B	1,003	1,003
Total stated value	\$ 202,111	\$ 202,073

During the three months ended March 31, 2009, the Company repurchased and cancelled nil Class A Subordinated Voting Shares ("Class A shares") (March 31, 2008 – 405,000) under the terms of a Normal Course Issuer Bid ("NCIB"). The excess of cost over stated capital of the acquired shares, which for the three months ended March 31, 2009 totaled \$nil (March 31, 2008 – \$11.2 million), was charged to retained earnings.

## 12. Contributed surplus

(in thousands of Canadian dollars)	Three Months Ended	
	Mar. 31	
	2009	2008
Balance, beginning of period	\$ 14,512	\$ 11,729
Adjustment for stock-based compensation	-	-
Stock compensation expense (note 2)	848	887
Fair value of stock options exercised	(9)	(201)
Balance, end of period	\$ 15,351	\$ 12,415



**13. Accumulated other comprehensive loss**

(in thousands of Canadian dollars)	<b>Mar. 31 2009</b>	Dec. 31 2008
Unrealized foreign currency translation losses, net of hedging activities	\$ (78,257)	\$ (85,540)
Unrealized loss on available-for-sale financial asset	-	-
Gain on derivatives designated as cash flow hedges	-	-
Balance, at end of period	<u>\$ (78,257)</u>	<u>\$ (85,540)</u>

**14. Stock option plans**

A summary of the status of the Company's stock option plans and changes during the period are presented below:

	Mar. 31, 2009		Dec. 31, 2008	
	Total Share	Weighted Average Exercise Price	Total Shares	Weighted Average Exercise Price
Balance outstanding beginning of year	2,470,466	19.14	2,173,980	17.24
Granted	510,200	15.58	428,600	30.03
Exercised	(2,400)	12.27	(113,234)	15.56
Forfeited	-	-	(16,880)	19.24
Expired	-	-	(2,000)	15.94
Balance outstanding end of period	2,978,266	18.77	2,470,466	19.14

Options Outstanding			
Range of exercise prices	Outstanding at March 31, 2009	Weighted average remaining contractual life in years	Weighted average exercise price
\$10.00 to \$15.00	472,566	4.28	\$12.64
\$15.01 to \$20.00	1,691,300	6.55	\$16.30
\$20.01 to \$25.00	40,000	6.16	\$20.90
\$25.01 to \$30.00	744,400	8.29	\$27.62
\$30.01 to \$35.00	30,000	8.76	\$31.77
	2,978,266		
Options Outstanding			
Range of exercise prices	Outstanding at December 31, 2008	Weighted average remaining contractual life in years	Weighted average exercise price
\$10.00 to \$15.00	474,966	4.41	\$12.63
\$15.01 to \$20.00	1,181,100	5.41	\$16.84
\$20.01 to \$25.00	40,000	6.50	\$20.90
\$25.01 to \$30.00	744,400	8.54	\$27.62
\$30.01 to \$35.00	30,000	9.01	\$31.77
	2,470,466		

## 15. Financial instruments and financial risk management

### a) Categories of Financial Assets and Financial Liabilities

Under Canadian GAAP, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, derivatives and other financial liabilities. The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	<b>Mar. 31, 2009</b>		Dec. 31, 2008	
Financial assets:				
Held for trading, measured at fair value				
Cash	\$	<b>85,323</b>	\$	78,932
Loans and receivables, recorded at amortized cost				
Accounts receivable		<b>287,707</b>		307,933
Taxes receivable		<b>9,488</b>		9,261
Available for sale, measured at fair value				
Long-term investments		<b>24</b>		360
Derivatives, measured at fair value				
Derivative financial instruments		<b>(1,011)</b>		(1,526)
Financial liabilities:				
Other liabilities, recorded at amortized cost:				
Bank indebtedness		<b>1,171</b>		15,418
Accounts payable and accrued liabilities		<b>173,775</b>		193,675
Taxes payable		<b>51,390</b>		53,405
Current portion of long-term debt		<b>30,914</b>		30,672
Long-term debt		<b>61,150</b>		60,554

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values. The Company's Senior Notes with a carrying value of \$92.1 million (December 31, 2008 - \$91.2 million) has a fair value estimated to be \$91.8 million (December 31, 2008 - \$90.9 million), based on current interest rates for debt with similar terms and maturities.

*b) Foreign Exchange Forward Contracts and Other Hedging Arrangements*

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the 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 March 31, 2009:

<b>(in thousands)</b>	<b>Mar 31, 2009</b>
<b>U.S. dollars sold for Canadian dollars</b>	
Less than one year	US\$12,000
Weighted average rate	1.1099
One year to two years	US\$1,000
Weighted average rate	1.2006
<b>Euros sold for U.S. dollars</b>	
One year to two years	Euro 2,150
Weighted average rate	1.4490
Two year to three years	Euro 2,200
Weighted average rate	1.4465

At March 31, 2009, the Company had notional amounts of \$23.3 million of forward contracts outstanding (December 31, 2008 - \$25.5 million) with the fair value of the Company's net obligation from all foreign exchange forward contracts totaling \$1.0 million (December 31, 2008 - \$1.5 million).

*c) Financial Risk Management*

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

*Foreign exchange risk*

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position, may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As of March 31, 2009, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, operating income from continuing operations and income from continuing operations for the three months then ended by approximately \$11.2 million, \$4.7 million and \$4.4 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total shareholders' equity by \$73.1 million, \$26.0 million and \$47.1 million, respectively. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk from its underlying customer contracts. The Company does not enter into foreign exchange contracts for speculative purposes.

The Company's 5.11% Senior Notes and associated interest expense are denominated in U.S. dollars. Fluctuations in the exchange rate between the Canadian and U.S. dollar would impact the carrying value of the Notes in terms of Canadian dollars as well as the amount of interest expense when translated into Canadian dollars. Effective July 3, 2003, the Company designated the Senior Notes as a hedge of a portion of its net investment in the Company's U.S. dollar based operations. Gains and losses from the translation of this debt are not included in the income statement, but are shown in accumulated other comprehensive income. As of March 31, 2009, fluctuations of +/- 5% in the Canadian dollar, relative to the U.S. dollar, would impact the Company's accumulated other comprehensive income by \$3.8 million for the three months then ended.

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

*Interest rate risk*

The following table summarizes the Company's exposure to interest rate risk at March 31, 2009:

(in thousands of Canadian dollars)	Floating rate	Fixed interest rate maturing in		Total
		1 year or less	Greater than 1 year	
<b>Financial assets</b>				
Cash and cash equivalents .....	\$85,323	-	-	\$85,323
Total .....	\$85,323	-	-	\$85,323
Weighted average fixed rate of cash equivalents	-	-	-	
<b>Financial liabilities</b>				
Bank indebtedness .....	\$1,171	-	-	\$1,171
Current portion of long-term debt .....	-	\$30,914	-	\$30,914
Long-term debt .....	-	-	\$61,150	\$61,150
Total .....	\$1,171	\$30,914	\$61,150	\$93,235
Weighted average fixed rate of debt .....	-	5.11%	5.11%	

The Company's interest rate risk arises primarily from its floating rate bank indebtedness, and is not currently considered to be material.

*Credit risk*

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

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

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

The aging of trade accounts receivable and the balance of the allowance for doubtful accounts as of March 31, 2009 are as follows:

(in thousands of Canadian dollars)	<b>Mar. 31, 2009</b>	Dec. 31, 2008
Not past due	\$ <b>199,787</b>	\$ 246,758
Past due 1 to 30 days	<b>61,536</b>	41,433
Past due 31 to 60 days	<b>14,437</b>	12,177
Past due 61 to 90 days	<b>7,653</b>	5,295
Past due for more than 90 days	<b>11,301</b>	8,507
Total trade receivables	<u><b>294,714</b></u>	<u>314,170</u>
Less: allowance for doubtful accounts	<b>7,007</b>	6,237
Net receivables	<u><b>\$ 287,707</b></u>	<u>\$ 307,933</u>

The following is an analysis of the change in the allowance for doubtful accounts for the three months ended March 31, 2009 and 2008:

(in thousands of Canadian dollars)	<b>Three Months Ended Mar. 31</b>	
	<b>2009</b>	2008
Balance, beginning of period	\$ <b>6,237</b>	\$ 4,165
Bad debt expense	<b>1,156</b>	1,082
Write-offs of bad debts	<b>(336)</b>	(1)
Recovery of previously written-off amounts	<b>23</b>	-
Impact of change in foreign exchange rates	<b>(73)</b>	91
Balance, end of period	<u><b>\$ 7,007</b></u>	<u>\$ 5,337</u>

*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 of March 31, 2009, the Company has cash and cash equivalents totaling \$85.3 million (December 31, 2008 - \$78.9 million) and had unutilized lines of credit available to use of \$215.9 million (December 31, 2008 - \$198.0 million). The following are the contractual maturities of the Company's financial liabilities as of March 31, 2009:

(in thousands of Canadian dollars)	Less than 30 days	30 to 90 days	90 to 365 days	1 to 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	\$76,133	\$42,386	\$38,113	-	-	\$156,632
Asset retirement obligations	-	-	17,143	1,918	7,397	26,458
Bank indebtedness	-	-	1,171	-	-	1,171
Long-term debt	-	-	30,914	61,150	-	92,064
Obligations under capital leases	43	86	258	691	-	1,078
Interest on obligations under capital leases	5	10	31	85	-	131
Interest on financial instruments	392	797	2,378	2,378	-	5,945
Derivative financial instruments	225	470	928	33	-	1,656
Total	\$76,798	\$43,749	\$90,936	\$66,255	\$7,397	\$285,135

**16. Capital management**

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

As at March 31, 2009, total managed capital was \$861.0 million (December 31, 2008 - \$839.2 million), comprised of shareholders equity of \$767.7 million (December 31, 2008 - \$732.5 million), long-term debt of \$61.2 million (December 31, 2008 - \$60.6 million), current portion of long-term debt of \$30.9 million (December 31, 2008 - \$30.7 million) and bank indebtedness of \$1.2 million (December 31, 2008 - \$15.4 million).



The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the underlying assets and business investment opportunities. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, or adjust the amount of cash, cash equivalents, bank indebtedness or long-term debt balances. The Company's capital is not subject to any capital requirements imposed by any regulators; however, it is limited by the terms of its credit facility and long-term debt agreements. Specifically, the Company is required to maintain a Fixed Charge Coverage Ratio (Earnings Before Interest, Taxes, Depreciation and Amortization ["EBITDA"] divided by interest expense) of more than 2.5 to 1 and a debt to total capitalization ratio of less than 0.45 to one. The Company's capital structure at March 31, 2009 was within the parameters established by these agreements.

### 17. Segmented information

The Company classifies its operations into two general segments of the global energy industry: Pipeline and Pipe Services and Petrochemical and Industrial. Revenue and income (loss) from operations for the three months and twelve months ended March 31, 2009 and 2008, and goodwill and total assets as of those dates by segment are as follows:

(in thousands of Canadian dollars)	<b>Three Months Ended Mar. 31</b>	
	<b>2009</b>	2008 Restated-note 1
Revenue		
Pipeline and Pipe Services	<b>279,951</b>	255,794
Petrochemical and Industrial	<b>29,318</b>	38,137
Intersegment Eliminations	<b>(1,805)</b>	(574)
	<b>307,464</b>	293,357
Income (loss) from operations		
Pipeline and Pipe Services	<b>56,646</b>	37,822
Petrochemical and Industrial	<b>325</b>	6,075
Financial and Corporate	<b>(6,537)</b>	(2,978)
	<b>50,434</b>	40,919
Goodwill		
Pipeline and Pipe Services	<b>214,915</b>	148,889
Petrochemical and Industrial	<b>19,649</b>	18,653
	<b>234,564</b>	167,542
Total assets		
Pipeline and Pipe Services	<b>1,358,655</b>	1,100,396
Petrochemical and Industrial	<b>83,818</b>	84,250
Financial and Corporate	<b>823,032</b>	812,796
Elimination	<b>(1,044,235)</b>	(978,312)
	<b>1,221,270</b>	1,019,130

**18. Joint venture operations**

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

(in thousands of Canadian dollars)	Three Months Ended	
	Mar. 31	
	2009	2008
Revenue	\$ 18,579	\$ 16,688
Operating and other expenses	13,806	14,159
Net income before income taxes	4,773	2,529
Provision for taxes	1,055	401
Net income	<u>\$ 3,718</u>	<u>\$ 2,128</u>
Cash provided by (used in):		
Operating activities	\$ 4,405	\$ 1,305
Investing activities	(1,181)	(2,172)
Financing activities	(1,745)	(2,872)
Current assets	28,886	24,303
Property, plant and equipment, net	15,478	13,954
Goodwill	4,469	4,805
Current liabilities	11,824	17,590
Long-term Liabilities	1,402	733

## 19. Earnings per share

The weighted average number of common shares for the purpose of the earnings per share calculations was as follows:

	Three Months Ended Mar. 31	
	2009	2008
Basic		
Class A	57,359,386	58,123,683
Class B	13,060,209	13,078,142
Total	<u>70,419,595</u>	<u>71,201,825</u>
Dilutive effect of stock options		
Class A	71,805	753,691
Class B	-	-
Total	<u>71,805</u>	<u>753,691</u>
Diluted		
Class A	57,431,191	58,877,374
Class B	13,060,209	13,078,142
Total	<u>70,491,400</u>	<u>71,955,516</u>

## 20. Upcoming accounting changes

On February 13, 2008, The Accounting Standards Board (“AcSB”) confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in Canada for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011 and the Company will be required to report using IFRS beginning on this date. The Company has begun the process of evaluating the effect of and the planning for the transition to IFRS. The impact of the ultimate adoption of IFRS on the Company has not yet been finalized.

In January 2009, the AcSB issued the following new Handbook sections: 1582 – *Business Combinations*, 1601 – *Consolidations*, and 1602 – *Non-Controlling Interests*. These standards are effective January 1, 2011. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements .

## 21. Comparative figures

Comparative figures have been reclassified from statements previously stated to conform to the presentation of the current year consolidated financial statements, and to show the effects of retrospective application of a new accounting policy (see note 1).