

**SHAWCOR LTD.**  
**(TSX: SCL.A, SCL.B)**
**February 19, 2009**
**PRESS RELEASE**
**SHAWCOR LTD. ANNOUNCES FOURTH QUARTER AND FULL YEAR 2008 RESULTS**
**Financial Summary**

(In thousands of Canadian dollars except per share amounts)	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2008	2007	2008	2007
<b>Operating Results</b>				
Revenue	\$ 433,853	\$ 285,438	\$ 1,379,577	\$ 1,048,099
EBITDA (note 1)	98,616	50,731	265,963	202,808
Operating income from continuing operations	76,564	39,492	201,718	160,001
Income from continuing operations	56,697	34,053	138,717	117,819
Income (loss) from discontinued operations	609	(30,300)	11,011	(30,462)
Net income	57,306	3,753	149,728	87,357
Net income (loss) per share (Class A and B) – Basic				
Continuing operations	0.80	0.48	1.96	1.62
Discontinued operations	0.01	(0.42)	0.16	(0.42)
Total	0.81	0.06	2.12	1.20
Net income (loss) per share (Class A and B) - Diluted				
Continuing operations	0.80	0.47	1.94	1.60
Discontinued operations	0.01	(0.42)	0.15	(0.41)
Total	0.81	0.05	2.09	1.19
<b>Cash Flow</b>				
Cash from operating activities	82,014	8,820	176,738	97,514
Additions to property, plant and equipment	27,800	28,551	89,799	91,855
<b>Financial Position</b>				
Working capital			227,312	255,625
Total assets			1,228,466	963,614
Shareholders' equity per share (Class A and B) (note2)			\$ 10.42	\$ 8.09

Note 1: 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. 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	56,697	34,053	138,717	117,819
Add (deduct):				
Income taxes	17,777	6,285	57,590	47,205
Interest (income) expense	2,154	(743)	5,659	(4,381)
Amortization of property, plant and equipment	21,988	11,136	63,997	42,165
EBITDA	98,616	50,731	265,963	202,808

Note 2: 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.

## **FOURTH QUARTER RESULTS**

### **REVENUE**

#### *Consolidated Results*

Three months ended (in thousands of Canadian dollars)	<b>Dec. 31 2008</b>	Sept. 30 2008	Dec. 31 2007
Pipeline and Pipe Services Segment	<b>401,768</b>	323,346	254,316
Petrochemical and Industrial Segment	<b>33,001</b>	34,247	28,450
Intersegment eliminations	<b>(915)</b>	(344)	2,672
Consolidated	<b>433,853</b>	357,249	285,438

#### Current Quarter vs. Q4 2007

Consolidated revenue from continuing operations in the fourth quarter of the year reached a new quarterly record at \$433.9 million, compared to \$285.4 million in the last quarter of 2007, with the increase reflecting growth in both of the Company's operating segments together with the impact of a weaker Canadian dollar in the period. In the fourth quarter 2008, the Canadian dollar was, on average, 27.6% weaker compared with the U.S. dollar, than in the same quarter of 2007, which on translating foreign currency revenue, had a favourable impact on the Company's consolidated revenue of \$49.0 million.

#### Current Quarter vs. Q3 2008

Consolidated revenue in the fourth quarter was 21.4% higher than in the third quarter of the year as stronger revenue growth in the Pipeline and Pipe Services segment and the impact of a weaker Canadian dollar, was partially offset by lower revenue in the Petrochemical and Industrial segment. In the fourth quarter 2008, the Canadian dollar was, on average, 21.1% weaker compared with the U.S. dollar, than in the prior quarter, which on translating foreign currency revenue had a favourable impact on consolidated revenue of \$38.6 million.

#### Full Year 2008 vs. 2007

Consolidated revenue for 2008 reached a new annual record for the Company and totaled \$1.38 billion, compared to \$1.05 billion in 2007. This 31.6% increase reflected record activity levels in ShawCor's Pipeline and Pipe Services market segment with all business units in the segment benefiting from strong demand for new pipeline infrastructure.

#### *Pipeline and Pipe Services Segment*

#### Current Quarter vs. Q4 2007

Revenue in the quarter for the Pipeline and Pipe Services segment totaled \$401.8 million, 158.0% of the level achieved in the fourth quarter of last year, reflecting higher revenue at all divisions in the segment together with the impact of Flexpipe which was acquired at the end of the second quarter of 2008. At Bredero Shaw, revenue increased 53.6% over the level achieved in the fourth quarter of 2007 with increases achieved in all regions of the division. In North America, revenue increased 2.8% over the fourth quarter of last year while in the Europe, Africa and Russia region,

revenue increased 155.1%, mainly as a result of the Gjoa pipe coating project at the division's plant in Leith, Scotland, and Vega project in Orkanger Norway, which together contributed revenue of \$43 million in the quarter. In the Middle East region, revenue increased 138.1% from levels in the corresponding quarter of last year reflecting full operation of the division's plant in Ras Al Khaimah, which was shut-down in the fourth quarter of 2007 for upgrading and capacity expansion. In the Asia Pacific region, revenue in the fourth quarter increased 113.3% over the same quarter of 2007 reflecting increased pipe coating activity in the region, including the Pluto project performed at the division's pipe coating plants in Kuantan, Malaysia and Kabil Indonesia. This project contributed \$37 million of revenue in the quarter.

Revenue at the segment's other divisions also increased over the fourth quarter of last year reflecting the impact of the weaker Canadian dollar in the quarter together with increased levels of business activity. Revenue in the quarter at Shaw Pipeline Services increased 48.1% over the fourth quarter of 2007, while revenue at Guardian and Canusa-CPS was 42.1% and 33.4% higher, respectively, than in the last quarter of 2007. Flexpipe contributed revenue of \$31.9 million in the fourth quarter of 2008

#### Current Quarter vs. Q3 2008

Revenue in the Pipeline and Pipe Services segment in the fourth quarter increased 24.3% over the prior quarter as revenue growth at Bredero Shaw and Flexpipe was partially offset by a modest weakening in demand at Canusa-CPS. At Bredero Shaw, the quarter over quarter revenue growth was broadly based with all the regions of the division experiencing increased business activity.

#### Full Year 2008 vs. 2007

Revenue in the Pipeline and Pipe Services segment in 2008 totaled \$1.24 billion and increased 37.2% over the \$903.4 million recorded in the prior year. Revenue increased at all of the divisions in the segment, underpinned by the continuing buoyant activity in the global pipeline markets, and also reflecting the impact of Flexpipe Systems ("Flexpipe") which was acquired on June 27, 2008.

#### *Petrochemical and Industrial Segment*

##### Current Quarter vs. Q4 2007

Revenue in the quarter in the Petrochemical and Industrial segment increased 16.0% from the level achieved in the fourth quarter of 2007 as increased business activity levels at ShawFlex, mainly resulting from orders for a major oil sands project as well as communications infrastructure expansions, resulted in a 50.7% increase in revenue.

##### Current Quarter vs. Q3 2008

Revenue in the fourth quarter in the segment decreased by 3.6% from the level achieved in the third quarter of the year. At DSG-Canusa, revenue in the quarter decreased 11.7% from the level in the prior quarter in line with historical seasonal trends and a deterioration in the European automotive market, while revenue at ShawFlex increased 9.1% from the level in the prior quarter due to the aforementioned oil sands and communications projects.

### Full Year 2008 vs. 2007

In the Petrochemical and Industrial segment, revenue decreased 1.2% from levels in the prior year, reflecting the impact of the slowing of global economic activity, particularly on the North American industrial markets served by ShawFlex and the Western European automotive markets served by DSG-Canusa.

## **OPERATING INCOME FROM CONTINUING OPERATIONS**

### *Consolidated Results*

Three months ended (in thousands of Canadian dollars)	<b>Dec. 31 2008</b>	Sept. 30 2008	Dec. 31 2007
Revenue from continuing operations	<b>433,853</b>	357,249	285,438
Operating income from continuing operations	<b>76,564</b>	50,486	39,493
Operating margin	<b>17.6%</b>	14.1%	13.8%

### Current Quarter vs. Q4 2007

Consolidated income from continuing operations before interest, income taxes and non-controlling interest totaled \$76.6 million (17.6% of consolidated revenue from continuing operations) in the fourth quarter of 2008, compared to \$39.5 million (13.8% of consolidated revenue from continuing operations) in the fourth quarter of 2007, with the increase driven by continuing strong business activity in the Pipeline and Pipe Services segment together with the \$13.9 million favourable impact of the weaker Canadian dollar, compared to the U.S. dollar, on the translation of U.S. dollar based revenues and expenses in the quarter, partially offset by a significant slow-down in the Petrochemical and Industrial segment.

### Current Quarter vs. Q3 2008

Consolidated income from continuing operations before interest, income taxes and non-controlling interest in the quarter was 151.7% of the level achieved in the prior quarter and reflected a continuing improvement trend in the Pipeline and Pipe Services segment resulting from strong revenue and improved operating margins, together with the \$11.2 million impact from the translation of U.S. dollar based revenues and expenses of the quarter over quarter weakening of the Canadian dollar compared to the U.S. dollar.

### Full Year 2008 vs. 2007

Consolidated income from continuing operations before interest, income taxes and non-controlling interest totaled \$201.7 million (14.6% of consolidated revenue from continuing operations) compared to \$160.0 million (15.3% of consolidated revenue from continuing operations) in 2007. This 26.1% increase was a result of the significant increase in revenue over the prior year partially offset by modestly lower operating margins (operating income from continuing operations divided by revenue from continuing operations) in both of the Company's market segments as well as higher Financial and Corporate costs.

*Pipeline and Pipe Services Segment*

Three months ended (in thousands of Canadian dollars)	<b>Dec. 31 2008</b>	Sept. 30 2008	Dec. 31 2007
Revenue from continuing operations	<b>401,768</b>	323,346	254,316
Operating income from continuing operations	<b>76,612</b>	51,142	40,280
Operating margin	<b>19.1%</b>	15.8%	15.8%

**Current Quarter vs. Q4 2007**

In the Pipeline and Pipe Services segment, operating income from continuing operations of \$76.6 million (19.1% of revenue from continuing operations) in the quarter was 90.2% higher than in the fourth quarter of 2007 and reflected the impact of significantly higher revenue in the period together with a 3.3 percentage point improvement in operating margins, the result of increased factory throughput, improved manufacturing efficiency, and the benefit of enhanced fixed cost absorption. In Bredero Shaw, operating margins increased 2.8 percentage points over levels in the fourth quarter of 2007, with the improvements achieved across all regions of the division. In addition, all of the other businesses in this segment achieved margin improvements as a result of improved efficiencies associated with the higher sales volumes in the period. Finally, the inclusion of Flexpipe in the fourth quarter 2008 results further contributed to the increase in the segment's operating income.

**Current Quarter vs. Q3 2008**

Operating income from continuing operations in the fourth quarter for the segment increased 49.8% from the third quarter of the year, reflecting the higher revenue in the period and a 3.3 percentage point improvement in operating margins. Operating margins improved in the quarter at all divisions in the segment in line with the increased revenues, with the exception of Shaw Pipeline Services where they declined slightly due to a temporary shift in revenue mix towards lower margin radiographic inspection services.

**Full Year 2008 vs. 2007**

In the Pipeline and Pipe Services segment, operating income from continuing operations totaled \$200.7 million (16.2% of revenue from continuing operations) compared to \$153.9 million (17.0% of revenue from continuing operations) in 2007. At Bredero Shaw, operating margins were adversely impacted by an increase in depreciation expense of \$17.1 million related to the pipe coating capacity expansions in Western Canada and Ras Al Khaimah and the remobilization of the Leith facility. This negative impact on operating margins was partially offset by improvements at the segment's other divisions, which all achieved higher operating margins as increased revenue led to improved facility utilization and improved fixed cost absorption.

*Petrochemical and Industrial Segment*

Three months ended (in thousands of Canadian dollars)	<b>Dec. 31 2008</b>	Sept. 30 2008	Dec. 31 2007
Revenue from continuing operations	<b>33,001</b>	34,247	28,450
Operating income from continuing operations	<b>2,527</b>	5,170	3,065
Operating margin	<b>7.7%</b>	15.1%	10.8%

*Current Quarter vs. Q4 2007*

In the Petrochemical and Industrial segment, operating income from continuing operations in the quarter of \$2.5 million (7.7% of revenue from continuing operations) decreased \$538 thousand from the level achieved in the fourth quarter of last year, reflecting a 3.1 percentage point decrease in operating margins. The decrease in operating margins was experienced at both DSG-Canusa and ShawFlex and stemmed from reduced factory utilization in the European operations of DSG-Canusa and increased costs associated with the slowing economic situation, including increases in bad debt provisions.

*Current Quarter vs. Q3 2008*

Operating income for the segment in the quarter was 48.9% of the level in the prior quarter and reflected the impact of the 3.6% reduction in sales in the period together with a 7.4 percentage point decrease in operating margins, resulting from additional expenses incurred in the quarter including an increase in bad debts provisions at DSG-Canusa and ShawFlex, the result of the worsening economic situation in North America and Western Europe.

*Full Year 2008 vs. 2007*

In the Petrochemical and Industrial segment, operating income from continuing operations totaled \$19.1 million (13.4% of revenue from continuing operations) in 2008 compared to \$22.8 million (15.9% of revenue from continuing operations) in the prior year, reflecting the impact on operating margins of lower factory utilization stemming from softer market conditions in the year.

*Financial and Corporate**Current Quarter vs. Q4 2007*

Financial and corporate costs in the quarter consisted of unallocated corporate expenses of \$2.6 million, net of foreign exchange gains of \$5.9 million on the translation of foreign currency denominated cash and working capital balances, compared to \$3.9 million, including foreign exchange gains of \$47 thousand, in the fourth quarter of last year. The increase in corporate expenses reflected higher management compensation expenses in line with the Company's improved consolidated financial results, the impact of staff additions to support the Company's growth, and a \$1.8 million write-down in the quarter of the Company's investment in Garneau Inc.

#### Current Quarter vs. Q3 2008

Financial and corporate costs in the quarter, excluding foreign exchange gains, were \$2.4 million higher in the fourth quarter than in the prior quarter as a result of the \$1.8 million write-down of the Company's investment in Garneau Inc. Foreign exchange gains in the quarter, due to the impact of the significant decline in the Canadian dollar on foreign currency cash balances and working capital, totaled \$5.9 million compared to \$233 thousand in the third quarter of 2008.

#### Full Year 2008 vs. 2007

In 2008, unallocated corporate expenses totaled \$26.2 million compared to \$17.2 million in the prior year, with the increase reflecting a \$2.9 million write-down of the Company's investment in Garneau Inc. together with \$3.4 million of increased Corporate personnel costs to support increasing business levels, an increase in management incentive compensation of \$1.0 million, and expenses incurred in mergers and acquisitions activity of \$1.5 million. Foreign exchange gains in the year totaled \$8.2 million compared to \$475 thousand in 2007 and mainly resulted from the impact of the significant decline in the Canadian dollar in the fourth quarter on the translation of foreign cash and working capital balances.

### **NON-OPERATING INCOME AND EXPENSES**

#### *Interest Income*

Consolidated net interest expense totaled \$2.2 million in the fourth quarter compared to \$2.5 million in the third quarter of 2008 and net interest income of \$743 thousand in the fourth quarter of 2007. The decrease from the fourth quarter of 2007 was a result of lower average cash balances and increased bank indebtedness in the period due to the significant cash flows used in investing activities including capital expenditures and the acquisition on June 27, 2008 of Flexpipe. On a full year basis, net interest expense in 2008 totaled \$5.7 million compared to income of \$4.4 million in 2007, and reflected the impact of lower cash balances and higher levels of bank indebtedness in the year as a result of the Flexpipe acquisition on June 27, 2008.

#### *Income Tax Expense*

Income tax expense related to continuing operations totaled \$17.8 million (23.9% of income from continuing operations before income taxes) compared to \$15.2 million (31.7% of income from continuing operations before income taxes) in the third quarter of 2008 and \$6.3 million (15.6% of income from continuing operations before income taxes) in the fourth quarter of 2007. The income tax rate in the fourth quarter of 2008 improved 7.8 percentage points from the prior quarter reflecting a higher proportion of earnings in lower taxed foreign jurisdictions and the utilization of previously unrecognized tax loss carry forwards in some subsidiaries. In the fourth quarter of 2007, the tax rate was favorably impacted by the utilization of previously unrecognized tax loss carry forwards in certain countries, particularly Nigeria. This benefit reduced the effective tax rate in that quarter by approximately 15 percentage points. Also benefiting the reported tax rate in the fourth quarter of 2007 was the impact on Canadian future tax balances of announced reductions in future statutory income tax rates.

On a full year basis, income tax expense totaled \$57.6 million (29.4% of income from continuing operations before income taxes and non-controlling interest) in 2008, compared to \$47.2 million (28.7% of income from continuing operations before income taxes and non-controlling interest) in 2007, with the increase from the prior year reflecting reduced utilization of previously unrecognized tax loss carry forwards.

### *Income from Continuing Operations*

Consolidated income from continuing operations for the quarter totaled \$56.6 million (\$0.80 per share, diluted), compared to \$32.7 million (\$0.46 per share, diluted) in the third quarter of 2008 and \$34.1 million (\$0.47 per share, diluted) in the fourth quarter of last year.

Income from continuing operations for the entire year in 2008 totaled \$138.7 million (\$1.94 per share, diluted) compared to \$117.8 million (\$1.60 per share, diluted) in 2007, with the 21.3% increase in diluted earnings per share reflective of the higher net income from continuing operations in the year together with a reduction in shares outstanding as a result of share repurchases during the year under the Company's Normal Course Issuer Bid ("NCIB").

### **DISCONTINUED OPERATIONS**

Income from discontinued operations for the quarter totaled \$608 thousand (\$0.01 per share, diluted) compared to a loss of \$82 thousand (\$0.00 per share, diluted) in the prior quarter and a loss from discontinued operations of \$30.5 million (\$0.42 per share, diluted) in the fourth quarter of 2007. The loss for the fourth quarter of 2007 resulted from the provision that was recorded following the adverse verdict in a lawsuit related to the closed pipe coating plant in Mobile, Alabama.

Income from discontinued operations totaled \$11.0 million (\$0.15 per share, diluted) in the full year 2008 and reflected the impact of a settlement at an amount less than the provision that had been recorded in 2007 following an adverse verdict in a lawsuit related to the Company's closed pipe coating plant in Mobile, Alabama. In 2007, losses from discontinued operations totaled \$30.5 million (\$0.41 per share, diluted) as a result of the aforementioned lawsuit provision.

### **NET INCOME AND EARNINGS PER SHARE**

Consolidated net income for the fourth quarter of the year was \$57.3 million (\$0.81 per share, diluted) compared to \$32.6 million (\$0.46 per share, diluted) in the third quarter of 2008 and \$3.8 million (\$0.05 per share, diluted) in the fourth quarter of 2007.

On a full year basis, consolidated net income totaled \$149.7 million (\$2.09 per share, diluted) in 2008 compared to \$87.4 million (\$1.19 per share, diluted) in the prior year with the increase the result of increased income from continuing operations and the impact on income from discontinued operations of the settlement in respect of the lawsuit related to the closed Mobile, Alabama pipe coating facility.

## **CASH FLOW**

Cash flow generated by continuing operating activities in the quarter totaled \$82.0 million compared to \$29.9 million last quarter and \$8.8 million in the fourth quarter of 2007, with the improvement reflecting the higher income from continuing operations in the period together with higher non-cash amortization expense. On a full year basis, cash flow generated by continuing operating activities totaled \$176.7 million in 2008 compared to \$97.5 million in 2007.

Cash flow used in continuing investing activities in the quarter totaled \$34.3 million, compared to \$29.0 million last quarter and \$33.2 million in the fourth quarter of last year, and was comprised mainly of additions to property, plant and equipment of \$27.8 million and increases in deferred project costs of \$5.3 million. Major additions to property, plant and equipment in the quarter included capacity expansion programs at Flexpipe and at Bredero Shaw's facilities in Pearland, Texas, Ras Al Khaimah, U.A.E. and Regina, Saskatchewan. In the fourth quarter of 2007, cash flow used in continuing investing activities included additions to property, plant and equipment of \$28.6 million and investments in deferred project costs of \$4.7 million. On a full year basis, cash flow used in continuing investing activities totaled \$231.3 million in 2008 compared to \$99.4 million in the prior year.

Cash flow used in continuing financing activities totaled \$50.4 million in the quarter, compared to \$24.4 million last quarter and \$17.8 million in the fourth quarter of 2007, and mainly consisted of repayments of bank indebtedness of \$42.7 million, dividends paid to shareholders of \$4.5 million and \$3.2 million paid to repurchase 202,200 Class A shares under the Company's NCIB. In the fourth quarter of 2007, cash flow used in continuing financing activities included \$14.0 million paid to repurchase 425,300 Class A shares under the NCIB and dividends paid to shareholders of \$4.1 million, partially offset by \$243 thousand received from the issuance of Class A shares on the exercise of stock options and \$31 thousand received on an increase in bank indebtedness. On a full year basis, cash flow used in continuing financing activities totaled \$31.5 million compared to \$107.7 million in 2007.

Overall, cash and cash equivalents increased \$15.0 million during the quarter to \$78.9 million, compared to a decrease of \$40.8 million during the fourth quarter of 2007 to \$175.0 million. On a full year basis, cash and cash equivalents decreased \$96.1 million in 2008 compared to a decrease of \$134.3 million in 2007.

## **OUTLOOK**

Demand for the products and services of the Company's largest operating segment, the Pipeline and Pipe Services segment, is mainly driven by the level of global pipeline infrastructure investment. This investment, in turn, is determined by energy supply and demand, which itself is a function of global economic activity and the availability of energy resources. Demand for the products and services of the Petrochemical and Industrial segment is driven by the general level of economic activity in the regions where the segment operates; North America, Western Europe, and at the segment's new facility that will commence operations in China in 2009.

The level of global economic activity declined during the second half of 2008 and this trend is expected to continue during at least the first half of 2009, with this slow-down particularly acute in North America and Western Europe. This in turn has put downward pressure on energy demand and on energy prices, and as a result, some producing nations have reduced production. The production reductions are currently expected to be short term in duration but may at least temporarily, and possibly in the longer term, reduce the need for new pipeline infrastructure. Any such reductions could have an impact on the level of demand for the Company's products and services.

In the longer term, the Company expects that increasing energy demand, coupled with accelerating depletion of current sources of oil and gas, will necessitate increasing investment in global pipeline infrastructure as new sources of oil and gas are developed and connected to consuming markets. The continuing industrialization of developing nations, notably India and China, is expected to increase the global demand for energy as these nations consume a larger proportion of the world's energy supply, and over time, offset the stable or declining demand for energy in developed nations.

In addition to increasing demand, the accelerating depletion of existing energy reserves will drive the necessity for new oil and gas development. Much of the new production is expected to be developed from more challenging sources including oil sands and shale or in more challenging environments such as deepwater offshore and frontier areas. Liquid Natural Gas development is also expected to accelerate in order to meet future energy needs, particularly in the Asia Pacific region. The development of these new energy sources will require the development of new infrastructure including new pipelines. Furthermore, the challenging nature and locations of these new developments will require new higher value product and service solutions. These factors are expected to translate into favorable business prospects for the Company once the global economy stabilizes, and energy markets restore a reasonable balance between supply and demand. At such time, a return to higher levels of pipeline construction is expected to lead to revenue growth and the shift to higher value solutions that will be required to meet our customer's more challenging requirements is expected to create the potential for margin improvement.

Consolidated order backlog, representing customer orders expected to be completed within one year, totaled \$455.7 million at December 31, 2008, compared to \$528.6 million at the end of the third quarter, and \$460.1 million at the beginning of the year, with the decrease in the quarter reflecting the impact of the record revenue generated in the fourth quarter of 2008. With the Company's recent announcement of an increase in the scope of the Trinidad NEO project and the recent award of a U.S. \$40 million contract with Petronas of Malaysia, the Company's current backlog has strengthened from the level at December 31, 2008. This backlog is expected to support continued strong revenue through the first half of 2009.

The Company continues to enjoy a very strong balance sheet with the financial capacity to fund significant internal and external growth opportunities as they arise. This opportunity to fund expansion together with the strong long term market fundamentals enjoyed by the Company provides the potential for continued growth for ShawCor in the years ahead.

## **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 February 23, 2009 at 10:00 a.m. ET to discuss the Company's fourth quarter 2008 financial results. Please visit our website at [www.shawcor.com](http://www.shawcor.com) for further details.

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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>Twelve Months Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Revenue	\$ 433,853	\$ 285,438	\$ 1,379,577	\$ 1,048,099
Cost of goods sold	268,260	176,740	887,230	624,971
Gross profit	165,593	108,698	492,347	423,128
Selling, general and administrative expenses (notes 2, 3 and 4)	60,679	56,454	198,782	210,732
Amortization of property, plant and equipment	21,988	11,136	63,997	42,165
Amortization of intangible assets	951	-	1,902	-
Amortization of deferred project costs	3,376	-	18,582	3,464
Research and development expense	2,035	1,616	7,366	6,766
Operating income from continuing operations	76,564	39,492	201,718	160,001
Interest income (expense) (note 5)	(2,154)	743	(5,659)	4,381
Income before income taxes and non-controlling interest	74,410	40,235	196,059	164,382
Income taxes	17,777	6,285	57,590	47,205
Income before non-controlling interest	56,633	33,950	138,469	117,177
Non-controlling interest	64	103	248	642
Income from continuing operations	56,697	34,053	138,717	117,819
Income (loss) from discontinued operations (note 6)	609	(30,300)	11,011	(30,462)
Net income	\$ 57,306	\$ 3,753	\$ 149,728	\$ 87,357
Earnings (loss) per share, Class A and B - Basic (note 20)				
Continuing operations	\$ 0.80	\$ 0.48	\$ 1.96	\$ 1.62
Discontinued operations	0.01	(0.42)	0.16	(0.42)
Total	\$ 0.81	\$ 0.06	\$ 2.12	\$ 1.20
Earnings (loss) per share Class A and B - Diluted (note 20)				
Continuing operations	\$ 0.80	\$ 0.47	\$ 1.94	\$ 1.60
Discontinued operations	0.01	(0.42)	0.15	(0.41)
Total	\$ 0.81	\$ 0.05	\$ 2.09	\$ 1.19

**SEGMENTED INFORMATION**

	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Revenue				
Pipeline and Pipe Services	\$ 401,768	\$ 254,316	\$ 1,239,893	\$ 903,427
Petrochemical and Industrial	33,001	28,450	141,969	143,665
Intersegment Eliminations	(916)	2,672	(2,285)	1,007
	\$ 433,853	\$ 285,438	\$ 1,379,577	\$ 1,048,099
Income (loss) from operations				
Pipeline and Pipe Services	\$ 76,612	\$ 40,280	\$ 200,681	\$ 153,932
Petrochemical and Industrial	2,527	3,065	19,088	22,822
Financial and Corporate	(2,575)	(3,853)	(18,051)	(16,753)
	\$ 76,564	\$ 39,492	\$ 201,718	\$ 160,001

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

**CONSOLIDATED STATEMENTS OF CASH FLOW**

	Three Months Ended December 31		Twelve Months Ended December 31	
	2008	2007	2008	2007
Operating activities:				
Income from continuing operations	\$ 56,697	\$ 34,053	\$ 138,717	\$ 117,819
Items not requiring an outlay of cash:				
Amortization of property, plant and equipment	21,988	11,136	63,997	42,165
Amortization of intangible assets	951	-	1,902	-
Amortization of deferred project costs	3,376	-	18,582	3,464
Amortization of transaction costs	110	110	440	440
Asset retirement obligation expense	7,475	(3)	9,377	1,147
Stock-based compensation (note 2)	830	697	3,359	2,765
Future income taxes	11,368	2,194	11,777	681
Loss (gain) on disposal of property, plant and equipment	46	231	404	(372)
Impairment of available-for-sale financial asset (note 9)	1,318	-	2,816	-
Impairment of goodwill	352	-	352	-
Non-controlling interest in earnings of subsidiaries	(64)	(103)	(248)	(642)
Gain on disposal of subsidiary (note 21)	199	-	(864)	-
Settlement of asset retirement obligations	(233)	855	(891)	(1,906)
Change in employee future benefits	(3,889)	(2,044)	(1,400)	176
Change in non-cash working capital	(18,510)	(38,306)	(71,582)	(68,223)
Cash provided by continuing operating activities	<u>82,014</u>	<u>8,820</u>	<u>176,738</u>	<u>97,514</u>
Investing activities:				
Purchases of property, plant and equipment	(27,800)	(28,551)	(89,799)	(91,855)
Proceeds on disposal of property, plant and equipment	13	27	46	732
Increase in deferred project costs	(5,260)	(4,697)	(21,547)	(5,150)
Acquisition of subsidiaries (note 21)	(1,347)	-	(125,723)	(2,786)
Proceeds on disposal of subsidiaries	84	-	5,719	-
Investment in shares	-	-	-	(301)
Cash used in continuing investing activities	<u>(34,310)</u>	<u>(33,221)</u>	<u>(231,304)</u>	<u>(99,360)</u>
Financing activities:				
Increase (decrease) in bank indebtedness	(42,654)	31	10,311	(4,275)
Issue of shares	24	243	1,763	4,955
Purchase of shares for cancellation	(3,226)	(14,026)	(26,022)	(91,950)
Dividends paid to shareholders	(4,512)	(4,056)	(17,597)	(16,469)
Cash used in continuing financing activities	<u>(50,368)</u>	<u>(17,808)</u>	<u>(31,545)</u>	<u>(107,739)</u>
Foreign exchange on foreign cash and cash equivalents	<u>19,752</u>	<u>(1,182)</u>	<u>25,776</u>	<u>(21,585)</u>
Net cash provided by (used in) continuing operations	17,088	(43,391)	(60,335)	(131,170)
Net cash provided by (used in) discontinued operations (note 6)	(2,048)	2,707	(35,750)	(3,135)
Cash and cash equivalents at beginning of period	<u>63,892</u>	<u>215,811</u>	<u>175,017</u>	<u>309,322</u>
Cash and cash equivalents at end of period	<u>\$ 78,932</u>	<u>\$ 175,127</u>	<u>\$ 78,932</u>	<u>\$ 175,017</u>
Supplemental information:				
Cash interest paid	\$ 2,425	1,367	\$ 7,472	\$ 5,392
Cash income taxes paid	\$ 31,464	9,601	\$ 48,522	\$ 59,101

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

**CONSOLIDATED BALANCE SHEETS**

	December 31 2008	December 31 2007 Restated - Note 1
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 7)	\$ 78,932	\$ 175,017
Accounts receivable	307,933	203,547
Taxes receivable	9,261	3,169
Inventories	150,606	102,486
Prepaid expenses	14,635	11,362
Derivative financial instruments	523	1,508
Current future income taxes	3,532	2,770
Current assets of discontinued operation (note 6)	12,256	16,305
	<u>577,678</u>	<u>516,164</u>
Property, plant and equipment, net	307,735	242,783
Goodwill	229,549	159,480
Intangible assets (note 8)	66,803	1,558
Future income taxes	30,743	27,751
Other assets (note 9)	15,958	15,878
	<u>\$ 1,228,466</u>	<u>\$ 963,614</u>
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness (note 10)	\$ 15,418	\$ 107
Accounts payable and accrued liabilities	193,675	153,116
Taxes payable	53,405	32,030
Derivative financial instruments	2,049	-
Deferred revenues	54,692	24,021
Current portion of long-term debt	30,672	-
Current liabilities of discontinued operation (note 6)	455	51,265
	<u>350,366</u>	<u>260,539</u>
Long-term debt	60,554	72,726
Future income taxes	73,993	37,539
Other non-current liabilities (note 11)	9,978	10,740
	<u>494,891</u>	<u>381,544</u>
Non-controlling interest in subsidiaries	-	3,283
<b>Shareholders' Equity</b>		
Capital stock (note 12)	202,073	203,252
Contributed surplus (note 13)	14,512	11,729
Retained earnings	602,530	489,836
Accumulated other comprehensive loss (note 14)	(85,540)	(126,030)
	<u>733,575</u>	<u>578,787</u>
	<u>\$ 1,228,466</u>	<u>\$ 963,614</u>

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

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	Three Months Ended December 31		Twelve Months Ended December 31	
	2008	2007	2008	2007
Balance at beginning of period	\$ 552,253	\$ 502,690	\$ 489,836	\$ 498,001
Transitional adjustment (note 1)				(585)
Transitional adjustment (note 1)	-	-	3,067	3,288
Adjusted balance at beginning of year	552,253	502,690	492,903	500,704
Net income	57,306	3,753	149,728	87,357
	<b>609,559</b>	<b>506,443</b>	<b>642,631</b>	<b>588,061</b>
Excess of purchase price paid over stated value of shares (note 12)	(2,517)	(12,551)	(22,504)	(81,756)
Dividends declared	(4,512)	(4,056)	(17,597)	(16,469)
Balance at end of period	<b>\$ 602,530</b>	<b>\$ 489,836</b>	<b>\$ 602,530</b>	<b>\$ 489,836</b>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	Three Months Ended December 31		Twelve Months Ended December 31	
	2008	2007	2008	2007
Net income	\$ 57,306	\$ 3,753	\$ 149,728	\$ 87,357
Other comprehensive income (loss), net of income taxes:				
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	38,195	(1,176)	55,627	(49,954)
Gain (loss) on hedges of unrealized foreign currency translation	(14,085)	1,357	(18,060)	13,830
Income tax benefit	2,401	2,120	3,079	-
Unrealized foreign currency translation gain (loss), net of hedging activities	26,511	2,301	40,646	(36,124)
Unrealized loss on available-for-sale financial assets arising during the period	(359)	264	(2,229)	(1,331)
Unrealized loss on available-for-sale financial assets transferred to net income in the current period	1,318	-	2,816	-
Income tax expense transferred to net income in the period	-	(542)	253	-
Change in unrealized loss on available-for-sale financial assets	959	(278)	840	(1,331)
Gain on derivatives designated as cash flow hedges	-	816	-	4,112
Income tax expense	-	(277)	-	(1,398)
Loss (gain) on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	-	(609)	(1,508)	(1,679)
Income tax expenses (benefits) transferred to net income in the current period	-	207	512	571
Change in gain (loss) on derivatives designated as cash flow hedges	-	137	(996)	1,606
Other comprehensive income (loss)	27,470	2,160	40,490	(35,849)
Comprehensive income	<b>\$ 84,776</b>	<b>\$ 5,913</b>	<b>\$ 190,218</b>	<b>\$ 51,508</b>

## **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, 2007.

Accordingly, these interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements.

##### *a) Intangible Assets*

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

##### *b) General Standards of Financial Statements Presentation*

Effective January 1, 2008, the Company adopted changes to the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook Section 1400, *General Standards of Financial Statement Presentation*. Amendments to this Handbook section require management to evaluate, as at each balance sheet date, the Company’s ability to continue as a going concern. If management concludes that the Company can no longer operate as a going concern, that fact, along with information relevant to that assessment, is required to be disclosed in the financial statements. When financial statements are not prepared on a going concern basis, this fact is to be disclosed along with a description of the basis of preparation. This change had no impact on the Company’s unaudited interim consolidated financial statements.

##### *c) Capital Disclosures*

Effective January 1, 2008, the Company adopted CICA Handbook section 1535, *Capital Disclosures*. This Handbook section establishes standards for disclosing information about the Company’s capital and how it is managed and includes the requirement for disclosure of information about the Company’s objectives, policies and processes for managing capital. The disclosures related to this Handbook section are included in note 17.

*d) Financial Instruments*

Effective January 1, 2007, the Company adopted the following CICA Handbook sections: 3861, *Financial Instruments – Disclosure and Presentation*, the former of which outlines the disclosure requirements related to the Company's financial instruments. On adoption, the Company recorded a decrease to other assets and a decrease in retained earnings of \$585 thousand.

*e) Financial Instruments*

Effective January 1, 2008, the Company adopted the following CICA Handbook sections: 3862, *Financial Instruments – Disclosure*; and 3863, *Financial Instruments – Presentation*, the former of which outlines the disclosure requirements related to the Company's financial instruments. The adoption of the standards did not have any impact on the classification and valuation of the Company's financial instruments. The disclosures required by these Handbook sections are included in note 16.

*f) Financial Instruments*

Effective August 30, 2008, the Company adopted the following Emerging Issues Committee abstract; EIC-172 *Financial Instruments – Income Statement Representation Of Tax Loss Carryforward Recognized Following An Unrealized Gain Recorded In Other Comprehensive Income*. As required, this accounting standard has been adopted retroactively with restatement of prior periods. The following adjustments were made to the Company's balance sheet as a result of adopting this accounting standard:

(in thousands of Canadian dollars)	January 1, 2007
Increase in assets:	
Future taxes.....	\$ 3,288
Total increase in assets.....	<u>\$ 3,288</u>
Increase in liabilities:	
Future taxes.....	\$ 4,533
Total increase in liabilities.....	<u>\$ 4,533</u>
Increase (decrease) in shareholders' equity:	
Retained earnings .....	3,288
Accumulated other comprehensive loss.....	(4,533)
Total decrease to shareholders' equity .....	<u>(1,245)</u>
Total increase to liabilities and shareholders' equity .....	<u>\$ 3,288</u>

*g) Inventories*

On January 1, 2008, the Company adopted CICA Handbook Section 3031, *Inventories*. As required, this accounting standard has been adopted prospectively with an adjustment to retained earnings. Prior year figures have not been restated. The following adjustments were made to the Company's balance sheet as a result of adopting this accounting standard:

(in thousands of Canadian dollars)	January 1, 2008
<b>Increase in assets:</b>	
Inventories .....	\$ 1,030
Property, plant and equipment	2,037
Total increase in assets.....	<u>\$ 3,067</u>
<b>Increase in shareholders' equity:</b>	
Retained earnings .....	3,067
Total increase to shareholders' equity .....	<u>3,067</u>
Total increase to liabilities and shareholders' equity .....	<u>\$ 3,067</u>

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

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis, except in certain project based pipe coating businesses where the average cost basis is employed, and includes direct materials, direct labour and variable and fixed manufacturing overheads. Net realizable value for finished goods and work-in-process is the amount which would be realized on the sale, less the cost of transport, and for raw materials and supplies is replacement cost. Ownership of inbound inventories is recognized at the time title passes to the Company, which coincides with the invoicing and release of such inventories by suppliers.

## **2. Stock-based compensation**

The Board of Directors approved the granting of 30,000 stock options on May 26, 2008 and 398,600 on February 22, 2008 under the 2001 Employee Plan. The total fair value of the stock options granted during twelve months ended December 31, 2008 was \$4.1 million and the weighted average fair value of the options was \$10.54 (2007 - \$8.15), calculated using the Black-Scholes pricing model with the following assumptions:

	2008	2007
Expected life of options .....	<b>6.25 years</b>	6.25 years
Expected stock price volatility .....	<b>29.63%</b>	29.02%
Expected dividend yield .....	<b>0.75%</b>	0.92%
Risk-free interest rate .....	<b>3.20%</b>	4.04%

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 and twelve months ended December 31, 2008, included in selling, general and administrative expenses, is \$830 thousand and \$3.4 million, respectively (December 31, 2007 - \$689 thousand and \$2.8 million, respectively).

### 3. Foreign exchange gains and losses

Included in selling, general and administrative expenses for the three months and twelve months ended December 31, 2008 are foreign exchange gains of \$5.9 million and \$8.2 million, respectively, (December 31, 2007 – gains of \$47 thousand and \$475 thousand, respectively).

### 4. 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 and twelve months ended December 31, 2008 is \$1.7 million and \$9.0 million (December 31, 2007 - \$3.3 million and \$10.5 million).

### 5. Interest income (expense)

(in thousands of Canadian dollars)	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2008	2007	2008	2007
Interest on short-term deposits	\$ (391)	\$ 2,125	\$ 1,895	\$ 10,224
Interest on bank indebtedness	(353)	(176)	(2,518)	(707)
Interest on long-term debt	(1,410)	(1,206)	(5,036)	(5,136)
	<u>\$ (2,154)</u>	<u>\$ 743</u>	<u>\$ (5,659)</u>	<u>\$ 4,381</u>

### 6. 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 Company previously announced that it had reached a settlement of the Alabama lawsuit brought by Dirt, Inc. against Bredero Price Company, Bredero Shaw LLC, ShawCor Ltd. and Halliburton Energy Services, Inc., which resulted in the previously announced verdict of US\$100 million in compensatory damages and punitive damages of US\$2 million against each defendant plus interest. The matter was settled, at a mediation ordered by the Alabama Supreme Court as part of the appeal proceedings, for a total of US\$43.5 million against all parties. As a result of this settlement, in the second quarter of 2008, the Company has reduced its reserves related to this lawsuit to \$36.0 million, less anticipated income tax recoveries of \$12.6 million. During the three months ended September 30, 2008, all amounts related to the settlement were paid.

The following table summarizes the financial results and cash flows from discontinued operations for the three months and twelve months ended December 31, 2008 and 2007 and the assets and liabilities of the discontinued operations as at those dates:

(in thousands of Canadian dollars)	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2008	2007	2008	2007
Revenue	\$ -	\$ -	\$ -	\$ -
Income (loss) from operations	<b>908</b>	(46,605)	<b>17,960</b>	(46,767)
Interest expense	-	-	-	-
Income (loss) from discontinued operations before income taxes	<b>908</b>	(46,605)	<b>17,960</b>	(46,767)
Income tax recovery	<b>299</b>	(16,305)	<b>6,949</b>	(16,305)
Income (loss) from discontinued operations	<b>\$ 609</b>	<b>\$ (30,300)</b>	<b>\$ 11,011</b>	<b>\$ (30,462)</b>
Cash flow used in operating activities	\$ (2,048)	\$ 2,707	\$ (35,750)	\$ (3,135)
Current assets			\$ 12,256	\$ 16,305
Property, plant and equipment, net			-	-
Current liabilities			\$ 455	\$ 51,265

## 7. Cash and cash equivalents

(in thousands of Canadian dollars)	Dec. 31 2008	Dec. 31 2007
Cash	\$ 78,932	\$ 122,655
Cash equivalents	-	52,362
	<b>\$ 78,932</b>	<b>\$ 175,017</b>

## 8. Intangible assets

(in thousands of Canadian dollars)	<b>Dec. 31 2008</b>	Dec. 31 2007
Cost	\$ 57,927	\$ 827
Intellectual property with limited life, at cost .....		
Intangible assets with limited life .....	8,847	400
Intangible assets with indefinite life .....	1,931	331
	<b>68,705</b>	1,558
Accumulated amortization		
Amortization of intellectual property with limited life ...	1,902	
	<b>\$ 66,803</b>	\$ 1,558

Intellectual property represents the costs of certain technology and know-how obtained in acquisitions. Intangible assets include trademarks, brand names and customer relationships obtained in acquisitions.

## 9. Other assets

(in thousands of Canadian dollars)	<b>Dec. 31 2008</b>	Dec. 31 2007
Long-term investments	\$ 360	\$ 2,589
Deferred project costs	8,865	8,492
Accrued employee future benefit asset	6,733	4,797
	<b>\$ 15,958</b>	\$ 15,878

Long-term investments at December 31, 2008 represented 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 and twelve months ended December 31, 2008 of \$1.3 million and \$2.8 million, respectively (December 31, 2007 – nil and nil)

## 10. Bank indebtedness

At December 31, 2008, the Company had total operating credit lines of \$293.5 million (December 31, 2007 - \$172.0 million), of which \$95.5 million has been drawn for various standby letters of credit for performance, bid and surety bonds (December 31, 2007 - \$107.0 million) and bank indebtedness of \$14.0 million (December 31, 2007 - nil), to yield unutilized credit facilities of \$198.0 million (December 31, 2007 - \$64.7 million), excluding the Company's proportionate share of the bank indebtedness of its joint venture, Arabian Pipecoating Company Limited.

**11. Other non-current liabilities**

(in thousands of Canadian dollars)	Sept. 30 2008	Dec. 31 2007
Non-current asset retirement obligations	\$ 6,680	\$ 7,977
Accrued employee future benefit obligations	3,298	2,763
	<u>\$ 9,978</u>	<u>\$ 10,740</u>

**12. Capital stock**

As at December 31, the following shares were outstanding:

(in thousands of Canadian dollars except number of shares information)								
	2008			2007				
	Class A	Class B	Total	Class A	Class B	Total	Class A	Class B
Number of Shares:								
Balance, beginning of year	58,234,570	13,078,142	71,312,712	60,914,175	13,078,142	73,992,317		
Issued on exercise of stock options	113,234	-	113,234	320,295	-	320,295		
Conversions Class B to Class A	17,933	(17,933)	-	-	-	-		
Purchased and cancelled under Normal Course Issuer Bid	(1,007,200)	-	(1,007,200)	(2,999,900)	-	(2,999,900)		
Balance, end of year	57,358,537	13,060,209	70,418,746	58,234,570	13,078,142	71,312,712		
Stated Value:								
Balance, beginning of year	\$ 202,248	\$ 1,004	\$ 203,252	\$ 205,848	\$ 1,004	\$ 206,852		
Issued on exercise of stock options	1,763	-	1,763	4,955	-	4,955		
Compensation cost on exercised options	576	-	576	1,639	-	1,639		
Conversions Class B to Class A	1	(1)	-	-	-	-		
Purchased and cancelled under Normal Course Issuer Bid	(3,518)	-	(3,518)	(10,194)	-	(10,194)		
Balance, end of year	\$ 201,070	\$ 1,003	\$ 202,073	\$ 202,248	\$ 1,004	\$ 203,252		

During the twelve months ended December 31, 2008, the Company repurchased and cancelled 1,007,200 Class A Subordinated Voting Shares (“Class A shares”) (December 31, 2007 – 2,999,900) under the terms of a Normal Course Issuer Bid (“NCIB”). The excess of cost over stated capital of the acquired shares, which for the twelve months ended December 31, 2008 totaled \$22.5 million (December 31, 2007 – \$81.8 million), was charged to retained earnings. The repurchase of shares was made on the open market at prevailing market prices for a total of \$26.0 million.

**13. Contributed surplus**

(in thousands of Canadian dollars)	Three months ended Dec. 31		Twelve months ended Dec.31	
	2008	2007	2008	2007
Balance, beginning of period	\$ 13,686	11,139	11,729	10,603
Adjustment for stock-based compensation				
Stock compensation expense (note 2)	830	697	3,359	2,765
Fair value of stock options exercised	(4)	(107)	(576)	(1,639)
Balance, end of period	\$ 14,512	11,729	14,512	11,729

**14. Accumulated other comprehensive income (loss)**

(in thousands of Canadian dollars)	Dec. 31 2008	Dec. 31 2007
Unrealized foreign currency translation losses, net of hedging activities	\$ (85,540)	\$ (126,186)
Unrealized loss on available-for-sale financial asset	-	(840)
Gain on derivatives designated as cash flow hedges	-	996
Balance, at end of period	\$ (85,540)	\$ (126,030)

**15. Stock option plans**

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

	Dec. 31, 2008		Dec. 31, 2007	
	Total Shares	Weighted Average Exercise Price	Total Shares	Weighted Average Exercise Price
Balance outstanding, beginning of year .....	2,173,980	17.24	2,269,395	\$15.76
Granted .....	428,600	30.03	371,800	\$25.02
Exercised .....	(113,234)	15.56	(320,295)	\$15.64
Forfeited .....	(16,880)	19.24	(142,000)	\$17.42
Expired .....	(2,000)	15.94	(4,920)	\$17.91
Balance outstanding, end of year .....	2,470,466	19.14	2,173,980	\$17.24

Options Outstanding				Options Exercisable	
Range of exercise prices	Outstanding at December 31, 2008	Weighted average remaining contractual life in years	Weighted average exercise price	Exercisable at December 31, 2008	Weighted average exercise price
\$10.00 to \$15.00	474,966	4.41	\$12.63	444,486	\$12.73
\$15.01 to \$20.00	1,181,100	5.41	\$16.84	791,304	\$16.77
\$20.01 to \$25.00	40,000	6.50	\$20.90	18,400	\$21.03
\$25.01 to \$30.00	744,400	8.54	\$27.62	69,560	\$25.02
\$30.01 to \$35.00	30,000	9.01	\$31.77		
	2,470,466			1,323,750	
Options Outstanding				Options exercisable	
Range of exercise prices	Outstanding at December 31, 2007	Weighted average remaining contractual life in years	Weighted average exercise price	Exercisable at December 31, 2007	Weighted average exercise price
\$10.00 to \$15.00	518,620	5.28	\$12.69	387,616	\$12.80
\$15.01 to \$20.00	1,259,760	6.36	\$16.81	645,568	\$16.71
\$20.01 to \$25.00	40,000	7.51	\$20.90	11,200	\$21.19
\$25.01 to \$30.00	355,600	9.01	\$25.02	-	-
	2,173,980	-	-	1,044,384	-

## 16. 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)	Dec. 31, 2008		Dec. 31, 2007	
Financial assets:				
Held for trading, measured at fair value				
Cash	\$	78,932	\$	122,655
Held to maturity, recorded at amortized cost				
Cash equivalents		-		52,362
Loans and receivables, recorded at amortized cost				
Accounts receivable		307,933		203,547
Taxes receivable		9,261		3,169
Available for sale, measured at fair value				
Long-term investments		360		2,589

(in thousands of Canadian dollars)	Dec. 31, 2008	Dec. 31, 2007
Derivatives, measured at fair value		
Derivative financial instruments	(1,526)	1,508
Financial liabilities:		
Other liabilities, recorded at amortized cost:		
Bank indebtedness	15,418	107
Accounts payable and accrued liabilities	193,675	153,116
Taxes payable	53,405	32,030
Current portion of long-term debt	30,672	-
Long-term debt	60,554	72,726

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 \$91.2 million (December 31, 2007 - \$72.7 million) has a fair value estimated to be \$90.9 million (December 31, 2007 - \$74.9 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 December 31, 2008:

(in thousands)	Dec. 31, 2008
<b>U.S. dollars sold for Canadian dollars</b>	
Less than one year .....	US\$12,000
Weighted average rate .....	1.066
<b>U.S. dollars sold for Euros</b>	
Less than one year .....	US\$3,160
Weighted average rate .....	1.4698
<b>Euros sold for U.S. dollars</b>	
Less than one year .....	EUR 4,300

<b>(in thousands)</b>	<b>Dec. 31, 2008</b>
Weighted average rate .....	1.4517
One year to two years .....	EUR 2,200
Weighted average rate .....	1.4465

At December 31, 2008, the Company had notional amounts of \$25.5 million of forward contracts outstanding (December 31, 2007 - \$35.7 million) with the fair value of the Company's net obligation from all foreign exchange forward contracts totaling \$1.5 million (December 31, 2007 - \$1.5 million, net benefit).

*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 December 31, 2008, 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 year then ended by approximately \$33.8 million, \$9.8 million and \$7.3 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total shareholders' equity by \$44.8 million, \$14.5 million and \$30.3 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 December 31, 2008, 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 twelve 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

#### *Interest rate risk*

The following table summarizes the Company's exposure to interest rate risk at December 31, 2008:

(in thousands of Canadian dollars)		Fixed interest rate maturing		Total
		in		
	Floating rate	1 year or less	Greater than 1 year	
<b>Financial assets</b>				
Cash and cash equivalents	\$78,932	-	-	\$78,932
Total	\$78,932	-	-	\$78,932
Weighted average fixed rate of cash equivalents.	-	-	-	
<b>Financial liabilities</b>				
Bank indebtedness	\$15,418	-	-	\$15,418
Current portion of long-term debt	-	\$30,672	-	\$30,672
Long-term debt	-	-	\$60,554	\$60,554
Total	\$15,418	\$30,672	\$60,554	\$106,644
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 December 31, 2008 are as follows:

(in thousands of Canadian dollars)	Dec. 31, 2008
Not past due	\$ 246,758
Past due 1 to 30 days	41,433
Past due 31 to 60 days	12,177
Past due 61 to 90 days	5,295
Past due for more than 90 days	8,507
Total trade receivables	<u>314,170</u>
Less: allowance for doubtful accounts	6,237
Net receivables	<u><u>\$ 307,933</u></u>

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

(in thousands of Canadian dollars)	Twelve Months Ended Dec. 31, 2008	
Balance, beginning of period	\$	4,165
Bad debt expense		2,944
Write-offs of bad debts		(877)
Impact of change in foreign exchange rates		5
Balance, end of period	\$	<u>6,237</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 December 31, 2008, the Company has cash and cash equivalents totaling \$78.9 million and had unutilized lines of credit available to use of \$198.0 million. The following are the contractual maturities of the Company's financial liabilities as of December 31, 2008:

(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	\$79,467	\$50,761	\$47,521	-	-	\$177,749
Asset retirement obligations	-	-	15,926	1,300	5,380	22,606
Bank indebtedness	-	14,000	1,418	-	-	15,418
Long-term debt	-	-	30,672	60,554	-	91,226
Obligations under capital leases	43	86	387	691	-	1,207
Interest on financial instruments	433	867	2,893	3,194	-	7,387
Derivative financial instruments	396	420	1,233	-	-	2,049
Total	\$80,339	\$66,134	\$100,050	\$65,739	\$5,380	\$317,642

### **17. 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 December 31, 2008, total managed capital was \$840.2 million (December 31, 2007 - \$651.6 million), comprised of shareholders equity of \$733.6 million (December 31, 2007 - \$578.8 million), long-term debt of \$60.6 (December 31, 2007 - \$72.7 million), current portion of long-term debt of \$30.7 million (December 31, 2007 – nil) and bank indebtedness of \$15.4 million (December 31, 2007 - \$107 thousand).

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 December 31, 2008 was within the parameters established by these agreements.

### **18. 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 December 31, 2008 and 2007, and goodwill and total assets as of those dates by segment are as follows:

(in thousands of Canadian dollars)	Three months ended Dec. 31		Twelve months ended Dec. 31	
	2008	2007	2008	2007
Revenue				
Pipeline and Pipe Services	<b>401,768</b>	254,316	<b>1,239,893</b>	903,427
Petrochemical and Industrial	<b>33,001</b>	28,450	<b>141,969</b>	143,665
Intersegment Eliminations	<b>(916)</b>	2,672	<b>(2,285)</b>	1,007
	<b>433,853</b>	285,438	<b>1,379,577</b>	1,048,099
Income (loss) from operations				
Pipeline and Pipe Services	<b>76,612</b>	40,280	<b>200,681</b>	153,932
Petrochemical and Industrial	<b>2,527</b>	3,065	<b>19,088</b>	22,822
Financial and Corporate	<b>(2,575)</b>	(3,853)	<b>(18,051)</b>	(16,753)
	<b>76,564</b>	39,492	<b>201,718</b>	160,001
Goodwill				
Pipeline and Pipe Services			<b>209,547</b>	142,402
Petrochemical and Industrial			<b>20,002</b>	17,078
			<b>229,549</b>	159,480
Total assets				
Pipeline and Pipe Services			<b>1,358,514</b>	976,635
Petrochemical and Industrial			<b>87,726</b>	74,480
Financial and Corporate			<b>814,913</b>	883,669
Elimination			<b>(1,032,687)</b>	(971,170)
			<b>1,228,466</b>	963,614

## 19. 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		Twelve Months Ended	
	Dec. 31		Dec. 31	
	2008	2007	2008	2007
Revenue	\$ 38,328	\$ 20,685	\$ 121,021	\$ 65,213
Operating and other expenses	28,286	16,121	90,363	48,663
Net income before income taxes	10,042	4,564	30,658	16,550
Provision for taxes	3,360	931	8,753	2,016
Net income	\$ 6,682	\$ 3,633	\$ 21,905	\$ 14,534
Cash provided by (used in):				
Operating activities	\$ 6,523	\$ 8,178	\$ 18,224	\$ 6,805
Investing activities	372	(1,047)	(3,913)	(978)
Financing activities	(8,622)	(11,972)	(15,942)	(7,864)
Current assets	-	-	30,892	25,597
Property, plant and equipment, net	-	-	16,452	11,877
Goodwill	-	-	4,251	4,521
Current liabilities	-	-	18,200	17,103

## 20. 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 Dec. 31		Twelve Months Ended Dec. 31	
	2008	#	2008	2007
Basic				
Class A	57,503,734	58,478,597	57,846,083	59,472,114
Class B	13,060,209	13,078,142	13,060,209	13,078,142
Total	70,563,943	71,556,739	70,906,292	72,550,256
Dilutive effect of stock options				
Class A	130,886	968,579	645,897	877,998
Class B	-	-	-	-
Total	130,886	968,579	645,897	877,998
Diluted				
Class A	57,634,620	59,447,176	58,491,980	60,350,112
Class B	13,060,209	13,078,142	13,060,209	13,078,142
Total	70,694,829	72,525,318	71,552,189	73,428,254

## 21. Acquisitions and divestitures

On April 14, 2008, the Company acquired 20% of the outstanding shares of PT Bredero Shaw Indonesia for \$2.5 million and on November 26, 2008, the remaining 5% minority interest was acquired for the amount of \$771 thousand. The excess of the proportionate fair value of the net assets of this company over the amount of the disbursement that was made to acquire the shares has been allocated as a reduction to the proportional fair value of fixed assets acquired. Subsequent to this transaction, the Company owns 100% of the outstanding shares of this subsidiary.

On June 27, 2008, the Company announced the acquisition of 100% of the outstanding shares of Flexpipe Systems Inc. (“Flexpipe”). Flexpipe is based in Canada and is a leading manufacturer of spoolable, composite line pipe which is used by oil and gas producers in applications that benefit from the product’s ease and speed of installation and its pressure and corrosion resistance capabilities. This transaction is being accounted for using the purchase method with the balance sheet and financial results of Flexpipe included in the Company’s consolidated financial statements from the date of acquisition. The following are the details of the acquisition:

(In thousands of Canadian dollars)		
Net assets acquired at assigned values:		
Current assets	\$	33,566
Property, plant and equipment		18,578
Goodwill		50,220
Other intangible assets		67,260
Current liabilities		(25,068)
Future income taxes		(21,435)
Other long-term liabilities		(640)
	\$	122,481
Consideration given:		
Cash, net of cash acquired of \$1,376	\$	122,481
	\$	122,481

On June 30, 2008, the Company recorded the sale of its wholly-owned subsidiaries Bredero Shaw Nigeria Ltd. (“BSNL”) and Bredero Port Harcourt Ltd. (“BPHL”) for proceeds of \$5.7 million and consequently recorded a gain of \$864 thousand representing the excess of the purchase price over the carrying value of the net assets sold.

The following is the summarized balance sheets of BSNL and BPHL at the time of sale:

(in thousands of Canadian dollars)		
Current assets	\$	5,635
Property, plant and equipment, net		172
Current liabilities		953

On June 6, 2007, the Company purchased 100% of the outstanding shares of X-Tek Industrial Limited from X-Tek Systems Limited. The name of the company was subsequently changed to Shaw Inspection Systems Limited (“SISL”). The following are the finalized details of the acquisition:

(In thousands of Canadian dollars)

Net assets acquired at assigned values:		
Current assets	\$	2,323
Property, plant and equipment		329
Goodwill		560
Other intangible assets		1,558
Current liabilities		(1,984)
	\$	2,786
Consideration given:		
Cash		2,786
	\$	2,786

## 22. Upcoming accounting changes

In February 2008, the CICA issued new Handbook section 3064, *Goodwill and Intangible Assets*, which is effective for fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the new accounting standards on its financial position, results of operations and disclosures.

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 .

## 23. Comparative figures

Comparative figures have been reclassified where necessary to correspond with the current year’s presentation.