

May 9, 2006

SHAWCOR LTD.
(TSX: SCL.SV.A, SCL.MV.B)

PRESS RELEASE

**SHAWCOR RELEASES FIRST QUARTER RESULTS AND
 REMINDS SHAREHOLDERS OF CHANGE IN TSX TRADING SYMBOLS**

Financial Summary

(In thousands of Canadian dollars except per share amounts)	Three Months Ended Mar. 31	
	2006	2005
Operating Results		
Revenue	\$ 257,730	\$ 242,859
EBITDA (note 1)	47,555	40,883
Operating income from continuing operations	37,452	29,326
Income from continuing operations	24,755	18,688
Income (loss) from discontinued operations	(35)	(930)
Net income	24,720	17,758
Net income (loss) per share (Class A and B) – Basic		
Continuing operations	0.33	0.25
Discontinued operations	0.00	(0.01)
Total	0.33	0.24
Net income (loss) per share (Class A and B) - Diluted		
Continuing operations	0.33	0.25
Discontinued operations	0.00	(0.01)
Total	0.33	0.24
Cash Flow		
Cash provided by operating activities	48,938	11,449
Additions to property, plant and equipment	6,526	5,212
Financial Position		
Working capital	294,775	158,837
Total assets	931,590	808,645
Shareholders' equity per share (Class A and B)	\$ 7.61	\$ 6.10

Note 1: EBITDA is a non-GAAP measure calculated by adding back to income from continuing operations, interest, taxes and depreciation/amortization. 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.

Consolidated revenue for the quarter totaled \$257.7 million, 6% higher than in the first quarter of last year and 88% of the record level achieved in the fourth quarter of 2005. The impact on revenue in the quarter of the completion, as planned, of two major North Sea pipecoating projects at Bredero Shaw's pipecoating plants in Norway and Scotland was only partially offset by increased activity at the division's other pipecoating plants including the new facility in Kabil, Indonesia. Activity levels at the other divisions within the Pipeline and Pipe Services segment remained firm. Stronger demand in the Industrial and Petrochemical segment was evident with both DSG-Canusa and ShawFlex contributing to the 24% increase in revenue over the prior quarter and a 12% increase over the first quarter of last year.

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Consolidated income from continuing operations in the quarter of \$24.8 million improved 32% over the same period last year and 14% over the prior quarter, reflecting the impact of continuing profitability improvement initiatives at Bredero Shaw and favorable product mix in the quarter. Net income for the quarter totaled \$24.7 million (\$0.33 per share) compared to \$20.6 million (\$0.28 per share) in the fourth quarter of 2005, and \$17.8 million (\$0.24 per share) in the first quarter of 2005.

While the Company's backlog, as anticipated, declined slightly in the quarter to \$333 million due to the completion of the major North Sea pipecoating projects in Norway and Scotland, business activity is expected to remain strong through the second quarter with significant pipecoating project work in the Far East region scheduled to commence in the second quarter. The current outlook indicates softness in the latter half of the year, particularly in large diameter pipecoating with the completion in the first half of the year of several large projects, before the impact of the new cycle of large diameter projects expected to begin in 2007. In particular, the North Sea plants, with the completion of the two major North Sea pipecoating projects in the first quarter, are expected to be quiet for the balance of the year.

The Company is actively pursuing a number of growth initiatives. On March 3, 2006, the Company announced an agreement to provide pipecoating services at Oregon Steel Mills' pipe mill in Portland, Oregon. This arrangement will position the Company to participate more fully in the significant increase in large diameter pipeline construction in North America which is expected during the next few years. Site preparation has begun with the coating equipment being relocated from the Mobile, Alabama facility. In addition, on April 20, 2006, the Company announced that it had entered into an agreement to acquire all of the outstanding common stock of Garneau Inc., a Canadian pipecoating company, by way of a court approved plan of arrangement. Completion of the acquisition is subject to approval by Garneau's shareholders at a shareholders' meeting to be held on May 30, 2006.

MANAGEMENT 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 2005 Annual Report.

Revenue and Income from Operations

ShawCor classifies its revenue and income from operations in two industry segments: Pipeline and Pipe Services, and Petrochemical and Industrial.

Consolidated revenue from continuing operations for the quarter totaled \$257.7 million, 12% lower than last quarter but 6% higher than in the first quarter of last year. Net income for the quarter was \$24.7 million or \$0.33 per share compared to \$20.6 million (\$0.28 per share) last quarter and \$17.8 million (\$0.24 per share) in the first quarter of 2005. Income from continuing operations in the quarter was \$24.8 million compared to \$21.8 million last quarter and \$18.7 million in the first quarter of 2005, 14% and 32% increases respectively.

In the Pipeline and Pipe Services segment, revenue in the quarter totaled \$223.1 million, \$40.8 million lower than in the prior quarter but 5% higher than in the first quarter of 2005. Income from continuing operations for the segment totaled \$37.3 million in the quarter, 24% higher than in the corresponding

quarter of last year and 7% higher than in the fourth quarter of 2005, despite the lower revenue. At Bredero Shaw, the successful completion, on plan, of the coating on the Langed project, the longest underwater pipeline in the world, resulted in the winding-down of activity at the Company's pipecoating plants in Norway and Scotland and resulted in decreased revenue compared to the prior quarter; however, this was partially offset by increased activity at the division's other plants including the recently completed new Indonesian facility. In West Africa, the West African Gas Pipeline project in Ghana was completed on schedule. Nigerian operations continue to be a challenge. Operations management changes have been made and the strategy and operating procedures being followed in Nigeria are under review. Improving operational efficiencies at other Bredero Shaw operations together with favorable product mix positively impacted the division's operating margins (income from continuing operations as a percentage of revenue) in the quarter, which improved 0.7 percentage points over the prior quarter and 2.0 percentage points over the first quarter of last year. Profitability levels at Canusa-CPS, Shaw Pipeline Service and Guardian recovered from fourth quarter seasonal lows and improved over first quarter 2005 levels as demand for these divisions' products and services remained strong. Overall, first quarter 2006 operating margins for the Pipeline and Pipe Services segment reached 16.7%, an improvement from 14.2% in the first quarter of 2005.

In the Petrochemical and Industrial segment, revenue in the quarter of \$35.0 million increased 24% over the level in the prior quarter and 12% over revenue in the first quarter of last year. Business activity continued to strengthen at ShawFlex where revenue increased 24% over last quarter and 43% over the first quarter of 2005. While approximately one third of the increase reflects the higher raw material copper prices, two thirds of the increases are volume-related. Business conditions also improved at DSG-Canusa as revenue for the quarter was in line with the first quarter of last year and increased 24% over levels in the prior quarter. Income from operations for the segment totaled \$4.6 million in the quarter compared to \$1.5 million last quarter and \$3.8 million in the first quarter of last year with the improvement mainly the result of the increased revenue.

More than 80% of the Company's revenues and expenses are transacted in currencies other than Canadian dollars. In the first quarter of 2006, the U.S. dollar was on average 4% lower than in the fourth quarter of 2005, compared to the Canadian dollar, while the U.K. pound and Euro were each 8% lower, in terms of Canadian dollars. Overall, the impact of the strengthening of the Canadian dollar during the quarter reduced first quarter 2006 revenue by \$2.7 million and net income by \$267 thousand over the prior quarter.

Finance

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 \$550 thousand, totaled \$5.0 million compared to \$4.7 million in the prior quarter, before net foreign exchange gains of \$6 thousand.

Net interest income totaled \$114 thousand in the quarter, compared to \$300 thousand in the prior quarter and net interest expense of \$1.0 million in the first quarter of 2005. The improvement over the first quarter of last year reflects the improved cash position of the Company resulting from the divestiture of the OMSCO division in the third quarter of 2005 and the strong fourth quarter, 2005 and first quarter, 2006 operating performance.

Income tax expense was \$12.8 million in the quarter compared to \$11.2 million in the prior quarter and \$9.8 million in the first quarter of last year. The effective tax rate (income taxes as a percentage of income from continuing operations before income taxes and non-controlling interest) of 34% in the quarter was in line with the effective tax rates recorded in the prior quarter and the first quarter of last year of 35%.

Cash Flow

Cash flow generated from operating activities in the quarter totaled \$48.9 million compared to \$11.4 million in the first quarter of 2005 and an outflow of \$13.2 million in the fourth quarter of last year, with the improvements due to increased profitability and decreased working capital investment.

Capital expenditures in the quarter totaled \$6.5 million compared to \$5.5 million last quarter and \$5.2 million in the first quarter of last year. Major capital additions in the quarter included site development in Brazil in preparation for the PDEG project as well capacity expansion at ShawFlex and Canusa-CPS.

Cash flow used in financing activities totaled \$1.6 million in the quarter consisted of repayment of bank indebtedness of \$1.7 million and proceeds from the issuance of shares under the stock option program of \$100 thousand. Cash generated from financing activities totaled \$7.1 million in the first quarter of 2005, reflecting an increase in bank indebtedness.

Liquidity and Capitalization

At March 31, 2006, the Company recorded a working capital ratio of 2.22 to 1 compared to 2.05 to 1 at December 31, 2005. Operating working capital, excluding cash and cash equivalents, decreased \$14.5 million in the quarter to \$51.0 million with the decrease mainly resulting from reduced customer receivables at the end of the quarter. As a result, cash and cash equivalents increased \$43.5 million in the quarter to \$243.8 million.

Financial Instruments

The Company manages interest rate risk and foreign exchange risk through the use of derivative financial instruments including foreign exchange option contracts and forward exchange contracts. These instruments are used to hedge exposures related to commercial activities only. The Company does not use them for speculative purposes. Short-term movements on financial instruments acquired as a hedge of a specific foreign currency purchase obligation or revenue source are deferred and matched with the specific transaction.

At March 31, 2006, the Company had notional amounts of \$89.3 million of forward contracts outstanding (December 31, 2005 - \$104.5 million) with a fair value of negative \$1.9 million (December 31, 2005 – positive \$1.9 million). These amounts are used to express the volume of transactions and are not recognized in the consolidated financial statements.

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.

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, business, results of operations and financial condition. There were no material changes in the nature or magnitude of such business risks during the quarter. The 2005 annual report to shareholders includes a more detailed discussion of these risks and uncertainties.

Contractual Obligations

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

Summary of Quarterly Results

The following is 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
Revenue					
2006	\$ 257,730	\$	\$	\$	\$
2005	242,859	230,410	239,165	291,685	1,004,119
2004	163,352	174,311	172,440	227,681	737,784
Operating income from continuing operations					
2006	37,452				
2005	29,326	12,499	21,869	31,719	95,413
2004	15,499	12,758	10,690	28,231	67,178
Income from continuing operations					
2006	24,755				
2005	18,688	7,516	34,806	21,780	82,790
2004	11,268	8,128	7,434	12,297	39,127
Income (loss) from discontinued operations					
2006	(35)				
2005	(930)	2,224	55,946	(1,190)	56,050
2004	(7,683)	(11,617)	(16,092)	(90,396)	(125,788)

(In thousands of Canadian dollars
except per share amounts)

	First	Second	Third	Fourth	Full Year
Net income (loss)					
2006	24,720				
2005	17,758	9,740	90,752	20,590	138,840
2004	3,585	(3,489)	(8,658)	(78,099)	(86,661)
Operating income from continuing operations per share (Classes A and B)					
Basic and Diluted					
2006	0.51				
2005	0.39	0.17	0.29	0.42	1.27
2004	0.21	0.17	0.14	0.38	0.90
Income from continuing operations per share (Classes A and B)					
Basic and Diluted					
2006	0.33				
2005	0.25	0.10	0.45	0.30	1.10
2004	0.15	0.11	0.10	0.16	0.52
Income (loss) from discontinued operations per share (Classes A and B)					
Basic and Diluted					
2006	(0.00)				
2005	(0.01)	0.03	0.75	(0.02)	0.75
2004	(0.10)	(0.16)	(0.21)	(1.21)	(1.68)
Net income (loss) per share (Classes A and B)					
Basic and Diluted					
2006	0.33				
2005	0.24	0.13	1.20	0.28	1.85
2004	0.05	(0.05)	(0.11)	(1.05)	(1.16)

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

The Company's operations are subject to a degree of seasonality particularly in the Pipeline and Pipe Services market segment. The Western Canadian operations of Bredero Shaw and Guardian tend to be stronger in the first and fourth quarters of the year reflecting the winter pipe lay and drilling operations of their customers. 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 amounts of these revenues when they are translated into Canadian dollars.

On November 3, 2004, the Company announced the closure of its Mobile, Alabama facility. This event had a significant impact on the financial results for the fourth quarter of 2004. Operations at the facility ceased in the fourth quarter of 2005 and discontinued operations accounting treatment was adopted in that quarter with prior quarters restated on a comparable basis.

On September 30, 2005, the Company completed the sale of its OMSCO drill pipe manufacturing division. The division has been accounted for as a discontinued operation.

Proposed Transaction

On April 20, 2006, the Company announced that it had entered into an agreement to acquire all of the outstanding common shares of Garneau Inc by way of a court approved plan of arrangement. Under the terms of the arrangement, shareholders of Garneau (other than ShawCor and certain members of the Garneau family) will receive a cash payment of \$2.20 per share of Garneau. Members of the Garneau family will exchange their common shares of Garneau Inc. for non-voting preferred shares of Garneau Inc. which preferred shares will be redeemable after 3 years and retractable after 2 years at a price to be based on future profitability of certain ShawCor pipecoating operations, subject to a minimum of \$2.20 per share, and bear fixed cumulative dividends of 5% per annum. As part of the plan of arrangement, Garneau Inc. will sell its equipment manufacturing division to Garneau Industries Ltd., a corporation controlled by Glen Garneau, for a purchase price of \$3.0 million. Including outstanding stock options, there are 12.5 million common shares of Garneau Inc. outstanding, of which 3.6 million are owned by the Garneau family and 2.2 million by ShawCor.

Completion of this purchase plan is subject to the approval of the Garneau shareholders, at a meeting to be held on May 30, 2006. Subject to receipt of all approvals, including approval by the Court of Queen's Bench of Alberta, the transaction is expected to be completed prior to June 30, 2006.

Outstanding Share Capital

As at April 30, 2006, the Company had 61,040,917 Class A Subordinate Voting Shares ("Class A") outstanding and 13,081,972 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, 2006, the Company had stock options outstanding to purchase up to 2,926,102 Class A shares.

Outlook

The Company's consolidated order backlog, representing customer orders expected to be completed within one year, totaled \$333 million at March 31, 2006 compared to \$357 million at the beginning of the quarter.

The reduction in large diameter coating activity in the last half of the year will result in full year revenues being slightly lower than in 2005, the result of the completion of several large projects in the North Sea in the first quarter, as well as the stronger Canadian dollar against the U.S. and major European currencies. The reduction in North Sea activity will be partially offset by increases, initially in the Middle and Far East due in part to the KOC project announced in February and the recently awarded large diameter Waupisoo pipecoating contract in Western Canada. While pipecoating bid activity in both the Americas and Far East regions is high, there is uncertainty around the exact timing of much of the projected work. Several of the larger projects currently under discussion will not begin coating before 2007 or 2008. Profitability levels are expected to be maintained in 2006, despite somewhat lower revenues, as improved operational execution leads to improved profitability ratios. Current bid activity levels suggest further growth in 2007 and beyond.

The Company is continuing to explore growth opportunities and announced several initiatives during the quarter including some international large pipecoating contracts as well as an agreement to provide pipecoating services to Oregon Steel Mills at their pipe mill in Portland, Oregon and the opening of a new pipecoating facility in Brazil. In addition, on April 20, 2006, the Company announced that it had entered into an arrangement to acquire all of the outstanding common stock of Garneau Inc., a Canadian pipecoating company, subject to shareholder approval. The Company continues to enjoy a strong balance sheet and is well positioned to capitalize on opportunities as and when they arise.

This document includes certain statements that reflect management's expectations and objectives for ShawCor's future performance, opportunities and growth. 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," "estimate," "continue," "intend," "plan," and variations of these words or other similar expressions. 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 risk and uncertainty that could cause actual results to differ materially from those projected. Significant risks facing ShawCor include, but are not limited to: market risk, availability and prices of raw materials, political risk, environmental risk, and risk of product liability claims. Please refer to the Company's 2005 Annual Information Form for more information. Other information relating to the Company, including its Annual Information Form is available on SEDAR at www.sedar.com.

The Company reminds shareholders that its trading symbols will change effective Friday, May 12, 2006 in line with the Toronto Stock Exchange's discontinuance of the symbol extension program. ShawCor's current symbols of SCL.SV.A for Class A Subordinate Voting Shares and SCL.MV.B for Class B Multiple Voting Shares will be changed to **SCL.A** for the Class A shares and **SCL.B** for the Class B shares.

ShawCor will be hosting a Shareholder and Analyst Conference Call and Webcast on Wednesday, May 10, 2006 at 10:00 AM EDT, which will discuss the company's first quarter 2006 financial results. Please visit our website at www.shawcor.com for further details.

For further information, please contact:

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CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	March 31	
	2006	2005
		Restated - Note 7
Revenue	\$ 257,730	\$ 242,859
Operating expenses (notes 2, 3 and 4)	210,003	200,900
Amortization	10,122	11,335
Research and development	1,449	1,754
	221,574	213,989
Share of earnings in associated company	1,296	456
Operating income from continuing operations	37,452	29,326
Interest expense (income) (note 5)	(114)	1,048
Income before income taxes and non-controlling interest	37,566	28,278
Income taxes (note 6)	12,792	9,812
Income before non-controlling interest	24,774	18,466
Non-controlling interest	(19)	222
Income from continuing operations	24,755	18,688
Income (loss) from discontinued operations net of tax (note 7)	(35)	(930)
Net income	\$ 24,720	\$ 17,758
Earnings (loss) per shares Class A and B - Basic and Diluted		
Continuing operations	\$ 0.33	\$ 0.25
Discontinued operations	(0.00)	(0.01)
Total	\$ 0.33	\$ 0.24

SEGMENTED INFORMATION

	Three Months Ended	
	March 31	
	2006	2005
		Restated
Revenue		
Pipeline and Pipe Services	\$ 223,108	\$ 212,105
Petrochemical and Industrial	35,026	31,180
Eliminations	(404)	(426)
	\$ 257,730	\$ 242,859
Income (loss) from operations		
Pipeline and Pipe Services	\$ 37,261	\$ 30,076
Petrochemical and Industrial	4,636	3,811
Financial and Corporate	(4,445)	(4,561)
	\$ 37,452	\$ 29,326

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended	
	March 31	
	2006	2005
		Restated - Note 7
Operating activities:		
Income from continuing operations	\$ 24,755	\$ 18,688
Items not requiring an outlay of cash:		
Amortization	10,122	11,335
Future income taxes	(606)	4,868
Non-controlling interest in earnings of subsidiaries	19	(222)
Share of earnings of associated company	(1,296)	(456)
Change in non-cash working capital and other	15,944	(22,764)
Cash provided by continuing operating activities	<u>48,938</u>	<u>11,449</u>
Investing activities:		
Purchases of property, plant and equipment	(6,526)	(5,212)
Proceeds on disposal property, plant and equipment	41	16
Cash used in continuing investing activities	<u>(6,485)</u>	<u>(5,196)</u>
Financing activities:		
Increase (decrease) in bank indebtedness (note 9)	(1,715)	7,043
Issue of shares	100	71
Cash provided by (used in) continuing financing activities	<u>(1,615)</u>	<u>7,114</u>
Foreign exchange on foreign cash and cash equivalents	1,864	(278)
Net cash provided by continuing operations	42,702	13,089
Net cash provided by (used in) discontinued operations (note 7)	810	(24,711)
Cash and cash equivalents at beginning of period	<u>200,304</u>	<u>76,497</u>
Cash and cash equivalents at end of period	<u>\$ 243,816</u>	<u>\$ 64,875</u>

CONSOLIDATED BALANCE SHEETS

	Mar. 31 2006	Dec. 31 2005	Mar. 31 2005 Restated - Note 7
Assets			
Current assets			
Cash and cash equivalents	\$ 243,816	\$ 200,304	\$ 64,875
Accounts receivable	191,726	213,416	154,244
Inventories	79,941	81,012	71,416
Taxes receivable	8,261	5,711	5,028
Prepaid expenses	12,241	14,393	9,115
Current assets of discontinued operations (note 7)	-	799	74,601
	<u>535,985</u>	<u>515,635</u>	<u>379,279</u>
Property, plant and equipment, net	174,935	177,317	179,713
Goodwill	168,821	167,172	175,408
Investment in associated company	6,384	5,061	4,694
Other assets (note 8)	37,624	42,524	35,558
Non-current assets of discontinued operations (note 7)	7,841	7,974	33,993
	<u>\$ 931,590</u>	<u>\$ 915,683</u>	<u>\$ 808,645</u>
Liabilities			
Current liabilities			
Bank indebtedness (note 9)	\$ -	\$ 1,715	\$ 11,539
Accounts payable and accrued liabilities	143,529	167,473	128,894
Deferred revenues	31,981	23,975	3,793
Taxes payable	53,571	46,203	40,465
Current liabilities of discontinued operations (note 7)	12,129	12,250	35,751
	<u>241,210</u>	<u>251,616</u>	<u>220,442</u>
Long-term debt	87,510	87,210	90,683
Other non-current liabilities (note 10)	38,947	41,619	40,140
	<u>367,667</u>	<u>380,445</u>	<u>351,265</u>
Shareholders' Equity			
Capital stock (note 11)	204,914	204,720	207,576
Contributed surplus (note 12)	9,719	9,231	7,196
Retained earnings	446,267	421,547	318,573
Cumulative translation account	(96,977)	(100,260)	(75,965)
	<u>563,923</u>	<u>535,238</u>	<u>457,380</u>
	<u>\$ 931,590</u>	<u>\$ 915,683</u>	<u>\$ 808,645</u>

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Three Months Ended March 31	
	<u>2006</u>	<u>2005</u>
Balance at beginning of period	\$ 421,547	\$ 300,815
Net income for the period	<u>24,720</u>	<u>17,758</u>
	<u>446,267</u>	<u>318,573</u>
Balance at end of period	<u>\$ 446,267</u>	<u>\$ 318,573</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. These unaudited interim financial statements have been prepared in accordance with accounting policies outlined in the Company's audited financial statements for the year ended December 31, 2005. Accordingly, these interim financial statements should be read in conjunction with the Company's annual consolidated financial statements.

2. Stock-based compensation

On Feb 28, 2006, the Board of Directors approved the granting of 368,200 stock options under the 2001 Employee Plan and 47,500 stock options under the 2001 Director Plan. The average fair value of the stock options, calculated using the Black-Scholes pricing model, was \$2.2 million. The options granted under the 2001 Director Plan vest immediately and as a result, the fair value of the options are charged to compensation cost immediately. The fair value of options granted under the 2001 Employee Plan will be amortized to compensation expense over the 5 year vesting period of the options. The assumptions used in calculating the fair value of the options are as follows: expected life of options from 3.25 years to 8.25 years, expected stock price volatility ranges from 25.4% to 31.9%, expected dividend yield 0.53%, and risk free interest rate ranging from 4.04% to 4.10% over the life of the options. The compensation cost for the three months ended March 31, 2006 included in operating expenses is \$582 thousand (March 31, 2005 - \$601 thousand).

3. Foreign exchange gains and losses

Included in operating expenses for the three months ended March 31, 2006 are foreign exchange gains totaling \$550 thousand (March 31, 2005 - \$576 thousand losses).

4. Employee future benefits

The Company's cost under both defined benefit and defined contribution arrangements included in operating expenses for the three months ended March 31, 2006 is \$2.4 million (March 31, 2005 - \$2.0 million).

5. Interest expense (income)

(in thousands of Canadian dollars)	Three Months Ended Mar. 31	
	2006	2005
Interest income on short-term deposits	\$ (1,743)	\$ (486)
Interest on bank indebtedness	234	147
Interest on long-term debt	1,395	1,387
	<u>\$ (114)</u>	<u>\$ 1,048</u>

Net interest received during the three months ended March 31, 2006 totaled \$425 thousand (March 31, 2005 - \$984 thousand paid).

6. Income taxes

Net income taxes paid during the three months ended March 31, 2006 totaled \$4.4 million (March 31, 2005 – \$5.5 million).

7. Discontinued operations

On September 30, 2005, the Company concluded the sale of its OMSCO drill pipe manufacturing division (“OMSCO”) and accordingly adopted discontinued operations accounting treatment for the division in the third quarter of 2005. On November 2, 2004, the Company announced its decision to close the Mobile, Alabama pipecoating facility and operations at the facility ceased in the fourth quarter of 2005. The Company adopted discontinued operations accounting treatment for the Mobile facility in the fourth quarter of 2005.

The following table summarizes the financial results and cash flows from discontinued operations for the three months ended March 31, 2006 and 2005 and the assets and liabilities of the discontinued operations as at those dates:

(in thousands of Canadian dollars)	Three Months Ended March 31, 2006			Three Months Ended March 31, 2005		
	Mobile			Mobile		
	OMSCO	Facility	Total	OMSCO	Facility	Total
Revenue	\$ -	\$ 18	\$ 18	\$ 25,919	\$ 15,319	\$ 41,238
Income (loss) from operations	-	(35)	(35)	3,496	(3,174)	322
Interest expenses	-	-	-	20	-	20
Income (loss) from discontinued operations						
before income taxes	-	(35)	(35)	3,476	(3,174)	302
Income tax expense	-	-	-	1,232	-	1,232
Net income (loss) from discontinued operations	\$ -	\$ (35)	\$ (35)	\$ 2,244	\$ (3,174)	\$ (930)
Cash flow from (used in) operating activities	-	810	810	(28,905)	4,222	(24,683)
Cash flow from (used in) investing activities	-	-	-	(28)	-	(28)
Cash flow from (used in) financing activities	-	-	-	-	-	-
Net cash provided by (used in) discontinued operations	\$ -	\$ 810	\$ 810	\$ (28,933)	\$ 4,222	\$ (24,711)
Current assets	-	-	-	46,756	27,845	74,601
Property, plant and equipment, net	-	7,841	7,841	18,438	15,555	33,993
Current liabilities		12,129	12,129	13,239	22,512	35,751

8. Other assets

(in thousands of Canadian dollars)	Mar. 31, 2006	Dec. 31, 2005	Mar. 31, 2005
Long-term investment	\$ 2,875	\$ 2,875	\$ 2,875
Deferred financing costs	1,869	2,031	2,517
Deferred project costs	6,540	8,637	6,129
Accrued employee future benefit asset	4,245	4,384	3,736
Future income taxes	22,095	24,597	20,301
Total	\$ 37,624	\$ 42,524	\$ 35,558

Other assets include a long-term investment in Garneau Inc., a Canadian-based, publicly traded pipecoating company with a market value of \$4.9 million at March 31, 2006.

9. Bank indebtedness

As at March 31, 2006, the Company had operating lines of credit of US\$215 million, less \$93.2 million for various types of standby letters of credit for performance and bid bonds (March 31, 2005 - \$63.7 million) and bank indebtedness of nil (March 31, 2005 - \$11.4 million).

10. Other non-current liabilities

(in thousands of Canadian dollars)	Mar. 31, 2006	Dec. 31, 2005	Mar. 31, 2005
Non-current asset retirement obligations	\$ 2,278	\$ 2,249	\$ 4,277
Accrued employee future benefit obligations	2,075	1,953	1,841
Future income taxes	31,467	34,575	30,917
Non-controlling interest in subsidiaries	3,127	2,842	3,105
Total	\$ 38,947	\$ 41,619	\$ 40,140

11. Capital stock

(in thousands except share information)	Mar. 31, 2006	Dec. 31, 2005	Mar. 31, 2005
Number of shares: Class A			
Balance, beginning of the period	61,006,045	61,224,968	61,224,968
Issued – stock options	28,571	206,727	121,240
Conversion Class B to Class A	6,043	657,950	15,800
Purchased and cancelled under Normal Course Issuer Bid	-	(1,083,600)	
Balance, end of the period	61,040,659	61,006,045	61,362,008
Number of shares: Class B	13,081,972	13,088,015	13,730,165
Total number of shares Class A and Class B	74,122,631	74,094,060	75,092,173
Stated Value: Class A			
Balance, beginning of the period	\$ 203,716	\$ 205,849	\$ 205,849
Issued – stock options	194	1,459	672
Conversion Class B to Class A	-	51	1
Purchased and cancelled under Normal Course Issuer Bid	-	(3,643)	-
Balance, end of the period	\$ 203,910	\$ 203,716	\$ 206,522
Stated Value: Class B	1,004	1,004	1,054
Total stated value Class A and Class B	\$ 204,914	\$ 204,720	\$ 207,576

12. Contributed surplus

(in thousands of Canadian dollars)	Three Months Ended Mar. 31	
	2006	2005
Balance, beginning of period	\$ 9,231	\$ 7,196
Stock compensation expense	582	601
Fair value of stock options exercised	(94)	(601)
Balance, end of period	\$ 9,719	\$ 7,196

13. Derivative Financial instruments

Foreign exchange options and forward exchange contracts are used to hedge foreign exchange exposures related to commercial activities. They are not used by the Company for speculative purposes. At March 31, 2006, the Company had notional amounts of \$89.3 million of forward contracts outstanding (December 31, 2005 - \$104.5 million). These amounts are used to express the volume of transactions and are not recognized in the consolidated financial statements. These financial instruments are contracted with major, chartered banks; as a result, credit and liquidity risks related to these instruments are considered to be low.

The fair values of foreign exchange forward contracts represent an approximation of the amounts the Company would have paid to or received from counterparties to unwind its positions at March 31, 2006. The fair value of the Company's net liability for all foreign exchange forward contracts at March 31, 2006 not recognized in the consolidated financial statements was approximately \$1.9 million (December 31, 2005 - \$1.9 million net benefit). If these contracts ceased to be effective as hedges, unrecognized gains or losses pertaining to the portion of the hedging transactions in excess of projected foreign-denominated cash flows would be recognized in income at the time this condition was identified.

14. Segmented information

<u>(in thousands of Canadian dollars)</u>	<u>Three Months Ended</u> <u>Mar. 31</u>	
	<u>2006</u>	<u>2005</u>
Revenue		
Pipeline and pipe services	\$ 223,108	\$ 212,105
Petrochemical and Industrial	35,026	31,180
Intersegment Eliminations	(404)	(426)
	<u>\$ 257,730</u>	<u>\$ 242,859</u>
Income (loss) from operations		
Pipeline and pipe services	\$ 37,261	\$ 30,076
Petrochemical and Industrial	4,636	3,811
Financial and Corporate	(4,445)	(4,561)
	<u>\$ 37,452</u>	<u>\$ 29,326</u>
Goodwill		
Pipeline and pipe services	\$ 152,224	\$ 156,722
Petrochemical and Industrial	16,597	18,686
	<u>\$ 168,821</u>	<u>\$ 175,408</u>
Total assets		
Pipeline and pipe services	\$ 690,590	\$ 996,422
Petrochemical and Industrial	96,622	75,853
Financial and Corporate	1,183,399	789,320
Elimination	(1,039,021)	(1,052,950)
	<u>\$ 931,590</u>	<u>\$ 808,645</u>

15. Subsequent event

On April 20, 2006, the Company announced that it had entered into an arrangement whereby the Company would acquire all of the outstanding common shares of Garneau Inc. The transaction will be effected by means of a court approved plan of arrangement. Under the terms of the arrangement, shareholders of Garneau (other than ShawCor and certain members of the Garneau family) will receive a cash payment of \$2.20 per share of Garneau. Members of the Garneau family will exchange their common shares of Garneau Inc. for non-voting preferred shares of Garneau Inc. which preferred shares will be redeemable after 3 years and retractable after 2 years at a price to be based on future profitability of certain ShawCor pipecoating operations, subject to a minimum of \$2.20 per share, and bear fixed cumulative dividends of 5% per annum. As part of the plan of arrangement, Garneau Inc. will sell its equipment manufacturing division to Garneau Industries Ltd., a corporation controlled by Glen Garneau, for a purchase price of \$3.0 million. Including outstanding stock options, there are 12.5 million common shares of Garneau Inc. outstanding, of which 3.6 million are owned by the Garneau family and 2.2 million by ShawCor.

Completion of this purchase plan is subject to the approval of the Garneau shareholders, at a meeting to be held on May 30, 2006. Subject to receipt of all approvals, including approval by the Court of Queen's Bench of Alberta, the transaction is expected to be completed prior to June 30, 2006.

16. Comparative figures

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