

May 8, 2007

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

(In thousands of Canadian dollars except per share amounts)	Three Months Ended Mar. 31	
	2007	2006
Operating Results		Restated
Revenue	\$ 221,329	\$ 262,547
EBITDA (note 1)	38,407	47,644
Operating income from continuing operations	27,972	37,478
Income from continuing operations	23,308	24,755
Income (loss) from discontinued operations	(55)	(35)
Net income	23,253	24,720
Net income (loss) per share (Class A and B) – Basic		
Continuing operations	0.31	0.33
Discontinued operations	0.00	0.00
Total	0.31	0.33
Net income (loss) per share (Class A and B) - Diluted		
Continuing operations	0.31	0.33
Discontinued operations	0.00	0.00
Total	0.31	0.33
Cash Flow		
Cash from (used in) operating activities	23,279	48,551
Additions to property, plant and equipment	15,493	6,873
Financial Position		
Working capital	348,923	296,959
Total assets	1,000,569	937,358
Shareholders' equity per share (Class A and B)	\$ 8.67	\$ 7.61

Note 1: EBITDA is a non-GAAP measure calculated by adding back to net income from continuing operations, net interest, taxes, and amortization of property, plant and equipment.

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 share outstanding at the date of the balance sheet.

Note 3: During the fourth quarter of 2006, ShawCor Ltd. adopted the proportionate consolidation method of accounting for its 30% investment in the Arabian Pipecoating Company Limited ("APCO"). The Company previously accounted for this investment using the equity method. This change in accounting policy has been applied retroactively and as a result, revenue, operating expenses and certain balance sheet accounts for previous periods have been restated. Refer to note 2 of the 2006 annual Consolidated Financial Statements.

Consolidated revenue for the first quarter of 2007 totaled \$221.3 million compared to \$262.5 million in the first quarter of 2006, with the decrease reflecting completion of the Langed project in Norway and Leith Scotland, in the first quarter of 2006 and a year over year reduction in large-diameter pipe coating activity in the Far East. These lower levels of pipe coating activity at Bredero Shaw were partly mitigated by increased revenue at each of the Company's other divisions. Revenue also declined compared with the \$276.3 million reported in the fourth quarter of 2006 as a result of the completion in the prior quarter of significant pipe coating projects in Brazil and Ras Al Khaimah and the impact of a

slowdown in small diameter pipe coating activity in Western Canada. These reductions were partially offset by continuing growth in the Petrochemical and Industrial segment businesses.

Consolidated EBITDA totaled \$38.4 million (17.3% of sales) in the quarter compared to \$54.5 million (19.7% of sales) in the prior quarter and \$47.6 million (18.1% of sales) in the first quarter of 2006. EBITDA was primarily impacted by the lower revenue at Bredero Shaw.

Consolidated income from continuing operations in the quarter totaled \$23.3 million compared to \$26.7 million during the last quarter and \$24.8 million in the first quarter of 2006, while net income totaled \$23.3 million (\$0.31 per share) compared to \$26.7 million (\$0.36 per share) in the last quarter and \$24.7 million (\$0.33 per share) in the first quarter of last year.

The Company's backlog grew \$34.8 million or 9% in the quarter to \$402.7 million. The growth in backlog, together with the current level of bidding activity, is expected to translate into modest growth in revenue compared with the first quarter with the result that revenue for the full year in 2007 is expected to be at or near the 2006 level.

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 2006 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 for the quarter totaled \$221.3 million, 80% of the level achieved in the last quarter and 84% of the level recorded in the first quarter of 2006. Lower revenue in the quarter at Bredero Shaw, the Company's global pipe coating business, was partially offset by revenue growth at the Company's other divisions. Net income for the quarter was \$23.3 million or \$0.31 per share compared to \$26.7 million (\$0.36 per share) in the last quarter and \$24.7 million (\$0.33 per share) in the first quarter of 2006.

In the Pipeline and Pipe Services segment, revenue in the quarter totaled \$182.4 million compared to \$244.0 million in the fourth quarter of 2006. Revenue at Bredero Shaw in the quarter was 71% of last quarter's level and reflected the impact of the winding down of the KOC project at the division's pipe coating plant in Ras Al Khaimah and the PDEG project in Brazil, together with a decline in small-diameter coating activity, consistent with lower natural gas drilling levels, in Western Canada. In addition, revenue was impacted by the delay of several pipe coating projects in the USA, the Far East, and Nigeria. At the segment's other divisions, revenue decreases were experienced at both Shaw Pipeline Services and Canusa-CPS as pipeline project activity levels declined from the exceptionally high levels reported in the fourth quarter of 2006.

Compared with the first quarter of 2006, Pipeline and Pipe Services segment revenue decreased by \$46 million or 20% with the decrease reflecting reductions in production at Bredero Shaw's large-diameter pipe coating plants in the Far East and the impact of the Langed project at the division's plants in Farsund, Norway and Leith, Scotland, which was completed in the first quarter of 2006. Revenue in the quarter at the segment's other divisions all increased over the corresponding quarter of last year with Shaw Pipeline Services and Canusa-CPS posting strong revenue growth on higher project activity, and revenue at Guardian increasing as a result of the new integrated facility at Nisku, Alberta, which was commissioned in the third quarter of 2006. Operating income from continuing activities for the segment totaled \$24.5 million (13.5% of sales) in the quarter compared to \$40.8 million (16.7% of sales) in the prior quarter and \$37.3 million (16.3% of sales) in the first quarter of 2006, and was adversely impacted by the revenue reductions noted above. Partially offsetting the revenue impact was the benefit of reduced depreciation expense and fixed costs in the quarter that were lower than both the prior quarter and the first quarter of last year.

In the Petrochemical and Industrial segment, revenue in the quarter of \$39.5 million increased 20% over the last quarter and 13% over the first quarter of last year reflecting increased business activity at both DSG-Canusa and ShawFlex. Operating income from continuing operations for the segment totaled \$7.0 million (17.7% of sales) in the quarter compared to \$5.6 million (17.0% of sales) in the last quarter and \$4.6 million (13.2% of sales) in the first quarter of 2006.

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 totaled \$4.3 million before foreign exchange gains of \$720 thousand, compared to \$3.6 million, before foreign exchange losses of \$1.0 million, in the last quarter, and \$5.0 million in the first quarter of 2006, before foreign exchange gains of \$550 thousand.

Net interest income totaled \$1.6 million in the quarter, compared to \$1.4 million in the last quarter and \$88 thousand in the first quarter of 2006, with the improvement reflecting the significant increase in the cash position of the Company.

Income tax expense was \$6.7 million (22.7% of pre-tax income) in the quarter compared to \$15.7 million (36.3% of pre-tax income) in the last quarter and \$12.8 million (34.1% of pre-tax income) 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) in the quarter benefited from a 5 percentage point reduction due to decreases in the Company's Canadian future tax balances and a 3 percentage point reduction from the recognition of future tax assets as a result of the Company's improved profitability in the United States. The tax rate for the first quarter of 2006 was impacted by losses in foreign jurisdictions, where the tax loss benefits were not recognized in the consolidated financial statements.

Cash Flow

Cash flow generated from operating activities in the quarter totaled \$23.3 million, compared to \$40.6 million in the last quarter and \$48.6 million in the first quarter of 2006, with the decrease reflecting the

lower earnings in the quarter together with an increase in non-cash working capital mainly resulting from reduced taxes payable balances, reflecting income tax payments made in the quarter, partially offset by lower accounts receivable levels consistent with the lower revenue in the quarter.

Cash flow used in investing activities in the quarter totaled \$15.4 million, substantially comprised of capital expenditures of \$15.5 million. Major expenditures in the quarter included pipe coating capacity expansions in Canada and the United States and plant upgrades at Bredero Shaw's facility in Ras Al Khaimah. Cash flow used in investing activities totaled \$16.8 million in the last quarter, comprised of capital expenditures of \$18.1 million partially offset by proceeds of \$1.3 million received on the disposal of property, plant and equipment, while cash flow used in investing activities in the first quarter of 2006 totaled \$6.8 million, representing capital expenditures in that quarter.

Cash flow used in financing activities totaled \$14.5 million, comprised of \$10.7 million paid to repurchase 385,000 Class A shares under the Company's Normal Course Issuer Bid ("NCIB"), dividends paid to shareholders of \$4.2 million and \$967 thousand paid to reduce bank indebtedness, partially offset by \$1.3 million received on the issuance of 86,875 Class A shares on the exercise of stock options. Cash flow used in financing activities totaled \$903 thousand in the first quarter of 2006 while cash flow generated from financing activities totaled \$899 thousand in the prior quarter.

Liquidity and Capitalization

At March 31, 2007, the Company recorded a working capital ratio of 2.49 to 1 compared to 2.39 to 1 at December 31, 2006. Operating working capital, excluding cash and cash equivalents, increased \$9.1 million in the quarter to \$49.9 million with the growth mainly due to lower taxes payable, partially offset by decreased receivables levels in line with the lower revenue in the quarter. As a result of the net cash flows detailed above, cash and cash equivalents decreased \$7.1 million in the quarter to \$302.2 million.

Change in Accounting Policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation*; and Section 3865, *Hedges*. These changes require the Company to classify all financial assets as held-for-trading, designated at fair value, available-for-sale, held-to-maturity, or loans and receivables. The new accounting standards also require the Company to measure all financial assets, including derivatives and excluding loans and receivables, debt securities classified as held-to-maturity and available-for-sale equities that do not have quoted market values in an active market, at fair values. Changes in the fair values of financial assets classified as held-for-trading and of derivatives that are not considered effective hedges are charged to net income. Changes in the fair values of financial assets classified as available-for-sale and derivatives that are considered effective hedges are charged to other comprehensive income. As required, these new accounting standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income. Prior period figures have not been restated. Refer to note 1 to the first quarter 2007 interim financial statements for further information.

Financial Instruments

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at March 31, 2007:

(in thousands)

	Maturity	
U.S. dollars sold for Canadian dollars		
Less than one year		US\$24,350
Weighted average rate		1.1325
Canadian dollars sold for U.S. dollars		
Less than one year		CAD\$1,150
Weighted average rate		0.8697

At March 31, 2007, the Company had notional amounts of \$29.4 million of forward contracts outstanding (December 31, 2006 - \$38.5 million) with a fair value of the Company's liability for all foreign exchange forward contracts totaling \$689 thousand (December 31, 2006 - \$3.1 million).

Critical Accounting Estimates

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

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. A more complete outline of the risks and uncertainties facing the Company are included in the annual Management's Discussion and Analysis.

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

(In thousands of Canadian dollars except per share amounts)

	First	Second	Third	Fourth	Full Year
Revenue (Restated – see note below)					
2007	\$ 221,329	\$	\$	\$	\$
2006	262,547	269,433	251,324	276,315	1,059,619
2005	244,952	231,995	241,639	293,867	1,012,453
Operating income from continuing operations (Restated – see note below)					
2007	27,972				
2006	37,478	35,835	23,677	41,790	138,780
2005	29,326	12,509	21,882	31,737	95,454
Income from continuing operations					
2007	23,308				
2006	24,755	24,898	16,549	26,722	92,924
2005	18,688	7,516	34,806	21,780	82,790
Income (loss) from discontinued operations					
2007	(55)				
2006	(35)	(192)	7	(69)	(289)
2005	(930)	2,224	55,946	(1,190)	56,050
Net income (loss)					
2007	23,253				
2006	24,720	24,706	16,556	26,653	92,635
2005	17,758	9,740	90,752	20,590	138,840
Operating income from continuing operations per share (Classes A and B)					
Basic and diluted					
2007	0.37				
2006	0.51	0.48	0.32	0.56	1.87
2005	0.39	0.17	0.29	0.42	1.27
Income from continuing operations per share (Classes A and B)					
Basic and Diluted					
2007	0.31				
2006	0.33	0.34	0.22	0.36	1.25
2005	0.25	0.10	0.45	0.30	1.10

(In thousands of Canadian dollars except per share amounts)	First	Second	Third	Fourth	Full Year
Income (loss) from discontinued operations per share (Classes A and B)					
Basic and Diluted					
2007	0.00				
2006	0.00	0.00	0.00	0.00	0.00
2005	(0.01)	0.03	0.75	(0.02)	0.75
Net income (loss) per share (Classes A and B)					
Basic and Diluted					
2007	0.31				
2006	0.33	0.34	0.22	0.36	1.25
2005	0.24	0.13	1.20	0.28	1.85

Note: Quarterly revenue and operating income from continuing operations figures have been restated to reflect the change in accounting treatment for the Company's investment in the Arabian Pipecoating Company Limited adopted in the fourth quarter of 2006. Please refer to note 2 to the 2006 annual Consolidated Financial Statements.

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

The Company's operations in the Pipeline and Pipe Services segment, representing more than 80% of the Company's consolidated revenue, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality particularly in the Pipeline and Pipe Services market segment. The following are additional key factors impacting the comparability of the quarterly information disclosed above:

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

Outstanding Share Capital

As at April 27, 2007, the Company had 60,616,050 Class A Subordinate Voting Shares ("Class A") outstanding and 13,078,142 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 27, 2007, the Company had stock options outstanding to purchase up to 2,549,400 Class A shares.

Outlook

The Company's consolidated order backlog, representing customer orders expected to be completed within one year, totaled \$402.7 million at March 31, 2007, compared to \$367.8 million at the beginning of the quarter, with several major pipe coating projects won in the period in Brazil, the Middle East and the United States.

The Company expects pipe coating activity levels to improve modestly throughout the balance of the year, supported by the growth in backlog in the quarter together with the current level of bidding activity with the result that full year 2007 revenue is expected to be at or near the 2006 level. The Company is currently working to secure major pipe coating contracts in the North Sea and Baltic regions and success in securing these contracts combined with continued strong large diameter pipeline activity in the Americas could provide significant revenue growth in 2008 and beyond. The Company is continuing to explore other growth opportunities and continues to enjoy a strong balance sheet with the financial capacity to capitalize on these opportunities as and when they arise.

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.

ShawCor will be hosting a Shareholder and Analyst Conference Call and Webcast on May 9, 2007 at 10:00 a.m. EDT to discuss the Company's first quarter 2007 financial results. Please visit our website at 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)

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CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	March 31	
	2007	2006
		Restated
Revenue	\$ 221,329	\$ 262,547
Operating expenses (notes 2, 3 and 4)	181,855	213,436
Amortization	9,982	10,185
Research and development	1,520	1,449
	193,357	225,070
Operating income from continuing operations	27,972	37,478
Interest income, net (note 5)	1,599	88
Income before income taxes and non-controlling interest	29,571	37,566
Income taxes (note 6)	6,716	12,792
Income before non-controlling interest	22,855	24,774
Non-controlling interest	453	(19)
Income from continuing operations	23,308	24,755
Loss from discontinued operations (note 7)	(55)	(35)
Net income	\$ 23,253	\$ 24,720
Earnings per share, Class A and B - Basic and Diluted		
Continuing operations	\$ 0.31	\$ 0.33
Discontinued operations	-	-
Total	\$ 0.31	\$ 0.33

SEGMENTED INFORMATION

	Three Months Ended	
	March 31	
	2007	2006
Revenue		
Pipeline and Pipe Services	\$ 182,368	\$ 227,925
Petrochemical and Industrial	39,519	35,026
Intersegment Eliminations	(558)	(404)
	\$ 221,329	\$ 262,547
Income (loss) from operations		
Pipeline and Pipe Services	\$ 24,536	\$ 37,287
Petrochemical and Industrial	6,983	4,636
Financial and Corporate	(3,547)	(4,445)
	\$ 27,972	\$ 37,478

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

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CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended	
	March 31	
	2007	2006
		Restated
Operating activities:		
Income from continuing operations	\$ 23,308	\$ 24,755
Items not requiring an outlay of cash:		
Amortization	9,982	10,185
Stock-based compensation (note 2)	675	582
Future income taxes	(157)	(606)
Non-controlling interest in earnings of subsidiaries	(453)	19
Change in non-cash working capital and other	(10,076)	13,616
Cash provided by continuing operating activities	<u>23,279</u>	<u>48,551</u>
Investing activities:		
Purchases of property, plant and equipment	(15,493)	(6,873)
Proceeds on disposal property, plant and equipment	101	41
Cash used in continuing investing activities	<u>(15,392)</u>	<u>(6,832)</u>
Financing activities:		
Decrease in bank indebtedness	(967)	(1,003)
Issue of shares	1,325	100
Purchase of shares for cancellation	(10,658)	
Dividends paid to shareholders	(4,188)	-
Cash used in continuing financing activities	<u>(14,488)</u>	<u>(903)</u>
Foreign exchange on foreign cash and cash equivalents	155	1,864
Net cash provided by (used in) continuing operations	(6,446)	42,680
Net cash provided by (used in) discontinued operations (note 7)	(679)	810
Cash and cash equivalents at beginning of period	<u>309,322</u>	<u>200,335</u>
Cash and cash equivalents at end of period	<u>\$ 302,197</u>	<u>\$ 243,825</u>

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INTERIM FINANCIAL INFORMATION (Unaudited)
(in thousands of Canadian dollars)

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CONSOLIDATED BALANCE SHEETS

	Mar. 31	Dec. 31
	2007	2006
	<u> </u>	<u> </u>
Assets		
Current assets		
Cash and cash equivalents	\$ 302,197	\$ 309,322
Accounts receivable	179,841	188,865
Inventories	79,689	79,662
Taxes receivable	4,971	4,293
Prepaid expenses	16,269	12,897
Current assets of discontinued operations (note 7)	9	156
	<u>582,976</u>	<u>595,195</u>
Property, plant and equipment, net	207,562	202,078
Goodwill	175,280	175,813
Other assets (note 8)	34,751	34,940
	<u>\$ 1,000,569</u>	<u>\$ 1,008,026</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	\$ 3,127	\$ 4,094
Accounts payable and accrued liabilities	165,728	169,387
Deferred revenues	15,739	10,907
Taxes payable	41,752	57,010
Derivative financial instruments (note 15)	689	-
Current liabilities of discontinued operations (note 7)	7,018	7,789
	<u>234,053</u>	<u>249,187</u>
Long-term debt	86,547	87,480
Minority interest in subsidiaries	4,126	5,013
Other non-current liabilities (note 10)	36,592	36,419
	<u>361,318</u>	<u>378,099</u>
Shareholders' Equity		
Capital stock (note 11)	207,318	206,852
Contributed surplus (note 12)	10,830	10,603
Retained earnings	507,715	498,001
Accumulated other comprehensive income (note 13)	(86,612)	(85,529)
	<u>421,103</u>	<u>412,472</u>
	<u>639,251</u>	<u>629,927</u>
	<u>\$ 1,000,569</u>	<u>\$ 1,008,026</u>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Three Months Ended	
	March 31	
	2007	2006
Balance at beginning of period	\$ 498,001	\$ 421,547
Net income	23,253	24,720
	<u>521,254</u>	<u>446,267</u>
Excess of purchase price paid over stated value of shares	(9,351)	-
Dividends paid	(4,188)	-
Balance at end of period	<u>\$ 507,715</u>	<u>\$ 446,267</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended	
	March 31	
	2007	2006
Net income	\$ 23,253	\$ 24,720
Other comprehensive income (loss), net of income taxes:		
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	(1,092)	3,283
Gain on hedges of unrealized foreign currency translation	382	-
Unrealized foreign currency translation gain (loss), net of hedging activities	<u>(710)</u>	<u>3,283</u>
Unrealized loss on available-for-sale financial assets arising during the period	(640)	-
Income tax benefit	218	-
Change in unrealized loss on available-for-sale financial assets	<u>(422)</u>	<u>-</u>
Gain on derivatives designated as cash flow hedges	117	-
Income tax expense	(40)	-
Loss on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	138	-
Income tax expense	(47)	-
Change in gain on derivatives designated as cash flow hedges	<u>168</u>	<u>-</u>
Other comprehensive income	<u>(964)</u>	<u>3,283</u>
Comprehensive income	<u>\$ 22,289</u>	<u>\$ 28,003</u>

ShawCor Ltd.

Notes to the Consolidated Financial Statements (Unaudited)

1. Accounting policies

The accompanying unaudited interim consolidated financial statements of ShawCor Ltd. (the “Company”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for the preparation of interim financial statements. They do not include all of the information and disclosures required by GAAP for annual consolidated financial statements. Except for the exception noted below, 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, 2006. Accordingly, these interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements.

In the fourth quarter of 2006, the Company adopted the proportionate consolidation method of accounting for its 30% investment in the Arabian Pipecoating Company. This change in accounting policy was applied retroactively with comparative figures restated. The Company previously accounted for this investment using the equity method.

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants’ Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*, Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation*; and Section 3865, *Hedges*. As required, these new accounting standards have been adopted prospectively with an adjustment to accumulated other comprehensive income. Prior period figures have not been restated. The following adjustments were made to the Company’s balance sheet as a result of these changes:

(in thousands of Canadian dollars)	Jan. 1, 2007
Increase (decrease) in assets	
Other assets	\$ 193
Total increase (decrease) in assets	<u>\$ 193</u>
Increase (decrease) in liabilities	
Derivative financial instruments liability	\$ 925
Current taxes payable	(315)
Future taxes	253
Long-term debt	(551)
Total increase (decrease) in liabilities	<u>312</u>
Increase (decrease) in shareholders' equity	
Accumulated other comprehensive income related to available-for-sale financial assets	491
Accumulated other comprehensive income related to cash flow hedges	(611)
Total increase (decrease) in shareholders' equity	<u>(119)</u>
Total increase (decrease) in liabilities and shareholders' equity	<u>\$ 193</u>

The following is a description of the accounting policies adopted by the Company as a result of implementing these accounting changes:

a) Comprehensive income

The Company's comprehensive income is comprised of net income and other comprehensive income, which is made up of unrealized foreign currency gains or losses on the translation of the financial statements of self-sustaining foreign operations, gains or losses on available-for-sale financial assets and changes in unrealized gains or losses on derivatives designated as effective cash flow hedges.

b) Accumulated other comprehensive income

Accumulated other comprehensive income is included on the consolidated balance sheet as a separate component of shareholders' equity and includes accumulated unrealized foreign currency gains or losses on the translation of the financial statements of self-sustaining foreign operations, accumulated gains or losses on available-for-sale financial assets and accumulated changes in unrealized gains or losses on derivatives designated as effective cash flow hedges.

c) Financial instruments

Held-for-trading financial assets are financial assets which are acquired for resale prior to maturity. Held-for trading financial assets are reflected in the consolidated balance sheet at fair value with changes in fair value during a period charged to operating expenses. Held-to-maturity financial assets are non-derivative financial assets with a fixed maturity which the Company intends to hold until maturity. Such assets are measured at amortized cost. Available-for-sale financial assets are those non-derivative financial assets which are so designated by the Company or that do not fall into another category. Available-for-sale financial assets are carried on the consolidated balance sheet at fair value with gains or losses from changes in fair value in a period included in other comprehensive income. Derivative financial instruments designated as effective cash flow hedges are reflected in the consolidated balance sheet at fair value with any gains or losses resulting from fair value changes included in other comprehensive income. Derivatives with positive exposures are classified as assets while those with negative exposures are classified as liabilities. Derivative financial instruments not designated as effective cash flow hedges are carried at fair value in the consolidated balance sheet with gains or losses resulting from changes in fair value in a period charged to operating expenses. Loans and receivables are accounted for at amortized cost.

The following is a summary of the classes of financial instruments included in the Company's consolidated balance sheet as well as their designation by the Company under the new accounting standards:

Balance sheet item	Designation
Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Long-term investments	Available-for-sale
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

d) Transaction costs

Transaction costs related to the acquisition or issue of held-for-trading financial instruments are charged to net income as incurred. Transaction costs related to financial instruments not designated as held-for-trading are included in the financial instrument's initial recognition amount.

2. Stock-based compensation

On February 28, 2007, the Board of Directors approved the granting of 371,800 stock options under the 2001 Employee Plan. The total average fair value of the stock options, calculated using the Black-Scholes pricing model, was \$2.7 million. 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 assumptions used in calculating the fair value of the options are as follows: expected life of options 6.25 years, expected stock price volatility 29%, expected dividend yield 0.92%, and risk free interest rate 3.98%. The compensation cost from the continuing amortization of granted stock options for the three months ended March 31, 2007 included in operating expenses is \$675 thousand (March 31, 2006 - \$582 thousand).

3. Foreign exchange gains and losses

Included in operating expenses for the three months ended March 31, 2007 are foreign exchange gains totaling \$720 thousand (March 31, 2006 - \$547 thousand). These gains arise from foreign currency transactions and from the translation of the financial statements of foreign integrated subsidiaries.

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, 2007 is \$2.4 million (March 31, 2006 - \$2.4 million).

5. Interest income (expense)

(in thousands of Canadian dollars)	Three Months Ended Mar. 31	
	2007	2006
Interest on short-term deposits	\$ 3,183	\$ 1,743
Interest on bank indebtedness	(197)	(260)
Interest on long-term debt	(1,387)	(1,395)
	<u>\$ 1,599</u>	<u>\$ 88</u>

Net interest received during the three months ended March 31, 2007 totaled \$1.1 million (March 31, 2006 – \$425 thousand).

6. Income taxes

Net income taxes paid during the three months ended March 31, 2007 totaled \$24.2 million (March 31, 2006 – \$4.4 million).

7. Discontinued operations

On November 2, 2004, the Company announced its decision to close the Mobile, Alabama pipe-coating 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, 2007 and 2006 and the assets and liabilities of the discontinued operations as at those dates:

(in thousands of Canadian dollars)	Three Months Ended Mar. 31	
	2007	2006
Revenue	\$ -	\$ 18
Income (loss) from operations	(55)	(35)
Interest expenses	-	-
Income (loss) from discontinued operations before income taxes	(55)	(35)
Income tax expense	-	-
Net income (loss) from discontinued operations	<u>\$ (55)</u>	<u>\$ (35)</u>
Cash flow from (used in) operating activities	<u>\$ (679)</u>	<u>\$ 810</u>
Current assets	\$ 9	\$ -
Property, plant and equipment, net	-	7,841
Current liabilities	7,018	12,129

8. Other assets

(in thousands of Canadian dollars)	Mar. 31	Dec. 31
	2007	2006
Long-term investment	\$ 2,979	\$ 2,875
Deferred financing costs	1,394	2,089
Accrued employee future benefit asset	4,273	4,572
Future income taxes	26,105	25,404
Total	<u>\$ 34,751</u>	<u>\$ 34,940</u>

Other assets include a long-term investment in Garneau Inc., a Canadian-based, publicly traded pipe-coating company. This investment is classified as available-for-sale under the new accounting standards related to financial instruments and accordingly, subsequent to January 1, 2007, is carried at fair value with changes in fair value charged to other comprehensive income.

9. Bank indebtedness

At March 31, 2007, the Company had operating credit lines of \$203.2 million (December 31, 2006 - \$204.1 million), net of \$65.8 million of various standby letters of credit for performance and bid bonds (December 31, 2006 - \$74.1 million) and bank indebtedness of \$1.1 million (December 31, 2006 - \$3.0 million), excluding the Company's proportionate share of the bank indebtedness of its joint venture, Arabian Pipecoating Company Limited.

10. Other non-current liabilities

(in thousands of Canadian dollars)	Mar. 31	Dec. 31
	2007	2006
Non-current asset retirement obligations	\$ 3,502	\$ 3,561
Accrued employee future benefit obligations	3,438	2,362
Future income taxes	29,652	30,496
Total	<u>\$ 36,592</u>	<u>\$ 36,419</u>

11. Capital stock

(in thousands of Canadian dollars except share information)	Mar. 31, 2007	Dec. 31, 2006
Number of shares: Class A		
Balance, beginning of the period	60,914,175	61,006,045
Issued - stock options	86,875	331,157
Conversions Class B to Class A	-	9,873
Purchase and cancelled under Normal Course Issuer Bid	(385,000)	(432,900)
Balance, end of the period	60,616,050	60,914,175
Number of shares: Class B	13,078,142	13,078,142
Total number of shares	73,694,192	73,992,317
Stated value: Class A		
Balance, beginning of the period	\$ 205,848	\$ 203,716
Issued – stock options	1,773	3,573
Conversion Class B to Class A	-	-
Purchased and cancelled under Normal Course Issuer Bid	(1,307)	(1,441)
Balance, end of the period	206,314	205,848
Stated Value: Class B	1,004	1,004
Total stated value Class A and Class B	\$ 207,318	\$ 206,852

12. Contributed surplus

(in thousands of Canadian dollars)	Mar. 31, 2007	Dec. 31, 2006
Balance, beginning of period	\$ 10,603	\$ 9,231
Stock compensation expense (note 2)	675	2,798
Fair value of stock options exercised	(448)	(1,426)
Balance, end of period	\$ 10,830	\$ 10,603

13. Accumulated other comprehensive income

(in thousands of Canadian dollars)	Mar. 31, 2007	Mar. 31, 2006
Balance, beginning of period	(85,529)	(100,260)
Transitional adjustment on adoption of new accounting policies (note 1)	(119)	-
Unrealized foreign currency translation gains (losses), net of hedging activities	\$ (710)	3,283
Unrealized loss on available-for-sale financial assets	(422)	-
Gain on derivatives designated as cash flow hedges	168	-
Balance, end of period	\$ (86,612)	(96,977)

14. Stock option plans

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

	Mar. 31, 2007				Dec. 31, 2006	
	Market Growth Plan (1)	Other Plans	Total Shares	Weighted Average Exercise Price	Total Shares	Weighted Average Exercise Price
Balance outstanding, beginning of year	7,875	2,261,520	2,269,395	\$15.76	2,578,165	\$ 15.76
Granted	-	371,800	371,800	25.02	457,700	17.27
Exercised	(2,955)	(83,920)	(86,875)	15.86	(331,157)	16.43
Forfeited	-	-	-	-	(66,890)	15.75
Expired	(4,920)	-	(4,920)	17.91	(368,423)	17.31
Balance outstanding, end of period	-	2,549,400	2,549,400	17.10	2,269,395	\$ 15.76

(1) This maximum number is achieved only when the market value of the shares at the time of exercise is equal to no less than four times the value at the date of the grant.

Options Outstanding				Options Exercisable	
Range of exercise prices	Outstanding at March 31, 2007	Weighted average remaining contractual life in years	Weighted average exercise price	Exercisable at March 31, 2007	Weighted average exercise price
\$10.00 to \$15.00	606,680	5.88	\$ 12.76	606,680	\$12.76
\$15.01 to \$20.00	1,528,920	7.07	\$ 16.79	1,528,920	\$16.79
\$20.01 to \$25.00	42,000	8.28	\$20.90	4,000	\$21.90
\$25.01 to \$30.00	371,800	9.76	\$25.02	-	-
	2,549,400			2,139,600	
Options Outstanding				Options Exercisable	
Range of exercise prices	Outstanding at Dec. 31, 2006	Weighted average remaining contractual life in years	Weighted average exercise price	Exercisable at Dec. 31, 2006	Weighted average exercise price
\$10.00 to \$15.00	626,920	6.13	\$12.78	626,920	\$12.78
\$15.01 to \$20.00	1,600,475	7.26	\$16.79	1,237,275	\$16.75
\$20.01 to \$25.00	42,000	8.53	\$20.90	4,000	\$21.90
	2,269,395			1,868,195	

15. Financial instruments

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. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments as well as related interest rate credit and foreign exchange risk are described below:

a) *Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and income taxes*

Due to the short period to maturity of the financial instruments, the carrying values as presented in the consolidated balance sheet are reasonable estimates of fair values.

b) *Long-term debt*

The fair value of the Company's long-term debt is based on current rates for debt with similar terms and maturities and is not materially different from its carrying values.

The following are key risks associated with the Company's financial instruments:

a) *Interest rate risk*

The following table summarizes the Company's exposure to interest rate risk at March 31, 2007:

(in thousands of Canadian dollars)	Fixed interest rate maturing in			Total
	Floating rate	1 year or less	Greater than 1 year	
Financial assets				
Cash and cash equivalents	\$ 302,197	\$ -	\$ -	\$ 302,197
Total	\$302,197	\$ -	\$ -	\$ 302,197
Financial liabilities				
Bank indebtedness	\$ 3,127	\$ -	\$ -	\$ 3,127
Long-term debt	-	-	87,098	87,098
Total	\$ 3,127	\$ -	\$ 87,098	\$ 90,225
Average fixed rates of debt	-	-	5.11%	

b) *Credit risk*

Certain of the Company's financial assets are exposed to credit risk.

Cash and cash equivalents consist of deposits with major commercial banks and short-term investments which are readily convertible into cash.

The Company, in the normal course of business, is exposed to credit risk from its customers, substantially all of which are in the energy industry. These accounts receivable are subject to normal industry credit risks.

The Company is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Company mitigates this credit risk by dealing with counterparties who are major financial institutions and which the Company anticipates will satisfy their obligations under the contracts.

c) Foreign exchange risk

The Company operates in several countries, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk from its underlying customer contracts. In particular, the Company uses foreign exchange forward contracts for the sole purpose of hedging a portion of its projected foreign currency inflows, consisting primarily of foreign currency sales to the Company's customers. Gains or losses on these hedging instruments are recognized in the same period as, and as part of, the hedged transactions. The Company does not enter into foreign exchange contracts for speculative purposes. The Company does not generally attempt to hedge the net investment and equity of self-sustaining foreign operations, except that the U.S. dollar long-term note payable is designated as a hedge of a portion of its net investment in Bredero Shaw's U.S. dollar-based operations. The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at March 31, 2007:

(in thousands)

Maturity	
U.S. dollars sold for Canadian dollars	
Less than one year	US\$24,350
Weighted average rate	1.1325
Canadian dollars sold for U.S. dollars	
Less than one year	CAD\$1,150
Weighted average rate	0.8697

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, 2007, the Company had notional amounts of \$29.4 million of forward contracts outstanding (December 31, 2006 - \$38.7 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, 2007. The fair value of the Company's net liability for all foreign exchange forward contracts at March 31, 2007 was \$689 thousand (December 31, 2006 - \$3.1 million). The fair value of this liability has been recognized on the consolidated balance sheet through a charge to other comprehensive income. 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 transferred from accumulated other comprehensive income and recognized in net income at the time this condition was identified.

16. Segmented information

(in thousands of Canadian dollars)	Three Months Ended Mar. 31	
	2007	2006 Restated
Revenue		
Pipeline and Pipe Services	\$ 182,368	\$ 227,925
Petrochemical and Industrial	39,519	35,026
Intersegment Eliminations	(558)	(404)
	<u>\$ 221,329</u>	<u>\$ 262,547</u>
Income (loss) from operations		
Pipeline and Pipe Services	\$ 24,536	\$ 37,287
Petrochemical and Industrial	6,983	4,636
Financial and Corporate	(3,547)	(4,445)
	<u>\$ 27,972</u>	<u>\$ 37,478</u>
Goodwill		
Pipeline and Pipe Services	\$ 157,059	\$ 152,224
Petrochemical and Industrial	18,221	16,597
	<u>\$ 175,280</u>	<u>\$ 168,821</u>
Total assets		
Pipeline and Pipe Services	\$ 944,768	\$ 985,656
Petrochemical and Industrial	113,937	96,622
Financial and Corporate	1,263,797	1,183,399
Elimination	(1,321,933)	(1,328,319)
	<u>\$ 1,000,569</u>	<u>\$ 937,358</u>

17. Joint venture operations

The Company's joint venture operations consist of its 50% interests in Bredero Shaw Revestimentos de Tubos Ltda. and Thermotite Brasil Ltda. and its 30% interest in the jointly controlled Arabian Pipecoating Company Limited. These investments 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. On January 1, 2007, the Company sold 33% of its 75% ownership interest in Thermotite Brazil Ltda. ("Thermotite") to Delta Premium Trading Corp. Effective from the date of the transaction, Thermotite is jointly controlled by the Company and Delta Trading and accordingly, the Company has accounted for its investment in Thermotite through proportional consolidation subsequent to this date. The figures related to these joint ventures included in the Company's consolidated financial statements are summarized as follows:

Three Months Ended
Mar. 31

(in of thousands of Canadian dollars)

	<u>2007</u>	<u>2006</u>
Revenue	\$ 13,540	\$ 4,817
Operating and other expenses	<u>10,287</u>	<u>3,522</u>
Net income before income taxes	3,253	1,295
Provision for taxes	<u>398</u>	<u>104</u>
Net income	<u>\$ 2,855</u>	<u>\$ 1,191</u>
Cash provided by (used in):		
Operating activities	\$ (1,165)	\$ (388)
Investing activities	-	(347)
Financing activities	-	712
Current assets	\$ 19,779	\$ 8,240
Property, plant and equipment, net	10,417	3,912
Goodwill	5,074	-
Current liabilities	14,744	6,161

18. Comparative figures

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