

February 20, 2008

SHAWCOR LTD.
(TSX: SCL.A, SCL.B)
PRESS RELEASE
SHAWCOR LTD. ANNOUNCES FOURTH QUARTER AND FULL YEAR 2007 RESULTS
Financial Summary

(In thousands of Canadian dollars except per share amounts)	Three Months Ended Dec. 31		Year Ended Dec. 31	
	2007	2006	2007	2006
Operating Results				
Revenue	\$ 285,438	\$ 276,315	\$ 1,048,099	\$ 1,059,619
EBITDA (note 1)	50,731	54,891	202,808	187,828
Operating income from continuing operations	39,492	41,791	160,001	138,780
Income from continuing operations	34,053	26,722	117,819	92,924
Income (loss) from discontinued operations	(30,300)	(69)	(30,462)	(289)
Net income (loss)	3,753	26,653	87,357	92,635
Net income (loss) per share (Class A and B) - Basic				
Continuing operations	0.48	0.36	1.62	1.25
Discontinued operations	(0.42)	0.00	(0.42)	0.00
Total	0.06	0.36	1.20	1.25
Net income (loss) per share (Class A and B) - Diluted				
Continuing operations	0.47	0.36	1.60	1.25
Discontinued operations	(0.42)	0.00	(0.41)	0.00
Total	0.05	0.36	1.19	1.25
Cash Flow				
Cash from continuing operating activities	8,710	38,752	97,513	189,877
Purchases of property, plant and equipment	28,551	15,579	91,855	58,170
Financial Position				
Working capital			255,625	341,375
Total assets			960,326	948,565
Shareholders' equity per share (Class A and B)			\$ 8.13	\$ 8.51

Note 1: EBITDA is a non-GAAP measure calculated by adding back to income from continuing operations, the sum of reported interest (income)/expense, taxes and depreciation/amortization, excluding the impact of non-wholly owned subsidiaries. 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.

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.

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.

Fourth Quarter 2007 Results

Revenue

Consolidated Results

Three months ended (in thousands of Canadian dollars)	Dec. 31 2007	Sept. 30 2007	Dec. 31 2006
Pipeline and Pipe Services Segment	254,316	227,779	243,951
Petrochemical and Industrial Segment	28,450	37,517	32,795
Intersegment eliminations	2,672	(404)	(431)
Consolidated	285,438	264,892	276,315

Current Quarter vs. Q4 2006

Consolidated revenue from continuing operations in the fourth quarter of the year totaled \$285.4 million compared to \$276.3 million in the fourth quarter of last year, with the increase achieved despite the adverse impact of the stronger Canadian dollar on the translation of foreign currency based revenue in the period. The Canadian dollar was approximately 15% stronger on average, in terms of the U.S. dollar, in the fourth quarter of 2007 compared with the fourth quarter of 2006, while it was 9% stronger in terms of the U.K. pound and 3% stronger in terms of the Euro. The Company's fourth quarter 2007 revenue would have been higher than reported by approximately \$28 million, had exchange rates been the same as in the fourth quarter of 2006. On a full year basis, consolidated revenue totaled \$1.049 billion compared to \$1.060 billion in 2006.

Current Quarter vs. Q3 2007

Consolidated revenue in the fourth quarter was 8% higher than in the third quarter of the year as increased revenue in the Pipeline and Pipe Services segment was partially offset by lower revenue generated by the Petrochemical and Industrial segment.

Pipeline and Pipe Services Segment

Current Quarter vs. Q4 2006

Revenue in the quarter for the Pipeline and Pipe Services segment totaled \$254.3 million, 104% of the level achieved in the fourth quarter of last year, despite the impact of the stronger Canadian dollar in the period. Revenue at Bredero Shaw in the period was largely the same as in the fourth quarter of 2006, in terms of Canadian dollars; however, revenue was 14% higher in terms of U.S. dollars, the division's functional currency. In the North American region, revenue increased 30% over the fourth quarter of last year, in U.S. dollar terms, driven by significantly higher pipe coating volumes at the division's large-diameter plants in Canada and the United States which more than offset the decline in small diameter volumes associated with lower Western Canadian drilling activity. In the Far East region, U.S. dollar revenue increased 62% from levels in the fourth quarter of 2006 reflecting increased pipe coating volumes at all of the region's plants. Revenue in the Middle East region declined from levels in the

corresponding quarter of last year reflecting the impact of the temporary idling of the plant in Ras Al Khaimah, U.A.E. during a planned upgrade and capacity expansion program.

In the segment's other divisions, revenue at Shaw Pipeline Services was 28% higher than in the fourth quarter of 2006, while revenue at Guardian and Canusa-CPS decreased with revenue at Canusa-CPS adversely impacted by the stronger Canadian dollar and both divisions affected by the aforementioned impact of lower Western Canadian drilling activity. On a full year basis, revenue for the Pipeline and Pipe Services segment totaled \$903.4 million compared to \$922.3 million in 2006.

Current Quarter vs. Q3 2007

Revenue in the Pipeline and Pipe Services segment in the fourth quarter increased 12% over the prior quarter as revenue growth at Bredero Shaw and Shaw Pipeline Services was partially offset by declines at Canusa-CPS and Guardian. At Bredero Shaw, revenue growth resulted from increased large-diameter pipe coating activity in Canada and the United States, increased business activity at the division's Thermotite pipe coating plant in Orkanger, Norway, and commencement of the Balearic pipe coating project at a project plant mobilized in Alicante, Spain.

Revenue at Shaw Pipeline Services increased 23% over the prior quarter as a result of increased ultrasonic girth weld inspection activity and strong USA land pipeline construction. Revenue at Canusa-CPS and Guardian both decreased from third quarter levels with Canusa-CPS particularly impacted by the strengthening of the Canadian dollar.

Petrochemical and Industrial Segment

Current Quarter vs. Q4 2006

Revenue in the quarter for the Petrochemical and Industrial segment decreased 13% from the level achieved in the fourth quarter of 2006 with reductions experienced at both DSG-Canusa and ShawFlex. At DSG-Canusa, business levels in the U.S. were in line with the fourth quarter of last year while at the division's European operations, sales volumes increased modestly; however, the stronger Canadian dollar in the fourth quarter of 2007, compared to the fourth quarter of last year, resulted in lower reported revenue for the division in Canadian dollar terms. At ShawFlex, revenue in the quarter was adversely impacted by temporarily reduced demand for the division's products for Western Canadian oil sands development projects, the result of the tight labour market and increasing costs in that region. On a full year basis, revenue for the segment for 2007 was \$143.7 million, 103% of the level achieved in the previous year.

Current Quarter vs. Q3 2007

Revenue in the fourth quarter for the segment decreased by 24% from the level achieved in the third quarter of the year. At DSG-Canusa, revenue in the quarter decreased 9% from the level in the prior quarter in line with the historical seasonal trend while revenue at ShawFlex was significantly lower as the result of the temporary slow-down in Western Canadian oil sands development projects discussed above.

Operating Income From Continuing Operations

Consolidated Results

Three months ended (in thousands of Canadian dollars)	Dec. 31 2007	Sept. 30 2007	Dec. 31 2006
Revenue from continuing operations	285,438	264,892	276,315
Operating income from continuing operations	39,492	45,500	41,791
Operating margin	13.8%	17.2%	15.1%

Current Quarter vs. Q4 2006

Consolidated income from continuing operations before interest, income taxes and non-controlling interest totaled \$39.5 million (13.8% of consolidated revenue from continuing operations) in the fourth quarter of 2007 compared to \$41.8 million (15.1% of consolidated revenue from continuing operations) in the fourth quarter of 2006, with the decrease reflecting the adverse impact on operating margins of the stronger Canadian dollar compared to the fourth quarter of last year. Certain of the Company's Canadian-based operations have large U.S. dollar-based revenue streams but incur the majority of their production and operating costs in Canadian dollars. As a result, a strengthening of the Canadian dollar reduces the Canadian dollar value of those U.S. dollar revenue streams, which in turn has the impact of reducing the operating margins of those divisions. The stronger Canadian dollar had an adverse impact on operating income from continuing operations of approximately \$8 million in the quarter, when compared to the fourth quarter of last year, and a 3 percentage point adverse effect on operating margins. On a full year basis, consolidated income from continuing operations before interest, income taxes and non-controlling interest totaled \$160.0 million, 15% higher than the level achieved in 2006.

Current Quarter vs. Q3 2007

Consolidated income from continuing operations before interest, income taxes and non-controlling interest in the quarter was 87% of the level achieved in the prior quarter due mainly to lower operating margins at Bredero Shaw, the impact of the strengthening in the quarter of the Canadian dollar on the operating margins of non-Bredero Shaw divisions and increased corporate and financial costs in the quarter.

Pipeline and Pipe Services Segment

Three months ended (in thousands of Canadian dollars)	Dec. 31 2007	Sept. 30 2007	Dec. 31 2006
Revenue from continuing operations	254,316	227,779	243,951
Operating income from continuing operations	40,280	42,738	40,816
Operating margin	15.8%	18.8%	16.7%

Current Quarter vs. Q4 2006

In the Pipeline and Pipe Services segment, operating income from continuing operations in the quarter of \$40.3 million (15.8% of revenue from continuing operations) was in line with the level achieved in the fourth quarter of 2006, while operating margins decreased 0.9 percentage points. In Bredero Shaw, both operating income and operating margins were improved over the prior year, reflecting margin expansion in North America due to increased production throughput particularly in the region's large diameter plants, and reduced losses in Nigeria and the North Sea region. The operating margin improvements at Bredero Shaw were offset by lower operating margins at Canusa-CPS due in large part to the stronger Canadian dollar in the quarter compared to in the fourth quarter of 2006. On a full year basis, operating income from continuing operations for the segment totaled \$153.9 million (17.0% of revenue) compared to \$138.5 million (15.0% of revenue) in 2006.

Current Quarter vs. Q3 2007

Operating income from continuing operations for the segment in the quarter decreased 6% from the third quarter of the year while operating margins decreased 3.0 percentage points. Operating income from continuing operations and operating margins at Bredero Shaw decreased from the prior quarter as a result of the shut-down of the plant at Ras Al Khamiah, U.A.E. during a scheduled plant upgrade and capacity expansion program, and by start up costs associated with the Hasdrubal pipe coating project at the division's project-specific plant established in Gabes, Tunisia, partially offset by improvements in Canada and the United States stemming from increased factory throughput in the quarter.

At Guardian, operating income from continuing operations and operating margins increased from the prior quarter due to reduced fixed costs, while at Shaw Pipeline Services, operating income increased in line with the increased revenue while operating margins declined due to a greater proportion of lower margin radiographic inspection work in the quarter's revenue. Operating income from continuing operations decreased at Canusa-CPS from levels in the prior quarter as did operating margins, largely reflecting the negative impact of the stronger Canadian dollar on the division's operating margins.

Petrochemical and Industrial Segment

Three months ended (in thousands of Canadian dollars)	Dec. 31 2007	Sept. 30 2007	Dec. 31 2006
Revenue from continuing operations	28,450	37,517	32,795
Operating income from continuing operations	3,065	6,274	5,589
Operating margin	10.8%	16.7%	17.0%

Current Quarter vs. Q4 2006

In the Petrochemical and Industrial segment, operating income from continuing operations in the quarter of \$3.1 million (10.8% of revenue from continuing operations) decreased \$2.5 million from the level achieved in the fourth quarter of last year while operating margins decreased 6.2 percentage points. The decreases resulted from the lower revenue at DSG-Canusa and ShawFlex in the quarter and well as from the impact of the stronger Canadian dollar on the operating margins of DSG-Canusa's North American

operations. On a full year basis, operating income for the segment totaled \$22.8 million (15.9% of revenue) compared to \$19.2 million (13.8% of revenue) in 2006.

Current Quarter vs. Q3 2007

Operating income for the segment in the quarter was 49% of the level in the prior quarter while operating margins decreased 5.9 percentage points. Operating income performance in the quarter reflected the lower level of revenue in the quarter as well as the adverse effect on the operating margins of DSG-Canusa's North American operations of the stronger Canadian dollar in the period.

Financial and Corporate

Current Quarter vs. Q4 2006

Financial and corporate costs in the quarter consisted of unallocated corporate expenses of \$3.9 million, net of foreign exchange gains of \$47 thousand on the translation of foreign cash and working capital balances, compared to \$4.6 million, including foreign exchange losses of \$1.0 million, in the fourth quarter of last year, with the increase in corporate expenses reflecting higher management compensation expenses in line with the Company's improved consolidated financial results. On a full year basis, financial and corporate costs totaled \$16.8 million, net of foreign exchange gains of \$475 thousand, compared to \$18.9 million in 2006, net of foreign exchange gains of \$970 thousand.

Current Quarter vs. Q3 2007

Financial and corporate costs in the quarter, excluding foreign exchange gains and losses, decreased \$322 thousand over the level in the third quarter of the year, mainly as a result of lower levels of corporate spending in the quarter. Foreign exchange gains in the quarter, stemming from foreign currency cash balances and working capital, totaled \$47 thousand compared to \$1.5 million in the third quarter of the year.

Non-Operating Income and Expenses

Interest Income

Consolidated net interest income totaled \$743 thousand in the fourth quarter compared to \$811 thousand last quarter and \$1.4 million in the fourth quarter of last year, with the decrease reflecting lower average cash balances in the quarter and the impact of the stronger Canadian dollar on the translation of interest expense related to the Company's U.S. dollar-denominated Senior Notes. Net interest income for the full year totaled \$4.4 million compared to \$2.8 million in 2006.

Income Tax Expense

Income tax expense related to continuing operations totaled \$6.3 million (15.6% of income from continuing operations before income taxes) compared to \$15.9 million (34.4% of income from continuing operations before income taxes) in the prior quarter and \$15.7 million (36.4% of income from continuing operations before income taxes) in the fourth quarter of 2006. The income tax rate in the fourth quarter of 2007 was favourably impacted by the utilization of previously unrecognized tax loss carry forwards in certain countries, particularly Nigeria. This benefit reduced the effective tax rate in the fourth quarter by approximately 15 percentage points. Also benefiting the tax rate was the impact

on Canadian future tax balances of announced reductions in future income tax rates. Tax expense in the full year 2007 totaled \$47.2 million (28.7% of income from continuing operations before income taxes) compared to \$46.8 million (33.1% of income from continuing operations before income taxes) in 2006.

Income from Continuing Operations

Consolidated income from continuing operations for the quarter totaled \$34.1 million (\$0.47 per share, diluted), compared to \$30.2 million (\$0.42 per share, diluted) in the third quarter and \$26.7 million (\$0.36 per share, diluted) in the fourth quarter of last year. On a full year basis, consolidated income from continuing operations totaled \$117.8 million (\$1.60 per share, diluted) compared to \$92.9 million (\$1.25 per share, diluted) in 2006.

Discontinued Operations

Loss from discontinued operations for the quarter totaled \$30.3 million (\$0.42 per share, diluted) and reflected provisions recorded in the quarter of \$46.6 million, less the related income tax benefit of \$16.3 million, in response to an adverse verdict in a lawsuit relating to the Company's shuttered facility in Mobile, Alabama. Although the Company intends to appeal, it has provided for its share of the jury verdict. Loss from discontinued operations was \$59 thousand (\$0.00 per share) last quarter and \$69 thousand (\$0.00 per share) in the fourth quarter of last year.

Net Income and Earnings Per Share

Consolidated net income for the fourth quarter of the year was \$3.8 million (\$0.05 per share, diluted) compared to \$30.1 million (\$0.42 per share, diluted) in the third quarter and \$26.7 million (\$0.36 per share, diluted) in the fourth quarter of 2006. Consolidate net income for the full year 2007 totaled \$87.4 million (\$1.19 per share, diluted) compared to \$92.6 million (\$1.25 per share, diluted) in 2006.

Cash Flows

Cash flow generated by continuing operations in the quarter totaled \$8.7 million compared to cash flow provided by continuing operations of \$38.7 million in the fourth quarter of 2006, and reflected increased levels of working capital investment in support of higher levels of business activity experienced in the quarter and expected to continue in 2008. On a full year basis, cash flow generated by continuing operations totaled \$97.5 million in 2007 compared to \$189.9 million in 2006.

Cash flow used in continuing investing activities in the quarter totaled \$33.2 million, comprised mainly of capital expenditures of \$28.6 million and increases in deferred project costs of \$4.7 million. Major additions to property, plant and equipment in the quarter included continuing pipe coating capacity expansions at Bredero Shaw's facilities in Camrose, Alberta and Ras Al Khaimah, U.A.E. In the fourth quarter of 2006, cash used in continuing investing activities totaled \$14.9 million, mainly reflecting capital expenditures of \$15.6 million less the proceeds on disposal of property, plant and equipment of \$1.3 million. On a full year basis, cash flow used in continuing investing activities totaled \$99.4 million in 2007 compared to \$74.0 million in 2006.

Cash flow used in continuing financing activities totaled \$17.8 million in the quarter, mainly consisting of \$14.0 million paid to repurchase 425,300 Class A shares under the Company's NCIB and dividends paid to shareholders of \$4.0 million. In the fourth quarter of 2006, cash flow generated by continuing financing activities totaled \$899 thousand, comprised of dividends paid to shareholders of \$3.3 million, partially offset by \$3.0 million received on an increase in bank indebtedness and \$1.2 million received from the issuance of Class A shares on the exercise of stock options. On a full year basis, cash flow used in continuing financing activities totaled \$107.7 million in 2007 compared to \$14.9 million in 2006.

Overall, cash and cash equivalents decreased \$40.8 million during the quarter to \$175.0 million, compared with an increase of \$39.2 million during the fourth quarter of 2006 to \$309.3 million. During the full year 2007, cash and cash equivalents decreased \$134.5 million while in the full year 2006, cash and cash equivalents increased \$109.0 million.

Outlook

Demand for the products and services of the Company's largest market segment, the Pipeline and Pipe Services segment, is mainly driven by the level of pipeline infrastructure investment. This investment, in turn, is determined by energy supply and demand, which itself is a function of global economic activity. 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, primarily North America and Western Europe. The pace of economic growth in North America and Western Europe is expected to slow during 2008 from the high level experienced in 2007; however, it is expected to remain robust in the developing economies, particularly in the large economies of China and India.

Growth in economic activity translates into strong demand for energy. Since energy supply is limited in the medium-term, oil prices are expected to remain strong; however, at levels below those experienced during most of 2007. Strong demand together with limited supply and depletion of existing energy reserves should encourage additional production and infrastructure development. In addition, record profits and cash flows at the major energy producers during the past few years have strengthened their balance sheets and put them in the position to fund major expansion programs. These factors should result in increased pipeline construction and translate into favourable business prospects for the Company over the next several years.

In North America, new pipeline construction activity is currently resulting in high levels of utilization at the Company's large diameter pipe coating facilities. With the North American pipe coating market projected to remain strong and the Company adding capacity in both Canada and the United States, the North American region will be a key source of growth over the next few years. In the Middle East, the Company's facility in Ras Al Khaimah, U.A.E. will start up production in the first quarter 2008 following nine months of downtime to allow for a complete plant refurbishment and capacity expansion. Additionally, strong growth prospects are evident in the Far East with the Company launching the recently awarded Pluto project in mid-2008 and future growth potential expected to result from pipeline infrastructure developments in Malaysia, Indonesia and the northwest shelf of Australia.

In Europe, the recently awarded Gjoa project coupled with bidding activity on North Sea pipe coating projects will enable the Company to remobilize its currently inactive facility in Leith Scotland. It should

be noted however that the Company does not now expect to participate in the pipe coating of the Nord Stream pipeline project. The Company has been advised by Nord Stream that it intends to award the pipe coating contract to a competitor and the Company understands that the pricing and contractual terms at which the pipe coating work will be awarded is below the level the Company requires to obtain a satisfactory financial return and ensure timely and adequate execution given the scope and risks associated with meeting Nord Stream's requirement that the project be executed through greenfield facilities in Germany and Finland. Notwithstanding this development, the remobilization of the Leith facility coupled with continued strong growth at the Company's Orkanger Norway deepwater insulation facility and newly launched concrete weight coating plants in Spain and Tunisia offer the prospect for growth in Europe in 2008 and beyond.

As a result of the above factors, ShawCor's consolidated revenue is forecast to increase moderately in 2008 followed by more robust growth in 2009 as the Company benefits from the anticipated pipe coating market growth and realizes the benefit of the capacity expansions now being put in place to accommodate these anticipated projects. Growth is also expected at the businesses of the Industrial and Petrochemical segment as they benefit from the continuing moderate economic growth in Canada and Europe and from increasing Western Canadian oil sands development.

Consolidated order backlog, representing customer orders expected to be completed within one year, totaled \$460.1 million at December 31, 2007, compared to \$411.2 million at the end of the third quarter, and \$367.8 million at the beginning of the year.

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 market fundamentals enjoyed by the Company provides the potential for strong 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.

ShawCor will be hosting a Shareholder and Analyst Conference Call and Webcast on February 20, 2008 at 10:00 a.m. ET to discuss the Company's fourth 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)

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31		Twelve Months Ended December 31	
	2007	2006	2007	2006
Revenue	\$ 285,438	\$ 276,315	\$ 1,048,099	\$ 1,059,619
Operating expenses (notes 2, 3 and 4)	233,880	218,822	839,853	863,889
Amortization	11,136	13,892	42,165	50,868
Research and development	930	1,810	6,080	6,082
	<u>245,946</u>	<u>234,524</u>	<u>888,098</u>	<u>920,839</u>
Operating income from continuing operations	39,492	41,791	160,001	138,780
Interest income (note 5)	743	1,440	4,381	2,804
Income before income taxes and Income taxes	<u>40,235</u>	<u>43,231</u>	<u>164,382</u>	<u>141,584</u>
	<u>6,285</u>	<u>15,717</u>	<u>47,205</u>	<u>46,840</u>
Income before non-controlling interest	33,950	27,514	117,177	94,744
Non-controlling interest	103	(792)	642	(1,820)
Income from continuing operations	34,053	26,722	117,819	92,924
Income (loss) from discontinued operations (note 7)	(30,300)	(69)	(30,462)	(289)
Net income	<u>\$ 3,753</u>	<u>\$ 26,653</u>	<u>\$ 87,357</u>	<u>\$ 92,635</u>
Earnings per share, Class A and B - Basic (note 19)				
Continuing operations	\$ 0.48	\$ 0.36	\$ 1.62	\$ 1.25
Discontinued operations	(0.42)	-	(0.42)	-
Total	<u>\$ 0.06</u>	<u>\$ 0.36</u>	<u>\$ 1.20</u>	<u>\$ 1.25</u>
Earnings per share Class A and B - Diluted (note 19)				
Continuing operations	\$ 0.47	\$ 0.36	\$ 1.60	\$ 1.25
Discontinued operations	(0.42)	-	(0.41)	-
Total	<u>\$ 0.05</u>	<u>\$ 0.36</u>	<u>\$ 1.19</u>	<u>\$ 1.25</u>

SEGMENTED INFORMATION

	Three Months Ended December 31		Twelve Months Ended December 31	
	2007	2006	2007	2006
Revenue				
Pipeline and Pipe Services	\$ 254,316	\$ 243,951	\$ 903,427	\$ 922,328
Petrochemical and Industrial	28,450	32,795	143,665	138,938
Intersegment Eliminations	2,672	(431)	1,007	(1,647)
	<u>\$ 285,438</u>	<u>\$ 276,315</u>	<u>\$ 1,048,099</u>	<u>\$ 1,059,619</u>
Income (loss) from operations				
Pipeline and Pipe Services	\$ 40,280	\$ 40,816	\$ 153,932	\$ 138,483
Petrochemical and Industrial	3,065	5,589	22,822	19,192
Financial and Corporate	(3,853)	(4,614)	(16,753)	(18,895)
	<u>\$ 39,492</u>	<u>\$ 41,791</u>	<u>\$ 160,001</u>	<u>\$ 138,780</u>

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	
	2007	2006 Restated (note 1)	2007	2006 Restated (note 1)
Operating activities:				
Income from continuing operations	\$ 34,053	\$ 26,722	\$ 117,819	\$ 92,924
Items not requiring an outlay of cash:				
Amortization	11,136	13,892	42,165	50,868
Asset retirement obligation expense	(3)	3,652	1,147	4,947
Stock-based compensation (note 2)	697	659	2,765	2,798
Future income taxes	2,194	1,182	681	(3,498)
Gain on disposal of property, plant and equipment	231	(63)	(372)	(56)
Non-controlling interest in earnings of subsidiaries	(103)	792	(642)	1,820
Settlement of asset retirement obligations	855	(711)	(1,906)	(1,276)
Change in employee future benefits	(2,044)	(632)	175	221
Change in non-cash working capital and other	(38,306)	(6,741)	(64,319)	41,129
Cash provided by continuing operating activities	<u>8,710</u>	<u>38,752</u>	<u>97,513</u>	<u>189,877</u>
Investing activities:				
Purchases of property, plant and equipment	(28,551)	(15,579)	(91,855)	(58,170)
Proceeds on disposal of property, plant and equipment	27	1,334	732	1,451
Increase in deferred project costs	(4,697)	(133)	(5,150)	(8,159)
Acquisition of subsidiary	-	-	(2,786)	-
Acquisition of joint venture interest	-	(544)	-	(9,099)
Investment in shares	-	-	(301)	-
Cash used in continuing investing activities	<u>(33,221)</u>	<u>(14,922)</u>	<u>(99,360)</u>	<u>(73,977)</u>
Financing activities:				
Increase (decrease) in bank indebtedness	31	2,976	(4,275)	1,183
Increase in deferred financing costs	-	-	-	(655)
Issue of shares	243	1,191	4,955	2,147
Purchase of shares for cancellation	(14,026)	-	(91,949)	(7,797)
Dividends paid to shareholders	(4,056)	(3,268)	(16,469)	(9,825)
Cash provided by (used) in continuing financing activities	<u>(17,808)</u>	<u>899</u>	<u>(107,738)</u>	<u>(14,947)</u>
Foreign exchange on foreign cash and cash equivalents	<u>(1,182)</u>	<u>9,893</u>	<u>(21,585)</u>	<u>4,167</u>
Net cash provided by (used in) continuing operations	<u>(43,501)</u>	<u>34,622</u>	<u>(131,170)</u>	<u>105,120</u>
Net cash provided by (used) in discontinued operations (note 7)	<u>2,707</u>	<u>4,562</u>	<u>(3,135)</u>	<u>3,867</u>
Cash and cash equivalents at beginning of period	<u>215,811</u>	<u>270,138</u>	<u>309,322</u>	<u>200,335</u>
Cash and cash equivalents at end of period	<u>\$ 175,017</u>	<u>\$ 309,322</u>	<u>\$ 175,017</u>	<u>\$ 309,322</u>

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

CONSOLIDATED BALANCE SHEETS

	December 31 2007	December 31 2006
	<u> </u>	<u> </u>
Assets		
Current assets		
Cash and cash equivalents	\$ 175,017	\$ 309,322
Accounts receivable	203,547	188,865
Taxes receivable	3,169	4,293
Inventories	102,486	79,662
Prepaid expenses	11,362	8,264
Derivative financial instruments	1,508	-
Current future income taxes	2,770	-
Current assets of discontinued operation (note 7)	16,305	156
	<u>516,164</u>	<u>590,562</u>
Property, plant and equipment, net	242,783	202,078
Goodwill	161,038	175,813
Future income taxes	24,463	25,404
Other assets (note 8)	15,878	14,169
	<u>\$ 960,326</u>	<u>\$ 1,008,026</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	\$ 107	\$ 4,094
Accounts payable and accrued liabilities	153,116	169,387
Taxes payable	32,030	57,010
Deferred revenues	24,021	10,907
Current liabilities of discontinued operation (note 7)	51,265	7,789
	<u>260,539</u>	<u>249,187</u>
Long-term debt	72,726	87,480
Future income taxes	33,006	30,496
Other non-current liabilities (note 10)	10,740	5,923
	<u>377,011</u>	<u>373,086</u>
Non-controlling interest in subsidiaries	<u>3,283</u>	<u>5,013</u>
Shareholders' Equity		
Capital stock (note 11)	203,252	206,852
Contributed surplus (note 12)	11,729	10,603
Retained earnings	486,548	498,001
Accumulated other comprehensive loss (note 13)	(121,497)	(85,529)
	<u>580,032</u>	<u>629,927</u>
	<u>\$ 960,326</u>	<u>\$ 1,008,026</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	
	2007	2006	2007	2006
Balance at beginning of period	\$ 499,402	\$ 474,616	\$ 498,001	\$ 421,547
Transitional adjustment (note 1)	-	-	(585)	-
Adjusted balance at beginning of year	499,402	474,616	497,416	421,547
Net income	3,753	26,653	87,357	92,635
	503,155	501,269	584,773	514,182
Excess of purchase price paid over stated value of shares (note 11)	(12,551)	-	(81,756)	(6,356)
Dividends paid	(4,056)	(3,268)	(16,469)	(9,825)
Balance at end of period	\$ 486,548	\$ 498,001	\$ 486,548	\$ 498,001

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended December 31		Twelve Months Ended December 31	
	2007	2006	2007	2006
Net income	\$ 3,753	\$ 26,653	\$ 87,357	\$ 92,635
Other comprehensive income (loss), net of income taxes:				
Unrealized loss on translating financial statements of self-sustaining foreign operations	(1,176)	19,866	(49,954)	14,731
Gain on hedges of unrealized foreign currency translation	1,357	-	13,830	-
Income tax expense	2,120	-	-	-
Unrealized foreign currency translation gain, net of hedging activities	2,301	19,866	(36,124)	14,731
Unrealized gain (loss) on available-for-sale financial assets arising during the period	264	-	(1,331)	-
Income tax expense	(542)	-	-	-
Change in unrealized loss on available-for-sale financial assets	(278)	-	(1,331)	-
Gain on derivatives designated as cash flow hedges	816	-	4,112	-
Income tax expense	(277)	-	(1,398)	-
Gain on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	(609)	-	(1,679)	-
Income tax expenses transferred to net income in the current period	207	-	571	-
Change in gain on derivatives designated as cash flow hedges	137	-	1,606	-
Other comprehensive gain (loss)	2,160	19,866	(35,849)	14,731
Comprehensive income	\$ 5,913	\$ 46,519	\$ 51,508	\$ 107,366

ShawCor Ltd.

Notes to the Consolidated Financial Statements (Unaudited)

1. Accounting policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") 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 year figures have not been restated except that the translation impact of self-sustaining foreign operations has been reclassified from cumulative translation account to accumulated other comprehensive income in accordance with the transitional provisions of the accounting standards. The following adjustments were made to the Company's balance sheet as a result of adopting these new accounting standards:

(in thousands of Canadian dollars)	January 1, 2007
Decrease in assets:	
Other assets	\$ (1,345)
Total decrease in assets.....	\$ (1,345)
Increase (decrease) in liabilities:	
Derivative financial instruments liability	\$ 925
Current future income taxes payable	(315)
Future income taxes	253
Long-term debt	(1,504)
Total decrease in liabilities	(641)
Increase (decrease) in shareholders' equity:	
Retained earnings	(585)
Accumulated other comprehensive income related to available-for-sale financial assets	492
.....	
Accumulated other comprehensive income related to cash flow hedges	(611)
Total decrease to shareholders' equity	(704)
Total decrease to liabilities and shareholders' equity	\$ (1,345)

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, unrealized 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 unrealized gains or losses on available-for-sale financial assets and accumulated 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. 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. Held-to-maturity financial assets, loans and receivables and other liabilities not held for trading are accounted for at amortized cost with related expenses charged to interest income or interest expense.

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	Held-for-trading
Cash equivalents	Held-to-maturity
Accounts receivable	Loans and receivables
Long-term investments	Available-for-sale
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Bank indebtedness	Other liabilities

c) Derivative Financial Instruments

The Company's policy is to document all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the consolidated statement of financial position or to the specific firm commitments or forecasted transactions. The Company also assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used are effective in offsetting changes in fair values or cash flows of hedged items.

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 to the extent of hedge effectiveness. 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.

e) 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

The compensation cost from the continuing amortization of granted stock options for the three months and twelve months ended December 31, 2007, included in operating expenses, is \$ 697 thousand and \$2.8 million, respectively (December 31, 2006 - \$659 thousand and \$ 2.8 million, respectively).

3. Foreign exchange gains and losses

Included in operating expenses for the three months ended December 31, 2007 are foreign exchange gains totaling \$47 thousand, while foreign exchange gains for the twelve months ended December 31, 2007 totaled \$475 thousand (December 31, 2006 – losses of \$1.0 million and gains of \$970 thousand, respectively). 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 and twelve months ended December 31, 2007 is \$3.3 million and \$10.5 million, respectively (December 31, 2006 - \$1.4 million and \$9.4 million, respectively)

5. Interest income (expense)

(in thousands of Canadian dollars)	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2007	2006	2007	2006
Interest income on short-term deposits	\$ 2,125	\$ 3,253	\$ 10,224	\$ 9,566
Interest expense on bank indebtedness	(176)	(483)	(707)	(1,456)
Interest expense on long-term debt	(1,206)	(1,330)	(5,136)	(5,306)
	<u>\$ 743</u>	<u>\$ 1,440</u>	<u>\$ 4,381</u>	<u>\$ 2,804</u>

Net interest paid during the three months and twelve months ended December 31, 2007 totaled \$743 thousand and \$4.7 million, respectively (December 31, 2006 – \$553 thousand and \$1.9 million received, respectively).

6. Income taxes

Net income taxes paid during the three months and twelve months ended December 31, 2007 totaled \$4.6 million and \$54.1 million, respectively (December 31, 2006 – \$10.3 million and \$42.1 million, respectively).

7. 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 facility had ceased. The Company adopted discontinued operation accounting treatment for the facility in 2005. The Mobile Facility was part of the Pipeline and Pipe Services market segment.

On December 31, 2005, the Company accrued \$6.3 million related to the Mobile Facility, representing the present value of future lease and other cost obligations for properties where it had ceased using the rights conveyed by the leases. During 2007, the Company reached an agreement with some of these lessors whereby the Company exited some leases prior to their expiration. The settlement costs of these leases approximated the related accruals.

On November 1, 2007, the Company announced a jury verdict of U.S.\$100 million in compensatory damages and U.S.\$8 million in punitive damages against the Company and Halliburton Energy Services Inc. (“HESI”) with the Company and HESI each responsible for 50% of the total award. The verdict resulted from a lawsuit brought by Dirt Inc., a Mobile, Alabama-based non-hazardous waste landfill operator, and related to the disposal of industrial waste from the operations of the Mobile Facility. The Company has reviewed the verdict with legal council and has determined that it has strong grounds for an appeal, which will be initiated as soon as possible. As a result of the verdict, the Company has increased its accrual related to this issue to U.S. \$54 million, this being the Company’s share of the verdict. The total charge to discontinued operations in the year was \$46.6 million, less estimated income tax recoveries of \$16.3 million.

The following table summarizes the financial results and cash flows from discontinued operations for the years ended December 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 Dec. 31		Twelve Months Ended Dec. 31	
	2007	2006	2007	2006
Revenue	\$ -	\$ -	\$ -	\$ 60
Loss from operations	(46,603)	(69)	(46,765)	(289)
Interest expenses			-	-
Loss from discontinued operations before income taxes	(46,603)	(69)	(46,765)	(289)
Income tax recovery	(16,303)	-	(16,303)	-
Loss from discontinued operations	\$ (30,300)	\$ (69)	\$ (30,462)	\$ (289)
Cash flow provided by (used in) operating activities	\$ 2,707	\$ 4,562	\$ (3,135)	\$ 3,867
Current assets			\$ 16,305	\$ 156
Property, plant and equipment, net			-	-
Current liabilities			\$ 51,265	\$ 7,789

8. Other assets

(in thousands of Canadian dollars)	Dec. 31 2007	Dec. 31 2006
Long-term investment	\$ 2,589	\$ 2,875
Deferred financing costs	-	2,089
Deferred project costs	8,492	4,633
Accrued employee future benefit asset	4,797	4,572
	<u>\$ 15,878</u>	<u>\$ 14,169</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 December 31, 2007, the Company had total operating credit lines of \$172.0 million (December 31, 2006 - \$204.1 million), of which \$107.0 million has been drawn for various standby letters of credit for performance, bid and surety bonds (December 31, 2006 - \$74.1 million) and bank indebtedness of nil (December 31, 2006 - \$3.0 million), to yield unutilized credit facilities of \$64.9 million (2006 - \$127.0 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)	Dec. 31 2007	Dec. 31 2006
Non-current asset retirement obligations	\$ 7,977	\$ 3,561
Accrued employee future benefit obligations	2,763	2,362
	<u>\$ 10,740</u>	<u>\$ 5,923</u>

11. Capital stock

(in thousands of Canadian dollars except share information)	Dec. 31, 2007	Dec. 31, 2006
Number of shares: Class A		
Balance, beginning of the period	60,914,175	61,006,045
Issued - stock options	320,295	331,157
Conversions Class B to Class A	-	9,873
Purchase and cancelled under Normal Course Issuer Bid	<u>(2,999,900)</u>	<u>(432,900)</u>
Balance, end of the period	<u>58,234,570</u>	60,914,175
Number of shares: Class B	<u>13,078,142</u>	13,078,142
Total number of shares	<u>71,312,712</u>	<u>73,992,317</u>
Stated value: Class A		
Balance, beginning of the period	\$ 205,848	\$ 203,716
Issued – stock options	4,955	2,147
Conversion Class B to Class A	-	-
Compensation cost on exercised options	1,639	1,426
Purchased and cancelled under Normal Course Issuer Bid	<u>(10,194)</u>	<u>(1,441)</u>
Balance, end of the period	<u>202,248</u>	205,848
Stated Value: Class B	<u>1,004</u>	1,004
Total stated value Class A and Class B	<u>\$ 203,252</u>	<u>\$ 206,852</u>

During the three months and twelve months ending December 31, 2007, the Company repurchased and cancelled 425,300 and 2,999,900 Class A Subordinated Voting Shares (“Class A shares”), respectively (December 31, 2006 – Nil and 432,900, respectively) under the terms of a Normal Course Issuer Bid (“NCIB”). The excess of cost over stated capital of the acquired shares, which for the three and twelve months ended December 31, 2007 totaled \$12.6 million and \$81.8 million, respectively (December 31, 2006 – Nil and \$6.4 million, respectively), was charged to retained earnings. Under the terms of the NCIB, which was renewed on November 29, 2007, the Company is entitled to repurchase up to 5,000,000 Class A shares and up to 100,000 Class B shares between December 3, 2007 and November 30, 2008. The repurchase of shares is made on the open market at prevailing market prices.

12. Contributed surplus

(in thousands of Canadian dollars)	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2007	2006	2007	2006
Balance, beginning of period	\$ 11,139	\$ 10,951	\$ 10,603	\$ 9,231
Adjustment for stock-based compensation	-	-	-	-
Stock compensation expense (note 2)	697	659	2,765	2,798
Fair value of stock options exercised	<u>(107)</u>	<u>(1,007)</u>	<u>(1,639)</u>	<u>(1,426)</u>
Balance, end of period	<u>\$ 11,729</u>	<u>\$ 10,603</u>	<u>\$ 11,729</u>	<u>\$ 10,603</u>

13. Accumulated other comprehensive loss

(in thousands of Canadian dollars)	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2007	2006	2007	2006
Balance, beginning of period	\$ (123,657)	\$ (105,395)	\$ (85,529)	\$ (100,260)
Transitional adjustment on adoption of new accounting policies (note 1)	-	-	(119)	-
Unrealized foreign currency translation losses, net of hedging activities	2,301	19,866	(36,124)	14,731
Unrealized loss on available-for-sale financial assets	(278)	-	(1,331)	-
Gain on derivatives designated as cash flow hedges	137	-	1,606	-
Balance, end of period	\$ (121,497)	\$ (85,529)	\$ (121,497)	\$ (85,529)

14. Stock option plans

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

	2007				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)	(317,340)	(320,295)	15.64	(331,157)	16.43
Forfeited	-	(142,000)	(142,000)	17.42	(66,890)	15.75
Expired	(4,920)	-	(4,920)	17.91	(368,423)	17.31
Balance outstanding, end of period	-	2,173,980	2,173,980	17.24	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 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	
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) Accounts receivable, 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 value.

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 December 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	\$175,017	\$ -	\$ -	\$175,017
Total	\$175,017	\$ -	\$ -	\$175,017
Financial liabilities				
Bank indebtedness	\$ 107	\$ -	\$ -	\$ 107
Long-term debt	-	-	72,726	72,726
Total	\$ 107	\$ -	\$ 72,726	\$ 72,833
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 and short-term term deposits, with major financial institutions, 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 that 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 other comprehensive income to the extent of hedge effectiveness and then transferred to net income 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 Company has designated, effective July 3, 2003, the 5.11% 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 the accumulated other comprehensive income.

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, 2007:

(in thousands)

Maturity	December 31, 2007
U.S. dollars sold for Canadian dollars	
Less than one year	US\$12,000
Weighted average rate	1.0540
Euros sold for U.S. dollars	
Less than one year	EUR 883
Weighted average rate	1.4150
One year to two years	EUR 2,150
Weighted average rate	1.4545
Two years to three years	EUR 2,150
Weighted average rate	1.4490
Three years to four years	EUR 2,200
Weighted average rate	1.4465
U.S. dollars sold for Norwegian Kroners	
Less than one year	US\$6,243
Weighted average rate	5.3980
U.S. dollars sold for Malaysian Ringgit	
Less than one year	US\$7,250
Weighted average rate	3.4062

Foreign exchange options and forward exchange contracts are used to hedge foreign exchange exposures related to commercial activities. At December 31, 2007, the Company had notional amounts of \$35.7 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 December 31, 2007. The fair value of the Company's net benefit for all foreign exchange forward contracts at December 31, 2007 was \$1.5 million (December 31, 2006 - \$3.1 million net liability) and 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

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 and twelve months ended December 31, 2007 and 2006, and goodwill and total assets as of those dates by segments are as follows:

(in thousands)	Three Months Ended December 31		Twelve Months Ended December 31	
	2007	2006-restated	2007	2006-restated
Revenue				
Pipeline and Pipe Services	\$ 254,316	\$ 243,951	\$ 903,427	\$ 922,328
Petrochemical and Industrial	28,450	32,795	143,665	138,938
Intersegment Eliminations	2,672	(431)	1,007	(1,647)
	<u>\$ 285,438</u>	<u>\$ 276,315</u>	<u>\$ 1,048,099</u>	<u>\$ 1,059,619</u>
Income (loss) from operations				
Pipeline and Pipe Services	\$ 40,280	\$ 40,816	\$ 153,932	\$ 138,483
Petrochemical and Industrial	3,065	5,589	22,822	19,192
Financial and Corporate	(3,853)	(4,614)	(16,753)	(18,895)
	<u>\$ 39,492</u>	<u>\$ 41,791</u>	<u>\$ 160,001</u>	<u>\$ 138,780</u>
Goodwill				
Pipeline and Pipe Services			\$ 143,960	\$ 157,630
Petrochemical and Industrial			17,078	18,183
			<u>\$ 161,038</u>	<u>\$ 175,813</u>
Total assets			\$	\$
Pipeline and Pipe Services			973,688	984,850
Petrochemical and Industrial			74,480	110,965
Financial and Corporate			864,079	1,235,684
Elimination			(951,921)	(1,323,473)
			<u>\$ 960,326</u>	<u>\$ 1,008,026</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. The figures related to these joint ventures included in the Company's consolidated financial statements are summarized as follows:

(in thousands)	Three Months Ended Dec 31		Twelve Months Ended Dec 31	
	2007	2006	2007	2006
Revenue	\$ 20,685	\$ 7,657	\$ 65,213	\$ 25,919
Operating and other expenses	16,121	6,981	48,663	20,803
Net income before income taxes	4,564	676	16,550	5,116
Provision for taxes	931	23	2,016	312
Net income	\$ 3,633	\$ 653	\$ 14,534	\$ 4,804
Cash provided by (used in):				
Operating activities	\$ 17,175	\$ (1,326)	\$ 15,802	\$ 2,566
Investing activities	(5,993)	(1,350)	(5,924)	(3,298)
Financing activities	(5,228)	1,248	(1,120)	(76)
Current assets			\$ 25,597	\$ 9,318
Property, plant and equipment, net			11,877	9,984
Goodwill			4,521	4,451
Current liabilities			17,103	5,868

18. Acquisition

a) On June 6, 2007, the Company purchased all 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"). SISL provides specialized, real-time/digital non-destructive weld testing services to the onshore and offshore pipeline industry and is based in the United Kingdom. Preliminary details of this acquisition which will be finalized before the end of the second quarter of 2008, follow:

(in thousands of Canadian dollars)	
Net assets acquired at assigned values:	
Current assets.....	\$ 2,324
Property, plant and equipment	329
Goodwill	2,117
Current liabilities	(1,984)
	<u>\$ 2,786</u>
Consideration given:	
Cash	\$ 2,786
	<u>\$ 2,786</u>

19. Earnings per share

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

	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2007	2006	2007	2006
Basic				
Class A	58,478,597	60,916,786	59,472,114	60,916,786
Class B	13,078,142	13,078,142	13,078,142	13,078,142
Total	71,556,739	73,994,928	72,550,256	73,994,928
Diluted				
Class A	59,447,176	61,035,758	60,350,112	61,035,758
Class B	13,078,142	13,078,142	13,078,142	13,078,142
Total	72,525,318	74,113,900	73,428,254	74,113,900

20. Comparative figures

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