CONSOLIDATING AND STRENGTHENING

SHAWCOR 2002 ANNUAL REPORT

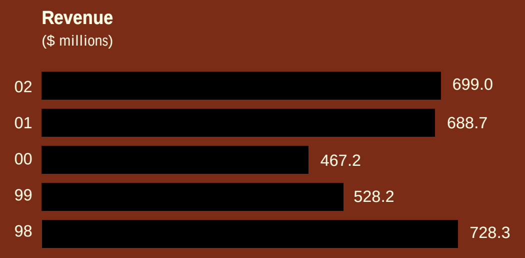
SHAWCOR LTD.

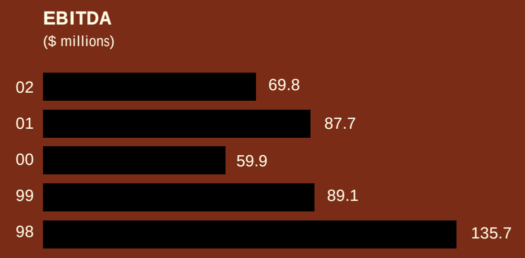
SHAWCOR LTD. IS A GROWTH-ORIENTED, GLOBAL ENERGY SERVICES COMPANY THAT OPERATES THROUGH SEVEN BUSINESS UNITS WHICH FOCUS ON TECHNOLOGY-BASED PRODUCTS AND SERVICES FOR EXPLORATION AND PRODUCTION, PIPELINE AND PETROCHEMICAL AND INDUSTRIAL MARKETS WITH MANUFACTURING AND SERVICE FACILITIES LOCATED IN OVER TWENTY COUNTRIES AROUND THE WORLD.

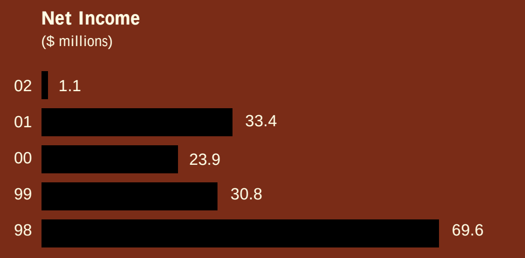
FINANCIAL SUMMARY

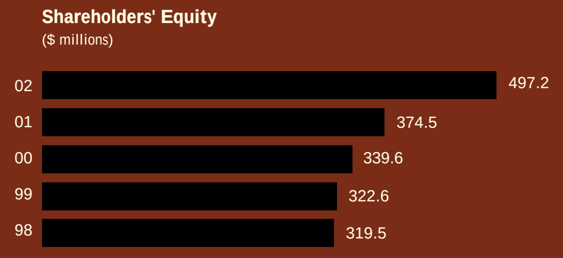
(In thousands of Canadian dollars except per share amounts)	**2002**	2001
OPERATING RESULTS		
Revenue	**$ 698,982**	$ 688,682
EBITDA *	**$ 69,806**	$ 87,728
Income from operations	**$ 22,707**	$ 50,117
Provision for asset impairment	**$ 17,000**	$ —
Net income for the year	**$ 1,134**	$ 33,376
Net income per share, Class A and Class B – Basic	**$ 0.02**	$ 0.55
Net income per share, Class A and Class B – Diluted	**$ 0.02**	$ 0.54
CASH FLOW		
Cash (used in) provided by operating activities	**$ (2,813)**	$ 30,346
Additions to capital assets	**$ 31,594**	$ 86,458
Acquisitions	**$ 221,025**	$ 20,461
FINANCIAL POSITION		
Working capital	**$ (79,611)**	$ 80,363
Total assets	**$ 985,900**	$ 620,625
Shareholders' equity per share (Class A and Class B)	**$ 7.24**	$ 6.16

*Refer to Six Year Review following the notes to the consolidated financial statements.









A MESSAGE TO OUR SHAREHOLDERS

2002 RESULTS

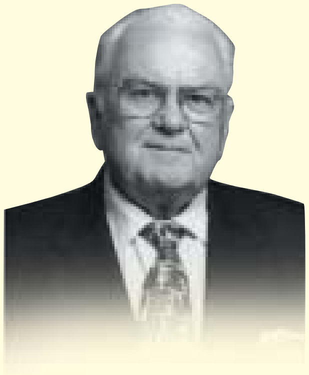
The year 2002 marked a major step in ShawCor's long-term growth with the acquisition from Halliburton Company of its 50% interest in the Bredero Shaw pipecoating business. The operation of Bredero Shaw as a wholly-owned division of ShawCor will greatly enhance the company's position in the pipeline segment of the energy service industry. This acquisition will also permit increased synergies between the products offered by Bredero Shaw and those of ShawCor's other pipeline businesses, Canusa–CPS and Shaw Pipeline Services. Together, the company's three pipeline businesses provide a broad range of corrosion protection, insulation and weight coating systems and pipe welding capabilities along with field girth weld inspection services and field applied joint protection systems for land, offshore and deepwater pipeline applications worldwide.

Although pipeline products and services now account for over 75% of ShawCor's total revenue, OMSCO and Guardian, the company's exploration and production segment businesses and DSG–Canusa and ShawFlex, the company's petrochemical and industrial products segment businesses will continue to play important roles as ShawCor pursues growth in all markets served.

Following the decline in oil and gas drilling commencing mid-year 2001, industry participants were initially confident that increased economic activity would lead to the beginning of a cyclical upturn during the second half of 2002. While energy prices recovered from the low levels reached late in 2001 and remained strong throughout 2002, the anticipated North American drilling recovery did not occur. Key elements in the lack of commitment to increased drilling by gas producers were the high levels of gas in storage and reduced demand. As a result, the average active rig counts in Canada and the United States during 2002 dropped to 262 and 832, a reduction of 23% and 28% respectively and the number of wells drilled in Canada and the United States declined by 19% and 28% on a year-over-year basis. Although the declines were not as pronounced, the average number of active rigs also declined in international markets during 2002.

Recently, prices for both oil and natural gas have risen significantly although for different reasons. Heightened political instability in key oil producing regions in the Middle East and Latin America raised the spectre of possible future oil shortages. Notwithstanding, the multinational and state-owned producers active in international markets have maintained steady capital spending levels and have not moved to increase drilling programs. Generally, producers have not yet responded to the positive price signals, preferring to wait until the political issues have been resolved and the impact on oil supplies and prices becomes clear.

In North American gas markets, commodity price pressures were offset by high levels of gas in storage throughout most of 2002. Recently, the advent of below normal winter temperatures in several regions, coupled with supply declines and rising demand for power generation, has resulted in a rapid increase in the removal of gas from storage and gas drilling activity has finally started to recover. Given the high average decline rates being experienced with new wells in many of the



Leslie E. Shaw
Chairman of the Board

Geoffrey F. Hyland
President and Chief Executive Officer

Bredero Shaw

EFFECTIVE OCTOBER 1, 2002, SHAWCOR SUCCESSFULLY COMPLETES ACQUISITION OF 50% INTEREST IN BREDERO SHAW FROM HALLIBURTON COMPANY.

OPERATION OF BREDERO SHAW AS A WHOLLY-OWNED DIVISION OF SHAWCOR MARKS A MAJOR STEP IN COMPANY'S LONG-TERM GROWTH.

PIPELINE PRODUCTS AND SERVICES NOW ACCOUNT FOR OVER 75% OF SHAWCOR'S TOTAL REVENUE.

producing basins, continued growth in demand will leave gas storage in both Canada and the United States well below the average levels recorded during the past decade. This outcome will place additional pressure on gas prices creating an added incentive that should cause producers to look favourably at committing additional capital to gas drilling programs during the balance of 2003.

Based upon the level of North American drilling activity in 2002, order input at OMSCO was at an extremely low level and drill pipe production rates remained depressed throughout the year. With the recent upturn in the number of active rigs, drill pipe quotation rates and new orders have started to climb, leading to the first increases in production schedules in almost a year. Continuation of this trend will depend on further strengthening of rig utilization levels during the second and third quarters of 2003. Although maintenance activities are not as cyclical as new drill pipe sales, Guardian also suffered from reduced tubular inspection and refurbishment volumes throughout most of 2002. The number of drilling rigs working in western Canada reached 348 by the end of 2002, 32% above the comparable figure at the end of the prior year, which has resulted in a marked increase in demand for tubular services on a year-over-year basis. Drilling contractors now appear more confident that rig activity will continue to strengthen during 2003 leading to further growth in service volumes and demand for new drill pipe which will ultimately be followed by increased small diameter pipe coating for oil and gas gathering applications.

Global pipeline construction activity remained relatively stable throughout 2002 with reduced gathering and transmission volumes in North American land markets and the North Sea offset by increased activity in West Africa, the Middle East and the Far East. Pipeline design, engineering and specification work continued to occur at a good pace in several markets with energy producers anticipating that a number of projects will reach the construction phase in 2003 and 2004. It is based upon this expectation of future activity in pipeline construction markets that ShawCor acquired Halliburton's 50% interest in Bredero Shaw, a move which is expected to lead to significant growth in the company's pipeline operations.

Although the medium-term outlook for Bredero Shaw is improving as international project activity begins to ramp up, 2002 was a less than satisfactory year due to the continuation of higher than expected start-up costs and the completion of several large projects with reduced margins at the company's deepwater facility in Mobile, Alabama. Additional resources were devoted to address these issues and several programs were implemented to increase productivity throughout the facility. Significant progress was made toward the achievement of these goals during the second half of 2002. It is expected that the results achieved at the Mobile facility in 2003 will be much improved over those attained during the prior year.

Operating results strengthened at Shaw Pipeline Services through a combination of higher girth weld inspection volumes and lower costs as the division consolidated its primary

North American operations in Houston, Texas. Notwithstanding reduced levels of small diameter pipeline construction activity in North America, Canusa–CPS recorded a good year in 2002 with the continued success of its market leading joint protection systems on a number of international pipeline projects and the introduction of several new products that achieved rapid customer acceptance.

At ShawFlex, successfully securing contracts for major heavy oil and other resource projects in western Canada coupled with renewed demand for the division's proprietary SLAR nuclear cables, which are used for maintenance applications in Canadian Candu reactors, resulted in a record performance by this division. Improved results were also achieved at DSG–Canusa with both the North American and European operations generating increased sales and profits in comparison to the previous year. For DSG–Canusa, this performance was even more significant as the division was able to offset a decline in demand from the cable television sector through the introduction of new products for electrical applications and by securing third-party and customer approvals for the division's products in several markets.

On the financial front, ShawCor's net working capital and bank indebtedness at the end of 2002 reflected the purchase of the additional 50% of Bredero Shaw that was not previously owned. Consequently, at December 31, 2002, cash and cash equivalents decreased $29.7 million from the prior year to $25.9 million and bank indebtedness increased by $143.1 million to $231.3 million. Management intends to structure the balance sheet to extend the term of a substantial portion of the existing demand bank debt facilities.

CONSOLIDATING AND STRENGTHENING

With the improvement in energy industry activity levels anticipated in the second half of 2003, ShawCor continues to concentrate on the priorities established in 2002 which include consolidating and strengthening the company's position in each market segment, a focus on improved operating efficiencies and continuation of the integration of Bredero Shaw into ShawCor.

The Bredero Shaw acquisition created increased liquidity for the company's shareholders as approximately half of the purchase consideration was in the form of 7.7 million ShawCor Class A shares which were, in turn, sold by Halliburton early in 2003. This issue was the first external use of new equity by the company.

Although it is not yet clear when the next upturn in the energy cycle will firmly take hold, ShawCor and each of its businesses will continue to focus on achieving increased profitability and greater shareholder returns.

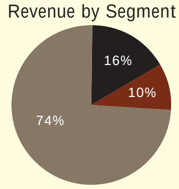
Geoffrey F. Hyland

President and Chief Executive Officer

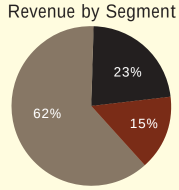
Leslie E. Shaw

Chairman of the Board

2002
Revenue by Segment

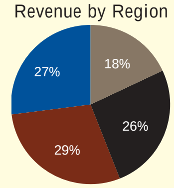


2001
Revenue by Segment

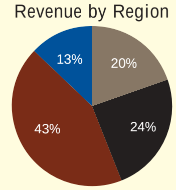


- Exploration and Production
- Petrochemical and Industrial
- Pipeline

2002
Revenue by Region



2001
Revenue by Region



- Canada
- Europe
- United States
- Far East, Pacific and Other

OMSCO
A ShawCor Company

OMSCO is a major manufacturer of premium drill string components including drill pipe, heavyweight drill pipe, drill collars, kellys, kelly valves and other drilling accessories.

At the beginning of 2002, North American land drilling activity had declined dramatically on a year-over-year basis and the majority of drilling contractors curtailed purchases of new drill pipe. The decline in international drilling rates was not as precipitous and OMSCO focused more on the international and offshore drilling markets in order to offset some of the decline in North American land drilling. Notwithstanding these efforts, overall order backlogs at OMSCO rapidly deteriorated and the division reduced production schedules and output accordingly. To offset the impact of the slow market, management focused on several cost reduction initiatives including improvements to the division's heat treating facilities that will also provide increased capacity to heat treat drill pipe tubes and bar stock.

Productivity increases achieved at OMSCO's Houston facility have made it possible to produce and ship drill pipe and other products with a lower landed cost in most markets worldwide. This ability to cost effectively centralize manufacturing in Houston allowed OMSCO to close its satellite manufacturing facility in Cumbernauld, Scotland resulting in annualized operating cost savings of over $1 million per year.

Early signs of a recovery in drilling, led by increased gas demand and sharply lower gas storage levels, is expected to support rising sales of drill pipe and other drill string components as 2003 progresses.

OMSCO drill pipe provides strength and long life under typical drilling conditions on a rig operating in Texas.

Guardian is a leading Canadian provider of a complete range of tubular management services including mobile and in-plant inspection, machine shop services and computerized inventory management for drill pipe, production tubing and casing. Guardian provides services to oil and gas producers, drilling contractors and tubular rental companies from facilities located in western Canada and Mexico.

During 2002, Guardian field-tested a number of improvements to its computerized tubular management system, which will be accessible to customers via the Internet. This enhanced service will allow online access to pipe inventory data including all shipping and receiving manifest information and the complete history of all pipe in inventory. Customers will be able to locate any individual joint of pipe in the system and determine its current condition based upon recent inspection and repair history. The status of pipe in the inventory system is constantly updated on a real-time basis utilizing data from Guardian's computerized pipe inspection and reporting system. With over one million historical inspection records available dating as far back as 1993, Guardian is capable of providing a comprehensive tubular management system to its customers.

Although inspection sales at Guardian were relatively stable in 2002, the anticipated recovery in Canadian drilling rates should generate improved inspection and repair volumes and an increase in Guardian's sales of OMSCO drill pipe in 2003.

A Guardian technician utilizes an over-the-well inspection unit to check production tubing as it is removed from the well.

BREDERO SHAW

A SHAWCOR COMPANY

Bredero Shaw is the world's largest pipecoating company, employing over 3,900 permanent and contract personnel at facilities located in sixteen countries. The division provides specialized corrosion, insulation and weight coatings and pipe welding services for land and marine pipelines including leading-edge deepwater applications.

During 2002, a decline in pipecoating activity in North America was partially offset by increases in Africa, the Middle East and the Far East. Bredero Shaw's deepwater facility in Mobile, Alabama was busy with several major projects for producers in the Gulf of Mexico. The Mobile facility completed its first full year of operations in 2002 under difficult circumstances as it was necessary to implement significant changes on several of the process lines in order to attain required operating efficiencies and throughput levels. With productivity improvement programs continuing at the Mobile facility, the overall operation is already achieving improved performance objectives.

Notwithstanding the challenges that overshadowed the first year of operations at the Mobile facility, a number of very significant projects were completed with a high degree of customer satisfaction. Of particular importance was the award and completion of the Nakika Development Project. This mammoth project involved the welding, coating and insulation of the flow lines and risers to serve five consolidated fields producing to a single Floating Production Platform and represented the largest deepwater production development in the Gulf of Mexico to date. Products and services provided for the Nakika Project included double and quad joint steel catenary riser (SCR) fabrication, fusion bond epoxy and three-layer coatings, pipe-in-pipe insulation systems and

Specialized welding equipment utilized by Bredero Shaw to weld offshore flow lines and risers.

polypropylene insulation. More recently, the Mobile facility initiated production on the Mardi Gras Project for BP, which is the largest deepwater offshore pipeline system yet to be installed in the Gulf of Mexico.

At Bredero Shaw, the achievement and maintenance of technological leadership in all aspects of pipeline coatings and insulation systems will play a prominent role in the division's future growth. Many of the product and process enhancements that ensure the division's leadership position are developed internally by personnel at the Bredero Shaw Technology and Development laboratory in Calgary and the ShawCor Corporate Research facility in Toronto. In order to provide added resources to support this internal research effort, Bredero Shaw completed a major upgrade to the division's Technology and Development lab in 2002. This program doubled the size of the Calgary facility and provides the capabilities necessary to perform product development and testing to meet specialized offshore requirements. Included as part of the addition to this facility is a pressure vessel for testing coating and insulation products for extremely demanding deepwater applications.

Several indicators point to a recovery in the level of pipeline coating volumes including a rise in coating quotation activity and contract awards for project work commencing in late 2003 and continuing throughout 2004 and 2005. As a result, Bredero Shaw anticipates increased pipecoating volumes in most markets along with a recovery in small diameter coating for gathering lines in western Canada during the next few years.

A reel ship loads pipe at Bredero Shaw's Thermotite insulation facility in Orkanger, Norway.

Shaw Pipeline Services

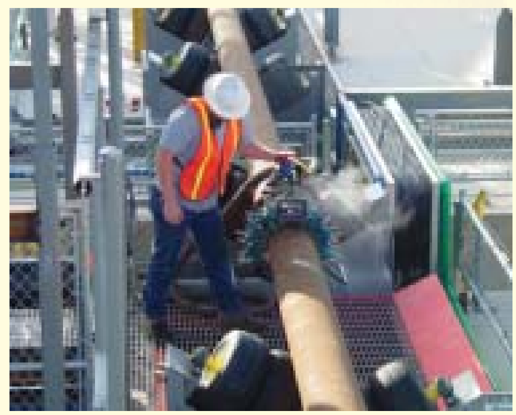
A ShawCor Company

Shaw Pipeline Services provides a complete range of ultrasonic and radiographic girth weld inspection services and other related non-destructive testing services for land and marine pipelines worldwide.

During 2002, Shaw Pipeline Services product development programs continued to build on the division's technical leadership position through improvements to the quality and accuracy of its ultrasonic girth weld inspection process. One example of this effort was the successful development and implementation of a unique Auto Detection software enhancement that assists the system operator to more easily detect and classify pipeline girth weld defects. With the most accurate weld defect sizing capability in the industry, the division has also expanded its services to include the high precision inspection of production risers and tendon systems for deepwater applications.

As an addition to conventional girth weld inspection, Shaw Pipeline Services has introduced several proprietary new products including ancillary inspection tools for accurately measuring pipe end ovality and weld joint high-low tolerance and for internal weld inspection. Customized sorting and matching software developed for these tools enables customers to minimize excess pipe handling by pre-selecting a best fit pipe string from a batch of pipe joints.

During the year, Shaw Pipeline Services implemented several programs to reduce overhead costs and improve division profitability. One important move was the relocation of the Calgary operations activity, which was consolidated into the Houston base, to provide one central operating facility yielding reduced costs and more efficient access to the key Gulf of Mexico market. A further improvement in Shaw Pipeline Services' performance is anticipated in 2003 as the division has secured a solid backlog of projects with energy producers and pipelay contractors.



A technician monitors the ultrasonic transducer array utilized to inspect a pipeline girth weld.

Canusa–CPS develops and manufactures heat shrinkable joint protection systems, adhesives, sealants and liquids-based coating systems for oil, gas, sewage, water transmission and district heating pipelines around the world.

Revenue and profitability at Canusa–CPS in 2002 were close to the levels achieved by this division in the prior year. Customer acceptance for the new high performance, polypropylene-based joint protection systems and global transmission sleeve (GTS) product line allowed the division to obtain a number of key project orders in international markets. Canusa–CPS's ability to win orders under competitive market conditions speaks to the dedication of the division's sales, marketing and technical personnel in securing the approvals that are a prerequisite before participating on many of these projects.

As pipeline operating temperatures continue to increase and remote locations ensure more demanding installation and operating conditions, Canusa–CPS has introduced several high performance joint protection systems based upon ShawCor's materials and process research and development programs. The division anticipates these development activities will lead to further advances with polypropylene-based sleeves and epoxy-based liquid coatings that will provide superior corrosion protection on pipelines operating at elevated temperatures.

Canusa–CPS continued to add capacity and increase flexibility and productivity at its Huntsville, Ontario manufacturing facility in order to efficiently handle large pipeline projects. During 2002, the division installed several process enhancements in order to maintain delivery lead times at acceptable levels. This increased capacity will allow Canusa–CPS to pursue opportunities in markets around the world.

A Canusa–CPS wraparound sleeve is installed to protect the girth weld on concrete coated pipe.

ShawFlex

A ShawCor Company

ShawFlex is a world-class manufacturer of instrumentation and control cable including thermocouple, armoured, tray, traffic signal, robotic, marine/shipboard, nuclear and utility cables.

ShawFlex continued to achieve success during 2002, a period during which most North American wire and cable markets continued to suffer from lower levels of capital spending. ShawFlex's success, resulting in a record year for the division, was due to its focus on niche specialty markets in the petrochemical, power generation and resource based industries. These markets were notably stronger than the general industrial markets for wire and cable, which were depressed throughout the year. In particular, ShawFlex secured several large orders for heavy oil projects as well as significant orders for the division's proprietary SLAR umbilical cables used to provide power and control for maintenance robots utilized inside Candu nuclear reactors.

In addition to its niche market focus, ShawFlex has achieved a high degree of customer satisfaction based upon a proven capability to provide rapid shipments of run-to-order specialty cables. With the growth in revenue during 2002, lead times at ShawFlex would have been stretched had it not been for the addition of increased capacity at the end of the prior year.

Although it is anticipated that a number of previously announced heavy oil projects may be subject to delays or deferrals, ShawFlex will ultimately benefit as these megaprojects proceed based upon growing North American energy demand and a continuing decline in conventional oil production.

ShawFlex armoured instrumentation and control cable for use in hazardous locations including nuclear reactors.

DSG-CANUSA

A SHAWCOR COMPANY

DSG–Canusa is a leading global manufacturer of heat shrinkable tubing, sleeves, moulded products and kits for sealing cable joints and terminations in electrical, electronic, automotive and communications applications.

With the continuing decline in capital spending in the cable television industry, 2002 was a pivotal year for DSG–Canusa as the division managed to increase revenue and profitability through the introduction of new products designed to serve a broad range of applications in the electrical utility and automotive markets. DSG–Canusa secured important utility approvals for low and medium voltage splice and termination kits while the division also received key approvals from major automotive manufacturers for tubing utilized in wire harness applications. Revenue growth in DSG–Canusa's key European and North American markets was also supported by rising market shares secured through distributor and private brand programs in the electrical and electronics sectors.

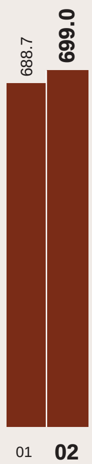
DSG–Canusa's management continued to focus on productivity and cost control initiatives and on the maintenance of high standards for customer service and product quality as demonstrated by the registration of the division's quality system to the QS 9000 standard throughout North America in 2002.

Although DSG–Canusa's primary markets are not as cyclical as the energy industry, they do depend on growth rates in the broader European and North American economies. Overall economic performance is expected to improve in 2003, which will support DSG–Canusa's growth through share gains and new product introductions.

DSG–Canusa's CFTV tubing seals against moisture but the adhesive strips cleanly to allow connector re-entry.

REVENUE

ShawCor classifies its revenue into three segments of the energy services industry: exploration and production, pipeline, and petrochemical and industrial. Several factors drive the energy services sector including: the level of energy prices, global economic growth and, in North America particularly, demand for natural gas for domestic utilization and to fuel electricity generation.



Consolidated Revenue
($ millions)

Effective October 1, 2002, ShawCor completed the acquisition of the remaining 50% of the Bredero Shaw joint venture. Accordingly, ShawCor net income and cash flow for the last three months of 2002 included 100% of the operations of Bredero Shaw for those three months, and the balance sheet at December 31, 2002 included 100% of Bredero Shaw's assets and liabilities. Prior to that date ShawCor's consolidated results included its 50% proportionate share of the assets, liabilities and results of operations of Bredero Shaw.

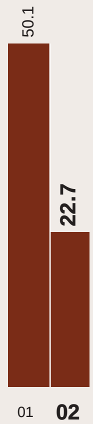
Consolidated revenue in 2002 was $699.0 million compared with $688.7 million in the prior year. Inclusion of 100% of Bredero Shaw operations in the fourth quarter of 2002 resulted in an increase in revenue of $87.2 million. On a comparative basis, (restating 2001 fourth quarter to include 100% of Bredero Shaw revenue) consolidated revenue in 2002 was 13.5% lower than the prior year. The decline was largely accounted for in the North American small diameter pipe coating and drill pipe markets, where oil and gas producers curtailed investment spending during the year.

The exploration and production segment includes the international markets served by OMSCO and Guardian. OMSCO manufactures drill pipe and drill string components in the United States and Guardian provides tubular management services and carries out inspection, testing and refurbishment of oil field tubulars in Canada and Mexico. Guardian also acts as a distributor of OMSCO products in Canada and Mexico. During the year, OMSCO's Cumbernauld, Scotland facility was closed in a cost reduction move. The restructuring did not result in the loss of revenue at OMSCO during the year and will have little effect on capacity levels going forward. In 2002, revenue at OMSCO was considerably below the prior year as exploration and production capital spending programs were severely curtailed in North America. With excess drill rig capacity, oil and gas drilling contractors use drill pipe from stacked or idle rigs before placing new orders. Oil and gas producers reduced expenditure programs largely because of fluctuating energy demand and prices and, through most of the year, above average gas storage levels. In this market environment, oil and natural gas drilling in North America declined by more than 25% from a year earlier, which resulted in revenue from tubular management and inspection services provided by Guardian being below the prior year level. Exploration and production segment revenue in 2002 was $66.2 million compared with $156.3 million in 2001.

The pipeline segment, which is the largest part of the company's activity, includes the global markets served by Bredero Shaw, Canusa–CPS and Shaw Pipeline Services. Bredero Shaw applies external corrosion, insulation, concrete weight coatings and internal flow efficiency coatings on steel pipe for oil, gas and water pipelines. Bredero Shaw is also a major supplier of products and services, such as specialized insulation, corrosion coatings, and pipe welding, to deepwater oil and gas markets. Canusa–CPS manufactures heat shrinkable sleeves, adhesives, sealants and liquid coatings utilized in pipecoating processes and pipeline joint protection systems. Shaw Pipeline Services provides ultrasonic and radiographic girth weld inspection services to pipeline owners and onshore and offshore pipeline contractors.

Bredero Shaw's contribution to ShawCor's consolidated revenue in 2002, including 100% of fourth quarter revenue of $174.4 million, was $428.6 million (2001 – $348.1 million). Overall, the activity level in 2002 at

Bredero Shaw approximated the prior year although the geographical sales mix differed. North American activity fell compared to 2001, which was accounted for partly by the completion, in 2001, of a large natural gas project in the Gulf of Mexico and in the current year by reduced small diameter pipecoating activity in Canada. During 2002 major oil and gas developments in Nigeria combined with strong project activity in the Far East boosted revenue above 2001 levels in these markets. Bredero Shaw continued during the year to solidify its position in deepwater pipeline markets with the installation of a pipe welding facility and success in securing projects, including BP Mardi Gras, at the Mobile, Alabama facility. To service oil and gas developments in Nigeria and meet scheduling requirements, a large coating order was shipped from the Leith, Scotland facility and a pipecoating plant was supplied under a management agreement to a local Nigerian company. In addition to domestic coating undertaken at the Kuantan, Malaysia and Batam, Indonesia facilities, activity in the Far East included export orders for projects in Vietnam, Mozambique, and Australia. North Sea pipeline activity was slow during the year, however, the outlook for the Norwegian sector is encouraging.



Consolidated Income From Operations
($ millions)

Notwithstanding a competitive market, Canusa–CPS sustained success in the international arena, winning tenders on a variety of projects around the world. This success offset the downturn in traditional western Canadian markets, where small diameter sleeve products and sealant sales felt the effect of energy industry investment cutbacks. Shaw Pipeline Services' revenue in 2002 was above the prior year, buoyed by offshore girth weld inspection contracts with major international marine contractors. During the year, onshore ultrasonic and radiographic markets were soft and several projects in North America were deferred. Shaw Pipeline Services continued to lead the industry in technical innovation with new specialized inspection equipment and software introduced to the market during the year. Pipeline segment revenue in 2002 was $519.7 million (2001 – $428.9 million), a result boosted by international pipeline project markets and the inclusion of 100% of Bredero Shaw revenue in the fourth quarter.

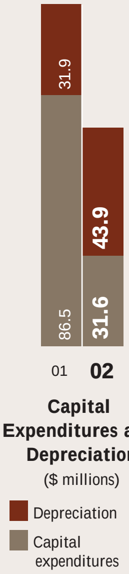
The petrochemical and industrial segment includes ShawFlex, a manufacturer of wire and cable for process instrumentation and control applications and DSG–Canusa, which manufactures heat shrinkable tubing for the electrical, electronic, telecommunications and automotive industries. At ShawFlex, success domestically in supplying wire and cable products to heavy oil projects and for nuclear power generation maintenance, together with growth in shipments to the United States, resulted in record revenue in 2002. Largely through successful marketing and distribution programs, heat shrinkable tubing and related product shipments in 2002 increased at DSG–Canusa in both North American and European markets. Petrochemical and industrial segment revenue increased 9.1% in 2002 to $114.5 million.

On a geographical basis, revenue in 2002 decreased in North America. Completion of large offshore Gulf of Mexico projects in the prior year and cutbacks in exploration and production spending in 2002 accounted for the decline. In 2002, compared with the prior year, stronger demand in the company's markets in Europe, Africa, the Middle East and the Far East largely account for increased sales in these sectors.

INCOME FROM OPERATIONS

Income from operations, at $22.7 million, represented a decrease of 54.7% below the prior year. Inclusion of 100% of Bredero Shaw operations in the fourth quarter of 2002 (prior year recorded at 50%) resulted in an increase in income from operations of $4.8 million. A downturn in energy industry investment throughout 2002 adversely affected exploration and production segment volume and earnings, negatively impacting ShawCor consolidated earnings.

In the exploration and production segment, shipments of drill pipe, manufactured by OMSCO, and tubular inspection and management services, provided by Guardian, both experienced a pronounced decline compared with the prior year. Deterioration in capital spending by major producers, which commenced mid-year 2001, continued throughout 2002 to depress demand for these products and services. Consequently, earnings were adversely affected, particularly at OMSCO, as a result of the cost burden arising from underutilized manufacturing capacity. During the second quarter of 2002, OMSCO closed its Cumbernauld, Scotland facility, with the fixed costs savings in 2002 offsetting the restructuring expenses. On a going forward basis this closing will benefit OMSCO operations through reduced per unit costs of production. Due to the very weak business environment in 2002, a segment loss from operations of $10.8 million was recorded compared with income of $23.6 million in 2001.



Capital Expenditures and Depreciation
($ millions)

Pipeline segment income from operations was $31.6 million in 2002 compared with $28.5 million in 2001. Inclusion of 100% of Bredero Shaw operations in the fourth quarter of 2002 resulted in an increase in income from operations of $4.8 million. Bredero Shaw recorded improved year-over-year earnings in the Far East and Africa, which offset a loss at the deepwater facility at Mobile, Alabama. Completion of initial, competitively priced contracts together with inefficiencies arising from a much faster than planned start-up during the year created a loss at this location. Operational improvements and higher margin contracts scheduled for 2003 underpin a recovery at the Mobile facility, although the focus will continue on achieving higher levels of profitability.

Shaw Pipeline Services boosted its earnings performance in international and offshore ultrasonic inspection although this result was dampened by United States onshore radiographic and ultrasonic inspection activities, which experienced a market slow-down and lower price levels. A restructuring at Shaw Pipeline Services was completed during the year with operational, administrative and research functions now centred in Houston, Texas. Canusa–CPS produced another good earnings result by successfully winning tenders in competitive global markets. Effective international marketing strategies and new capacity related investment, at the Canusa–CPS Huntsville, Ontario manufacturing facility, underpinned the successful year.

In the petrochemical and industrial segment, income from operations totaled $12.0 million, a 65.0% increase from the year earlier. ShawFlex, on an increased level of shipments, achieved a record result and at DSG–Canusa, earnings strengthened in both North America and Europe, also on a year-over-year increase in volume.

Depreciation in 2002 was $43.9 million (2001 – $31.9 million), which included $28.5 million from Bredero Shaw operations (2001 – $17.2 million). Effective January 1, 2002, in accordance with CICA accounting requirements, goodwill is no longer amortized (2001 – $4.3 million). Research and development expenses were $5.0 million for the year compared with $5.4 million in 2001. ShawCor’s proportionate share of Bredero Shaw’s earnings of associated companies, at $3.8 million was almost triple the prior year’s level. Interest on bank indebtedness was $5.8 million (2001 – $3.3 million), which reflected higher borrowings associated with Bredero Shaw operations. Interest on long-term debt was $509 thousand compared with $412 thousand in the prior year.

Income taxes in 2002 were 59.6% of income before taxes and minority interest (2001 – 32.6%). (See note 16 to the consolidated financial statements.) The minority-interest in the profit of subsidiaries of $609 thousand compared with a prior year loss of $88 thousand and related to the less than wholly-owned subsidiaries of Bredero Shaw.

CASH FLOWS

Cash from operations before working capital changes for the year totaled $28.0 million compared to $66.2 million in the prior year. Reduced earnings and a reversal of deferred tax balances accounted for the change. Investments in net working capital increased by $30.8 million in the year, compared to $35.9 million a year ago.

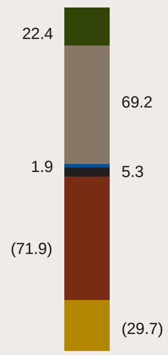
The most significant event of the year was the acquisition of the other half of Bredero Shaw. The total cost of the acquisition, $296.6 million, was settled by the payment of $69.2 million in cash (net of cash acquired of $14.2 million), a short-term note of $39.4 million (US$25.0 million), the issue of 7,723,996 Class A Subordinate shares with a value of $112.4 million, and the assumption of the other 50% of Bredero Shaw's bank and other debt of $75.6 million. (See note 3 to the consolidated financial statements.)

Additions to capital assets totaled $31.6 million compared to $86.5 million in the prior year, which included most of the costs associated with the new Mobile, Alabama facility.

Cash balances were drawn down by $29.7 million and bank debt increased by $71.9 million, primarily to finance the acquisition noted above, in addition to the assumption of the other 50% of Bredero Shaw's bank debt.

DIVIDENDS

Dividends per share in 2002 were $0.0808 for Class A Subordinate Voting Shares (2001 – $0.0808 per share) and $0.0734 for Class B Multiple Voting Shares (2001 – $0.0734 per share). The dividend applicable to Class A shares includes a non-cumulative premium of 10% above that applicable to Class B shares. The Board of Directors determines dividend payments based on consideration of net earnings over a period of years and the company's overall financial standing.



Sources and Uses of Cash in 2002
($ millions)

- Capital expenditures (net)
- Investments and acquisitions (net of financing)
- Debt repayment
- Dividends
- Increase in bank indebtedness
- Increase (decrease) in cash position

LIQUIDITY AND CAPITALIZATION

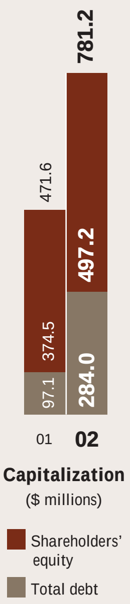
At December 31, 2002, the company recorded a working capital ratio of 0.82 to 1 (December 31, 2001 – 1.38 to 1). Net working capital at December 31, 2002 included 100% of the working capital position of Bredero Shaw (December 31, 2001 – 50%). Net working capital decreased from December 31, 2001 by $160.0 million, largely due to increased indebtedness in respect to the purchase of the 50% of Bredero Shaw not already owned and for capital programs. At December 31, 2002, cash and cash equivalents decreased $29.7 million from the prior year to $25.9 million and bank indebtedness and notes payable increased by $182.8 million to $271.0 million. Discussions are currently underway to extend the term of a substantial portion of the existing demand bank debt facilities.

Capital assets, net of accumulated depreciation, increased $180.9 million during the year, which was accounted for by the addition of the Bredero Shaw capital assets and consolidated capital expenditures. ShawCor capital expenditures for the full year ended December 31, 2002 were $31.6 million (2001 – $86.5 million). Expenditures included installation of a pipe welding facility at Bredero Shaw's deepwater Mobile, Alabama site and capacity expansion project expenditures, notably at Bredero Shaw's Far East facilities and at Canusa–CPS, DSG–Canusa and ShawFlex. For the twelve months ended December 31, 2002, proceeds on the disposal of capital assets, including disposition of the successfully reclaimed Surrey, British Columbia property totaled $9.3 million (2001 – $7.5 million).

Goodwill increased by $130.3 million in 2002 to $212.1 million. At December 31, 2002, goodwill was comprised of $19.5 million in respect of the 1998 acquisition of the DSG Group of companies and $192.6 million in respect of Bredero Shaw.

Other assets, at December 31, 2002, were $16.0 million, a decrease of $14.8 million from 2001. Non-cash provisions for asset impairment recorded in the fourth quarter in respect of an investment in Compagnie Générale de Géophysique "CGG" common shares reduced the carrying value of this investment from $26.1 million to $7.1 million. These shares, which trade publicly on the Paris Stock Exchange (The Bourse), were acquired in 2000 as consideration for the sale of ShawCor's Mark Products seismic component manufacturing division. Without the previously announced consolidation in the seismic industry, which has not yet occurred, the CGG share price has been depressed by the current over-capacity in marine seismic markets and the mediocre outlook for seismic markets generally. As a result, management has concluded that the decline in market value of the company's investment was more than temporary and therefore a write-down of the carrying value of the investment was warranted. Note 6 to the consolidated financial statements sets out details of the other assets.

Shareholders' equity, at December 31, 2002, increased 32.8% from a year earlier, reaching $497.2 million. Shareholders' equity is comprised of retained earnings, capital stock, contributed surplus and cumulative translation adjustments. Retained earnings was $377.4 million (2001 – $383.9 million), which reflected net income for the year less dividends paid and adjustments for stock-based compensation. During 2002, capital stock increased $112.9 million to $120.5 million, which was in respect to the issue of 7,723,996 Class A shares (Bredero Shaw acquisition) and Class A shares issued under company stock option plans. Contributed surplus, at $2.7 million (2001 – nil), resulted from the adoption of the CICA recommendation in respect of stock-based compensation. The cumulative translation account, at $3.3 million, decreased by $13.6 million, reflecting primarily the net change in the Canadian dollar compared with the United States dollar, the United Kingdom pound and the Euro, in translating self-sustaining foreign operations.



Capitalization
($ millions)

OUTLOOK AND UNCERTAINTIES

Notwithstanding the current elevated energy price environment, the industry remains volatile, undermining the incentive required by producers to generate growth through new capital spending programs. In the near term, this cautious investment policy will dampen demand for ShawCor's products and services supplied in exploration and production markets.

With the acquisition, on October 1, 2002, of the 50% interest in the Bredero Shaw pipecoating joint venture which was not already owned, revenue generated by ShawCor's three Pipeline segment businesses will account for approximately 75-80% of consolidated sales on an ongoing basis. In pipeline markets served, ShawCor holds a leading position, with a wide product range, broad geographical coverage and many decades of experience. Over the next few years pipeline market activity, based upon deepwater and international project tracking, is expected to show gains above the levels experienced in 2001 and 2002.

Uncertainties facing the company include the level of world oil and gas prices, foreign exchange rates, domestic and foreign government policies and regulations, and the global economic outlook. Another potential uncertainty is the deterioration in political stability in countries identified as important growth markets, including those located in areas such as Southeast Asia, West Africa, Latin America and the Middle East.

This document contains forward-looking statements, which are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in such statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of ShawCor Ltd. included in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has selected those it deems to be most appropriate in the circumstances. The financial statements include estimates based on the experience and judgement of management in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

The management of the company and its subsidiaries developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfils its responsibilities for financial reporting and internal control with the assistance of its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are Directors who are not employees of ShawCor Ltd. or any of its subsidiaries. The Committee meets regularly to review quarterly reports to shareholders and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the company's annual consolidated financial statements and recommends their approval to the Board of Directors.

These financial statements have been audited by Ernst & Young LLP, the external auditors, on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

February 27, 2003

Geoffrey Hyland

Geoffrey F. Hyland
President and Chief Executive Officer

A R Thomas

Alan R. Thomas
Vice President, Finance and Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SHAWCOR LTD.

We have audited the consolidated balance sheets of ShawCor Ltd. as at December 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
February 14, 2003

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

December 31 (In thousands of Canadian dollars)	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	**$ 25,945**	$ 55,636
Accounts receivable	**223,101**	147,332
Inventories (note 4)	**90,345**	73,748
Prepaid expenses	**19,394**	9,012
Future income taxes (note 16)	**4,280**	8,482
	363,065	294,210
Capital assets, net of accumulated depreciation (note 5)	**394,780**	213,864
Goodwill, net of accumulated amortization of $13,309, 2001 – $13,309	**212,094**	81,759
Other assets (note 6)	**15,961**	30,792
	$ 985,900	$ 620,625
LIABILITIES		
Current liabilities		
Bank indebtedness (note 8)	**$ 231,298**	$ 88,159
Accounts payable and accrued liabilities	**160,725**	123,987
Taxes payable	**4,625**	—
Note and interest payable (note 3)	**39,698**	—
Current portion of long-term debt (note 8)	**6,330**	1,701
	442,676	213,847
Long-term debt (note 8)	**6,739**	7,180
Future income taxes (note 16)	**35,986**	23,604
Minority interest in subsidiaries	**3,293**	1,465
	488,694	246,096
SHAREHOLDERS' EQUITY		
Capital stock (notes 3 and 9)	**120,501**	7,592
Contributed surplus (notes 2 and 11)	**2,667**	—
Retained earnings	**377,387**	383,850
Cumulative translation account (note 13)	**(3,349)**	(16,913)
	497,206	374,529
	$ 985,900	$ 620,625

See accompanying notes.

On behalf of the Board

Geoffrey Hyland

Geoffrey F. Hyland
Director

Leslie Shaw

Leslie E. Shaw
Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31 (In thousands of Canadian dollars except per share information)	2002	2001
Revenue	$ 698,982	$ 688,682
Operating expenses	627,407	596,974
Depreciation and amortization	43,910	36,214
Research and development	4,958	5,377
	676,275	638,565
Income from operations	22,707	50,117
Provision for asset impairment (note 6)	(17,000)	—
Other income (expense) (note 15)	(1,391)	(721)
Income before income taxes and minority interest	4,316	49,396
Income taxes (note 16)	2,573	16,108
Income before minority interest	1,743	33,288
Minority interest in (earnings) loss of subsidiaries	(609)	88
Net income for the year	$ 1,134	$ 33,376
Net income per share, Class A and Class B – Basic	$ 0.02	$ 0.55
Net income per share, Class A and Class B – Diluted	$ 0.02	$ 0.54

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31 (In thousands of Canadian dollars)	2002	2001
Balance at beginning of year	$ 383,850	$ 355,282
Adjustment for stock-based compensation (notes 2 and 11)	(2,470)	—
Balance as restated	381,380	355,282
Net income for the year	1,134	33,376
	382,514	388,658
Dividends paid	5,127	4,808
Balance at end of year	$ 377,387	$ 383,850

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended December 31 (In thousands of Canadian dollars)	2002	2001
OPERATING ACTIVITIES		
Net income for the year	$ 1,134	$ 33,376
Items not requiring an outlay of cash:		
Depreciation and amortization	43,910	36,214
Future income taxes	(17,838)	(1,952)
Minority interest in (loss) earnings of subsidiaries	609	(88)
Share of earnings of associated company	155	(1,309)
Change in non-cash working capital and other	(30,783)	(35,895)
Cash (used in) provided by operating activities	(2,813)	30,346
INVESTING ACTIVITIES		
Additions to capital assets	(31,594)	(86,458)
Proceeds on disposal of capital assets	9,263	7,463
Acquisitions, net of cash acquired (note 3)	(69,198)	(20,461)
Cash used in investing activities	(91,529)	(99,456)
FINANCING ACTIVITIES		
Increase in bank indebtedness	71,891	78,135
Repayment of long-term debt	(1,949)	—
Dividends paid to shareholders	(5,127)	(4,808)
Dividends paid to minority shareholders of subsidiaries	(166)	—
Issue of shares on exercise of stock options (notes 9 and 10)	2	201
Cash provided by financing activities	64,651	73,528
Net increase (decrease) in cash position during the year	(29,691)	4,418
Cash position at beginning of year	55,636	51,218
Cash position at end of year	$ 25,945	$ 55,636

See accompanying notes.

(All tabular amounts are in thousands of Canadian dollars, unless otherwise stated.)

1. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements include the accounts of ShawCor Ltd. (the "company"), its wholly-owned subsidiaries and up to September 30, 2002, its 50% proportionate interest in the underlying assets, liabilities and activities of the Bredero Shaw incorporated joint venture. On October 1, 2002, the company purchased the remaining 50% of Bredero Shaw and accordingly, 100% of Bredero Shaw's assets, liabilities and results of operations are included after this date (see note 3). The Bredero Shaw accounts include certain partially-owned subsidiaries which give rise to minority interest in the net assets and net results.

b) Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c) Revenue Recognition

Revenue from the sale of products is recognized as products are shipped or accepted by the customer. Pipecoating revenue is recognized as services are performed. Revenue from inspection, repair and other services provided in respect of customer-owned property is recognized as services are performed under specific contracts and other arrangements.

d) Deferred Project Costs

Costs related to the preparation of production facilities for fixed term projects are deferred and amortized on a basis to match the costs with the revenue from production on the specific projects.

e) Foreign Currency Translation

Foreign operations which are financially and operationally independent are classified as self-sustaining. Foreign operations which are dependent upon other operations within the company are classified as integrated.

Assets and liabilities of self-sustaining foreign operations are translated at year-end exchange rates. Income and expense items are translated at average exchange rates for the year. The foreign exchange impact of these translations is included in the cumulative translation account on the consolidated balance sheets. The appropriate amounts of exchange gains and losses accumulated in the cumulative translation account are reflected in income when there is a reduction in the company's investment in these subsidiaries as a result of capital transactions.

Monetary assets and liabilities of the company and its integrated foreign operations denominated in foreign currencies are translated at year-end exchange rates. All other assets and liabilities, along with depreciation expense denominated in foreign currencies are translated at historical exchange rates. Income and expense items other than depreciation are translated at average exchange rates for the year. All other foreign exchange gains or losses are included in the determination of net income for the year.

f) Cash (includes cash equivalents)

Cash and cash equivalents consist of cash in bank and short-term investments with original maturity dates on acquisition of 90 days or less.

g) Derivative Financial Instruments

The company manages interest rate and foreign exchange risk through the use of derivative financial instruments. These financial instruments are marked to market and the unrealized gains and losses are recognized in income in the period. The notional amounts of derivatives are not recognized in the consolidated financial statements.

h) Inventories

Inventories are valued at the lower of cost on a first-in, first-out basis and net realizable value for finished goods and work in progress and replacement cost for raw materials.

i) Capital Assets

Capital assets are recorded at cost and, other than project-related facilities and equipment, are depreciated over their useful lives commencing when the asset is available for use on a straight-line basis at annual rates of 4% to 5% on buildings, 10% to 20% on machinery and equipment and 33% to 50% for computer equipment. Project-related facilities are depreciated over the initial estimated project life, generally no longer than seven years.

j) Goodwill

Goodwill represents the excess of the purchase price of the company's interest in the subsidiary entities over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. No amortization was recorded in 2002 (see note 2). The company determines, at least once annually, whether the fair value of each reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill, thus indicating impairment. Any impairment is then recorded as a separate charge against income. During 2002, the company assessed the fair value of reporting units to which the underlying goodwill is attributable and determined that no charge for impairment of goodwill is required for the year ended December 31, 2002.

k) Stock Option Plans

The company has five stock option plans, which are described in note 10. The company's 1989 employee market growth stock option plan (the "1989 Plan") meets the definition of stock appreciation rights that call for settlement by the issuance of equity instruments. Effective January 1, 2002, the company recognizes compensation costs for awards granted under the 1989 Plan over the vesting period and measures compensation cost based on the fair value of the award on the date of grant. Subsequent to January 1, 2002, no new awards will be granted under the 1989 Plan.

The company does not recognize compensation costs for its other employee stock option plans. Consideration paid on the exercise of stock options is credited to share capital. Pro forma disclosure of net income and earnings per share is provided in note 11 as if compensation costs for awards granted under these plans had been recognized using the fair value method.

l) Operating Leases

Payments for operating leases are charged to income in the year they are incurred.

m) Investments

The company accounts for investments in which it has significant influence using the equity basis. Other investments are recorded at cost less write-downs to reflect other than temporary impairment.

n) Earnings Per Share

Basic earnings per share are calculated using the weighted average number of shares outstanding during the year.

Diluted earnings per share are calculated using the treasury stock method for determining the dilutive effect of outstanding options. Under this method the exercise of options is assumed at the beginning of the year (or at the time of issuance, if later) and shares are assumed issued. The proceeds from the exercise are assumed to be used to purchase common shares at the average market price during the period and the incremental number of shares (the difference between the number of shares assumed issued and assumed purchased) is included in the denominator of the diluted earnings-per-share computation.

o) Comparative Figures

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

2. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2002, the company adopted the following new Canadian Institute of Chartered Accountants ("CICA") recommendations: "Goodwill and Other Intangible Assets," "Foreign Currency Translation," and "Stock-Based Compensation and Other Stock-Based Payments."

The new recommendations require the non-amortization of existing and future goodwill and accordingly the company ceased recording goodwill amortization effective January 1, 2002. Instead, the company must determine, at least annually, if any impairment to goodwill exists and if so, charge it against income. Impairment exists when the fair value of a reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill. In accordance with the new recommendations, the company prospectively applied these new rules without restatement of any comparative periods. However, if retroactively applied, net income for the comparative period ended December 31, 2001 would have been $2.7 million or $0.05 per share higher.

Under the new recommendations dealing with foreign currency translation, the most significant change is to eliminate the deferral and amortization method for unrealized translation gains and losses on non-current monetary assets and liabilities. The above change has no effect on the company's results for 2002.

The new recommendations on stock-based compensation are generally applicable only to stock option awards granted after the date of adoption. However, for awards outstanding under the 1989 Plan on January 1, 2002, the company is required to adopt the new recommendations retroactively, with an adjustment to opening retained earnings equal to the cumulative amount that would have been charged to income in prior years. The adoption of the new recommendations resulted in a charge to opening retained earnings at January 1, 2002, of $2.5 million, with a corresponding offset to contributed surplus.

3. ACQUISITIONS

Effective October 1, 2002, the company acquired the remaining 50% of the Bredero Shaw joint venture from Halliburton Company. Bredero Shaw, with its worldwide operations, is a preeminent supplier in the pipe coating industry.

Details of this acquisition are as follows:

(In thousands)	
Net assets acquired at estimated assigned values:	
Capital assets	$ 186,754
Goodwill	129,004
Other assets and liabilities	(19,133)
Debt acquired	(75,600)
	$ 221,025
Consideration given:	
Cash, net of cash acquired of $14,420	$ 69,198
Promissory note (US$25 million, 2.5% interest per annum, maturing September 2003)(1)	39,443
Capital stock (7,723,996 Class A shares)	112,384
	$ 221,025

(1) The promissory note is redeemable on thirty days notice at the option of the holder anytime after November 30, 2002. If the note is presented for payment in the three month period ended March 29, 2003, the company, at its option, can extinguish the obligation either by paying cash or by issuance of 2,574,665 Class A Subordinate Voting Shares.

Effective January 1, 2001, Bredero Shaw acquired Thermotite A.S., based in Orkanger, Norway. On July 25, 2001, Bredero Shaw acquired 66.6% of Commercial Resins de Mexico S.A. de C.V., based in Monterrey, Mexico. Both companies operate in the pipe coating industry. On October 1, 2001, the remaining 33.4% of Commercial Resins de Mexico S.A. de C.V. was also acquired.

Details of these acquisitions for the company's 50% share are as follows:

(In thousands)	Thermotite A.S.	Commercial Resins de Mexico	Total
Net assets acquired at assigned values			
Net assets	$ 6,631	$ 4,721	$ 11,352
Goodwill	11,796	6,550	18,346
Future income taxes	121	(3,751)	(3,630)
Long-term debt	(5,607)	—	(5,607)
Consideration given,			
Cash paid	$ 12,941	$ 7,520	$ 20,461

These acquisitions have been accounted for by the purchase method with the results of operations included in the consolidated financial statements from the dates of acquisition.

4. INVENTORIES

(In thousands)	**2002**	2001
Raw materials and supplies	**$ 71,691**	$ 39,253
Work in progress	**6,205**	18,049
Finished goods	**12,449**	16,446
	$ 90,345	$ 73,748

5. CAPITAL ASSETS

(In thousands)	**2002**	2001
Cost		
Land and land improvements	**$ 54,864**	$ 28,831
Buildings	**120,333**	71,611
Machinery and equipment	**563,153**	325,351
Capital projects in progress	**1,113**	11,958
	739,463	437,751
Accumulated depreciation		
Land improvements	**19,850**	8,461
Buildings	**49,978**	35,937
Machinery and equipment	**274,855**	179,489
	344,683	223,887
	$ 394,780	$ 213,864

6. OTHER ASSETS

(In thousands)	2002	2001
Long-term investment	$ 7,100	$ 26,100
Deferred project costs	2,152	2,324
Investment in associated company	6,709	2,368
	$ 15,961	$ 30,792

Long-term investment comprises publicly traded securities with a quoted market value at December 31, 2002, and February 14, 2003, of $9.5 million and $7.5 million respectively (December 31, 2001 – $17.3 million). During the year a charge to earnings was recorded to recognize a significant decline in the estimated fair value of the long-term investment.

7. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange options and forward exchange contracts are used to hedge foreign exchange exposures related to commercial activities. They are not used by the company for speculative purposes. At December 31, 2002, the company had notional amounts of $17.4 million (2001 – $3.1 million) of forward contracts outstanding. The amounts are used to express the volume of the transactions and do not represent exposure to loss. The difference between the carrying values and fair values of each of these contracts was not significant and was charged to earnings in the current year.

8. BANK INDEBTEDNESS AND LONG-TERM DEBT

a) The company had unsecured long-term debt consisting of the following:

(In thousands)	2002	2001
Bredero Shaw loans payable bearing interest at rates between 7.5% and 11.6% per annum, maturing between 2003 and 2006 (Norwegian Krone 41.5 million, 2001 – NK 22.8 million)	$ 9,267	$ 5,340
Non-interest bearing obligation, due December 31, 2003 (Euro 2.3 million, 2001 – Euro 2.3 million)	3,802	3,541
	13,069	8,881
Less current portion	6,330	1,701
	$ 6,739	$ 7,180

Total interest paid during the year was $6.0 million (2001 – $3.5 million).

b) Long-term debt repayments during each of the next five years at current rates of exchange are as follows:

(In thousands)	
2003	$ 6,330
2004	2,354
2005	2,193
2006	2,192
2007	—
	$13,069

c) The current bank indebtedness is unsecured and, except for US$20.0 million fixed at 4.08% until August 2003, is at current market rates ranging from 2.5% to 8.0% depending on the currency of the debt. As at December 31, 2002 the company had unused operating lines of credit of $141.0 million.

9. CAPITAL STOCK

As at December 31, the following shares were outstanding:

(In thousands except share information)	2002			2001		
	Class A	Class B	Total	Class A	Class B	Total
Number of shares:						
Balance, beginning of the year	**46,869,003**	**13,930,005**	**60,799,008**	46,573,146	14,096,264	60,669,410
Issued – stock options	**142,894**	**—**	**142,894**	129,598	—	129,598
Conversions Class B to A	**115,410**	**(115,410)**	**—**	166,259	(166,259)	—
Issued – stock for October 1 acquisition	**7,723,996**	**—**	**7,723,996**	—	—	—
Balance, end of the year	**54,851,303**	**13,814,595**	**68,665,898**	46,869,003	13,930,005	60,799,008
Stated value:						
Balance, beginning of the year	**$ 6,523**	**$ 1,069**	**$ 7,592**	$ 6,309	$ 1,082	$ 7,391
Issued – stock options	**2**	**—**	**2**	201	—	201
Conversions Class B to A	**9**	**(9)**	**—**	13	(13)	—
Issued – stock for October 1 acquisition	**112,384**	**—**	**112,384**	—	—	—
Compensation cost on exercised options	**523**	**—**	**523**	—	—	—
Balance, end of the year	**$ 119,441**	**$ 1,060**	**$ 120,501**	$ 6,523	$ 1,069	$ 7,592

Class A shares are entitled to one vote per share and receive a non-cumulative dividend premium of 10% of the dividends paid to holders of Class B shares. Class B shares are entitled to ten votes per share and are convertible at any time into Class A shares on a one-for-one basis.

10. STOCK OPTION PLANS

The company has five stock option plans, initiated in 1989, 1995 and 1997 and two in 2001.

Under the company's 1989 employee market growth stock option plan (the "1989 plan"), options were granted to senior management and employees to acquire from the company, the number of Class A shares equal in value to the market growth of the shares from the grant date with respect to which the option is exercised. Options are exercisable up to a maximum of 20% of the option units, on a cumulative basis, per year, commencing one year after the date of grant. The number of shares to be issued under any option shall not exceed 75% of the number of units with respect to which the option is exercised. Subsequent to January 1, 2002, no additional options will be granted under this plan.

Under the company's 1995 director stock option plan (the "1995 plan"), options to purchase Class A shares were granted at a price being the fair market value at the date of the grant. The maximum number of Class A Subordinate Voting Shares which may be purchased by a director pursuant to any single grant of option was equal to the lesser of 9,000 Class A Subordinate Voting Shares and a number equal to twice the number of Class A Subordinate Voting Shares and Class B Multiple Voting Shares owned by the eligible director as at the date of the grant. No additional options will be granted under the 1995 plan which has been replaced by the 2001 director plan.

Under the company's 1997 employee stock option plan (the "1997 plan"), options for 300,000 Class A shares were granted during 1997 at a price of $14.00 per share, being the fair market value at the date of the grant. The maximum number of shares which may be exercised during any one year is limited to 20% of the total grant, on a cumulative basis, in each of the five years commencing one year following the date of the grant.

Under the company's 2001 employee stock option plan (the "2001 employee plan"), which replaces the 1989 employee plan and is a traditional stock option plan, the options will have a term of ten years from the date of the grant. Exercises will be permitted on the basis of 20% of the optioned shares per year over five years, on a cumulative basis, commencing one year following the date of the grant. The grant price will equal the closing sale price of the Class A shares on the day prior to the grant.

Under the company's 2001 director plan (the "2001 director plan"), options are granted on an annual basis and the maximum number of Class A Subordinate Voting Shares issued in any single grant shall be equal to the number of Class A Subordinate Voting Shares and Class B Multiple Voting Shares of the company owned at the date of the option grant by the individual director, subject to a maximum of 8,000 Class A Subordinate Voting Shares for each of the Chairman and Vice Chair and 4,000 Class A Subordinate Voting Shares for each of the other eligible directors. The term of the options is five years and vesting is immediate upon grant. The grant price will equal the closing sale price of the Class A shares on the day prior to the grant.

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

	2002				2001	
	Market Growth Plan (1)	Other Plans	Total Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance outstanding, beginning of year	**1,514,100**	**342,000**	**1,856,100**	**$ 13.92**	1,440,540	$ 11.52
Granted	**—**	**367,900**	**367,900**	**16.68**	599,400	17.91
Exercised	**(142,894)**	**—**	**(142,894)**	**9.25**	(129,598)	5.83
Forfeited/expired	**(144,791)**	**(11,100)**	**(155,891)**	**24.55**	(54,242)	13.91
Balance outstanding, end of year	**1,226,415**	**698,800**	**1,925,215**	**$ 14.36**	1,856,100	$ 13.92

(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, 2002	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at December 31, 2002	Weighted Average Exercise Price
$ 5.00 – $ 10.00	**305,970**	1.92	$ 10.20	**182,850**	$ 10.14
$ 11.00 – $ 15.00	**649,335**	2.79	$ 14.05	**491,730**	$ 14.04
$ 16.00 – $ 20.00	**969,910**	5.50	$ 17.52	**176,930**	$ 17.51
	1,925,215			**851,510**	

11. STOCK-BASED COMPENSATION

The "1989 Plan" meets the definition of stock appreciation rights that call for settlement by issuance of equity instruments. Accordingly the company now recognizes compensation costs for awards granted under the 1989 Plan over the vesting period and has chosen to measure compensation costs based on the fair value of the award on the date of the grant. For awards outstanding on January 1, 2002, under the 1989 Plan the company has adopted the new recommendations retroactively, with an adjustment to opening retained earnings equal to the cumulative amount that would have been charged to income in prior years. The adoption of the new recommendations results in a charge to opening retained earnings at January 1, 2002 of $2.5 million with a corresponding increase in contributed surplus. Subsequent to January 1, 2002, no new awards will be granted under the 1989 Plan. The compensation costs relating to the 1989 Plan attributable to fiscal 2002 totaled $0.7 million.

The company's other stock option plans are not "direct awards" plans, and the company has elected to disclose the effect of attributing a compensation cost to the awards granted after January 1, 2002, on a pro forma basis only. Had the company elected to recognize the cost of its stock-based compensation based on the estimated fair value of the stock options granted in 2002, the company's results would have been as follows:

(In thousands except per share amounts)	Year Ended Dec. 31, 2002
Pro forma results	
Net income as reported	**$ 1,134**
Less stock-based compensation awards cost	**(729)**
Pro forma net income	**$ 405**
Pro forma per share data (Class A and B)	
Basic	**$ 0.01**
Diluted	**$ 0.01**

The fair value of each stock option was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions for the year ended December 31, 2002: expected life of option – 3.25 years to 8.25 years, expected stock price volatility – 25%, expected dividend yield – 0.4%, and risk free interest rate – 4.8% to 5.8%. The weighted average fair value of the options granted during the year ended December 31, 2002 is $5.77.

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to the shareholders by the weighted average number of common shares outstanding during the year which was 62,787,908 (2001 – 60,771,391 shares). Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options by application of the treasury stock method. The weighted average number of common shares outstanding during the year plus the dilutive effect of outstanding stock options equaled 64,042,410 (2001- 62,234,650).

13. CUMULATIVE TRANSLATION ACCOUNT

(In thousands)	2002	2001
Balance at beginning of year	**$ (16,913)**	$ (23,119)
Translation of self-sustaining foreign operations	**13,564**	6,206
Balance at end of year	**$ (3,349)**	$ (16,913)

During 2002, the Canadian dollar gained 1.1% (2001 – weakened 6.4%) against the U.S. dollar, weakened 17.4% (2001 – gained 0.1%) against the Euro and weakened 10.0% (2001 – weakened 3.0%) against the U.K. pound.

14. PENSION OBLIGATIONS

The company provides pension benefits to its employees under a number of defined benefit and defined contribution arrangements. The company's pension obligations under the defined benefit plans for employees' service up to December 31, 2002, are estimated to be $43.0 million (2001 – $23.6 million). These pension plans have assets with a market value of $36.4 million (2001 – $25.4 million) available to meet these obligations. The cost of defined benefit plans is determined using the projected benefit method based on employment services and is expensed as employment is rendered. Past service costs which arose upon introduction of the plan are being amortized to income over the employees' expected average remaining service life. The company uses actuarial reports prepared by independent actuaries for funding and accounting purposes. Information about the company's defined benefit plans in aggregate is as follows:

(In thousands)	2002	2001
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 23,559	$ 21,361
Acquisition of remaining 50% of Bredero Shaw	12,140	—
Current service cost	2,274	1,381
Past service cost	3,434	—
Interest cost	2,531	1,569
Actuarial losses	11	85
Benefits paid	(976)	(837)
Accrued benefit obligation, end of year	$ 42,973	$ 23,559
Plan assets		
Fair value of plan assets, beginning of year	$ 25,434	$ 23,200
Acquisition of remaining 50% of Bredero Shaw	10,689	—
Actual return on plan assets	2,509	1,331
Employer contributions	2,491	1,740
Surplus applied to plan	(3,760)	—
Benefits paid	(976)	(837)
Fair value of plan assets, end of year	$ 36,387	$ 25,434
Funded status – plan surplus (deficit)	$ (6,586)	$ 1,875
Unamortized net actuarial gains (losses)	6,338	(810)
Unamortized past service costs	1,092	1,232
Unamortized net transitional asset	1,113	(197)
Net accrued benefit asset	$ 1,957	$ 2,100
Net benefit expense for the year		
Current service cost	$ 2,208	$ 1,381
Interest cost	2,531	1,569
Expected return on plan assets	(2,510)	(1,541)
Amortization of net transitional amount	136	6
Amortization of prior service cost	140	299
Amortization of actuarial loss (gain)	(8)	(12)
Net benefit expense	$ 2,497	$ 1,702

Included in the above accrued benefit obligation and fair value of plan assets at year end are the following amounts in respect of plans that are not fully funded:

(In thousands)	2002	2001
Accrued benefit obligation	$ 36,189	$ 14,672
Fair value of plan assets	27,494	13,783
Funded status – plan (deficit)	$ (8,695)	$ (889)

	2002	2001
Significant assumptions used		
Expected long-term rate of return on plan assets (%)	7.5	7.5
Discount rate (%)	6.25	7.0
Rate of compensation increase (%)	4.0	4.0

15. OTHER INCOME (EXPENSE)

(In thousands)	2002	2001
Interest income on short-term deposits	$ 1,118	$ 1,719
Interest on bank indebtedness	(5,798)	(3,337)
Interest on long-term debt	(509)	(412)
Share of earnings of associated company	3,798	1,309
	$ (1,391)	$ (721)

16. INCOME TAXES

i) The income tax expense is comprised of:

(In thousands)	2002	2001
Current	$ 20,411	$ 18,060
Future	(17,838)	(1,952)
	$ 2,573	$ 16,108

ii) The company's effective income tax rate is composed of the following:

	2002	2001
Combined basic Canadian federal and provincial income tax rate	**41.6 %**	42.2 %
Canadian manufacturing and processing profits deductions	**(8.5)**	(8.5)
Expected rate	**33.1**	33.7
Tax rate differential on earnings of foreign subsidiaries	**0.7**	(4.8)
Unrecognized tax losses of foreign subsidiaries	**17.0**	3.6
Other	**8.8**	0.1
	59.6 %	32.6 %

iii) Components of future income taxes are summarized as follows:

(In thousands)	2002	2001
Future tax asset		
Net operating losses carry forward	**$ 4,280**	$ 8,482
Net future tax asset	**$ 4,280**	$ 8,482
Future tax liability		
Depreciable capital assets	**$ 35,438**	$ 19,830
Provisions and future expenditures	**548**	3,774
Total future tax liability	**$ 35,986**	$ 23,604

The company has income tax losses carried forward of $33.6 million (2001 – $36.8 million) which have not been utilized. The tax benefit of these loss carryforwards is recorded as a future tax asset. These tax losses may be utilized to offset taxable income from certain jurisdictions in future years. Tax losses of $18.6 million carry forward beyond 2010. The remainder will expire, to the extent that they are not utilized, as follows: 2003 – $2.3 million; 2004 – $3.7 million; 2005 – $7.3 million; 2006 – $0.6 million and 2007 – $1.1 million. Income taxes of $13.3 million (2001 – $21.8 million) were paid during the year.

17. OTHER COMMITMENTS

a) Operating leases

At December 31, 2002, the aggregate minimum annual obligations under non-cancelable operating leases were as follows:

(In thousands)	
2003	$ 9,296
2004	8,135
2005	6,294
2006	5,293
2007	4,930
Subsequent to 2007	18,548
	$52,496

b) General

In the ordinary course of business activities, the company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the company.

18. FOREIGN EXCHANGE GAINS AND LOSSES

Included in income from operations for the year ended December 31, 2002, are foreign exchange gains, primarily on the translation of foreign currency denominated cash and working capital balances totaling $46 thousand (2001 – $2.9 million).

19. SEGMENTED INFORMATION

The company provides products and services to three general segments of the global energy industry: exploration and production, pipeline, and petrochemical and industrial. The exploration and production segment is comprised of OMSCO which manufactures drill string components and Guardian which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubulars as well as selling OMSCO products in Canada and Mexico. The pipeline segment is comprised of Bredero Shaw which provides pipecoating, lining and insulation products, Canusa–CPS which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications and Shaw Pipeline Services which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction. The petrochemical and industrial segment is comprised of ShawFlex which manufactures wire and cable for process instrumentation and control applications and DSG–Canusa which manufactures heat shrinkable tubing for automotive, electrical, electronic and utility applications.

Financial information by operating segment is as follows (in thousands of dollars):

	Exploration and Production		Pipeline		Petrochemical and Industrial		Financial and Corporate		Eliminations		Total	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
Revenue – customer	**66,188**	156,281	**518,921**	428,051	**113,873**	104,350	**—**	—	**—**	—	**698,982**	688,682
– intersegment	**—**	—	**766**	853	**656**	643	**—**	—	**(1,422)**	(1,496)	**—**	—
– total	**66,188**	156,281	**519,687**	428,904	**114,529**	104,993	**—**	—	**(1,422)**	(1,496)	**698,982**	688,682
Operating expenses	**71,602**	127,731	**452,510**	374,446	**97,107**	91,467	**7,610**	4,826	**(1,422)**	(1,496)	**627,407**	596,974
Depreciation of capital assets	**5,210**	4,833	**32,921**	22,878	**4,032**	5,260	**1.747**	3,243	**—**	—	**43,910**	36,214
Research and development	**160**	166	**2,614**	3,110	**1,409**	1,006	**775**	1,095	**—**	—	**4,958**	5,377
	76,972	132,730	**488,045**	400,434	**102,548**	97,733	**10,132**	9,164	**(1,422)**	(1,496)	**676,275**	638,565
Income from operations	**(10,784)**	23,551	**31,642**	28,470	**11,981**	7,260	**(10,132)**	(9,164)	**—**	—	**22,707**	50,117
Interest, net	**52**	2,537	**5,362**	3,127	**1,874**	2,251	**(2,099)**	(5,885)	**—**	—	**5,189**	2,030
Income tax expense (recovery)	**(3,374)**	6,953	**10,627**	9,945	**1,721**	(4,307)	**(6,401)**	3,517	**—**	—	**2,573**	16,108
Goodwill additions	**—**	—	**129,004**	18,346	**—**	—	**—**	—	**—**	—	**129,004**	18,346
Total assets	**91,698**	95,535	**787,408**	299,176	**85,549**	81,803	**564,564**	311,888	**(543,319)**	(167,777)	**985,900**	620,625
Capital expenditures, net of disposals	**1,506**	12,692	**18,916**	54,808	**1,565**	7,144	**344**	4,351	**—**	—	**22,331**	78,995

Revenue and capital assets by geographic segment are as follows. ‘Other’ in the Far East, Pacific and Other geographic segment includes operations in Mexico, Africa and the Middle East. The geographical segment is determined by the location of the company’s country of operation (in thousands of dollars):

	Canada		United States		Europe		Far East, Pacific and Other		Eliminations		Total	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
Revenue – customer	**125,096**	135,174	**199,968**	296,972	**187,124**	167,688	**186,794**	88,848	**—**	—	**698,982**	688,682
– intersegment	**65,053**	37,043	**13,851**	34,241	**8,738**	4,299	**108**	109	**(87,750)**	(75,692)	**—**	—
– total	**190,149**	172,217	**213,819**	331,213	**195,862**	171,987	**186,902**	88,957	**(87,750)**	(75,692)	**698,982**	688,682
Capital assets, net	**99,422**	69,209	**185,241**	102,209	**77,149**	34,691	**32,968**	7,755	**—**	—	**394,780**	213,864

SIX YEAR REVIEW

(In thousands except per share information)	2002	2001	2000	1999	1998	1997
OPERATING RESULTS						
Revenue (note 1)	**$ 698,982**	$ 688,682	$ 467,208	$ 528,226	$ 728,264	$ 552,549
EBITDA (notes 1 & 2)	**69,806**	87,728	59,880	89,098	135,738	106,559
Net income for the year (note 3)	**1,134**	33,376	23,860	30,761	69,624	58,662
CASH FLOW						
Cash from operating activities	**$ (2,813)**	$ 30,346	$ 31,995	$ 85,639	$ 102,412	$ 75,172
Additions to capital assets	**31,594**	86,458	24,394	29,450	57,952	32,971
FINANCIAL POSITION						
Working capital	**$ (79,611)**	$ 80,363	$ 119,135	$ 127,544	$ 128,502	$ 116,517
Long-term debt	**13,069**	8,881	3,242	20,151	48,027	34,570
Shareholders' equity	**497,206**	374,529	339,554	322,632	319,534	248,527
Total assets	**985,900**	620,625	468,523	479,441	561,181	432,269
PER SHARE INFORMATION (CLASS A AND CLASS B)						
Net income						
Basic	**$ 0. 02**	$ 0.55	$ 0.39	$ 0.51	$ 1.15	$ 0.98
Diluted	**$ 0. 02**	$ 0.54	$ 0.39	$ 0.50	$ 1.13	$ 0.95
Dividends						
Class A	**$ 0.0808**	$ 0.0808	$ 0.0808	$ 0.0808	$ 0.0734	$ 0.0605
Class B	**$ 0.0734**	$ 0.0734	$ 0.0734	$ 0.0734	$ 0.0663	$ 0.0550
Shareholders' equity	**$ 7.24**	$ 6.16	$ 5.60	$ 5.34	$ 5.26	$ 4.12

Note 1: Restated to exclude discontinued operations.

Note 2: EBITDA is a non-GAAP measure and can be calculated by adding back to income from continuing operations, taxes, net interest, depreciation and amortization, and provision for asset impairment. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools. There is no standard definition of EBITDA under GAAP.

Note 3: After a provision of $13.8 million after tax for asset impairment.

QUARTERLY INFORMATION (UNAUDITED)

(In thousands except per share information)		First	Second	Third	Fourth	Total
Revenue	**– 2002**	**$ 151,731**	**$ 159,763**	**$ 154,243**	**$ 233,245**	**$ 698,982**
	– 2001	$ 122,043	$ 155,078	$ 208,791	$ 202,770	$ 688,682
Net income	**– 2002**	**$ 5,789**	**$ 5,459**	**$ 102**	**$ (10,216)**	**$ 1,134**
	– 2001	$ 5,875	$ 6,962	$ 9,931	$ 10,608	$ 33,376
Net income per share (Class A and Class B)						
Basic	**– 2002**	**$ 0.10**	**$ 0.09**	**$ 0.00**	**$ (0.17)**	**$ 0.02**
	– 2001	$ 0.10	$ 0.11	$ 0.16	$ 0.18	$ 0.55
Diluted	**– 2002**	**$ 0.09**	**$ 0.09**	**$ 0.00**	**$ (0.16)**	**$ 0.02**
	– 2001	$ 0.10	$ 0.11	$ 0.16	$ 0.17	$ 0.54

DIRECTORS, CORPORATE OFFICERS AND OPERATIONAL MANAGEMENT

DIRECTORS

W.J. Deyell
Nanoose Bay
Consultant

A.F. Griffiths (2) (3)
Toronto
Independent Consultant and
Corporate Director

G.F. Hyland
Toronto
President and
Chief Executive Officer
ShawCor Ltd.

J.J. Murphy
Dallas
Private Investor

R.J. Ritchie (1)
Calgary
President and
Chief Executive Officer
Canadian Pacific Railway
Company

P.G. Robinson (1)
Woodbridge
President and General Manager
Litens Automotive Group

L.E. Shaw
Barbados
Chairman of the Board
ShawCor Ltd.

V.L. Shaw (3)
Toronto
Vice Chair of the Board
ShawCor Ltd.

W.J.V. Sheridan (2)
Toronto
Partner
Lang Michener

Z.D. Simo (2) (3)
Oakville
Corporate Director

D.C. Vaughn (1)
Houston
Consultant

(1) Audit Committee
(2) Compensation Committee
(3) Nominating & Governance Committee

CORPORATE OFFICERS

L.E. Shaw
Chairman of the Board

V.L. Shaw
Vice Chair of the Board

G.F. Hyland
President and
Chief Executive Officer

W.P. Buckley
Executive Vice President and
Chief Operating Officer

M.D. Reizer
President
Bredero Shaw

B.J. Conroy
Senior Vice President

A.R. Thomas
Vice President, Finance and
Chief Financial Officer

P.H. Langdon
Vice President,
Human Resources
and Assistant Secretary

R.E. Steele
Vice President, Technology

W.J.V. Sheridan
Secretary

OPERATIONAL MANAGEMENT

V.E. Butera
Vice President and
General Manager
DSG–Canusa

R.J. Dunn
Vice President and
General Manager
Canusa–CPS

G.B. Ford
Senior Vice President
Middle East/South East Asia
Bredero Shaw

D.V. Goodridge
Vice President and
General Manager
OMSCO

G.L. Graham
Vice President,
Corporate Development
ShawCor Ltd.

R.M. Hudson
Senior Vice President
Americas
Bredero Shaw

J.T. King
Senior Vice President
Europe/Africa/Asia
Bredero Shaw

L.W.J. Hutchison
Vice President and
General Manager
Shaw Pipeline Services

E.W. Reynolds
Vice President and
General Manager
ShawFlex

K.C. Willson
Vice President and
General Manager
Guardian

PRIMARY OPERATING LOCATIONS

EXPLORATION AND PRODUCTION

OMSCO
6300 Navigation Blvd.
Houston, Texas 77011
Phone: 713-844-3700
Fax: 713-844-3708

Guardian
950 – 78th Avenue
Edmonton, Alberta T6P 1L7
Phone: 780-440-1444
Fax: 780-440-4261

PIPELINE

Bredero Shaw
ShawCor Pipe Protection
Bredero Shaw
2350 N. Sam Houston Pkwy. E.
Suite 500
Houston, Texas 77032-3130
Phone: 281-886-2350
Fax: 281-886-2351

Bredero Shaw
Imperial Dock
Leith, Edinburgh EH6 7DT
Scotland
Phone: 44-131-554-6232
Fax: 44-131-553-9604

Canusa–CPS
25 Bethridge Road
Toronto, Ontario M9W 1M7
Phone: 416-743-7111
Fax: 416-743-5927

Shaw Pipe Protection
Shaw Court
1200 – 630, 3rd Avenue S.W.
Calgary, Alberta T2P 4L4
Phone: 403-263-2255
Fax: 403-264-3649

Bredero Shaw
400 Orchard Road
#12-08-09 Orchard Tower
Singapore 238875
Phone: 65-732-2355
Fax: 65-732-9073

Shaw Pipeline Services
200 – 15411 W. Vantage Pkwy.
Houston, Texas 77032
Phone: 832-601-0850
Fax: 281-442-1593

PETROCHEMICAL AND INDUSTRIAL

ShawFlex
25 Bethridge Road
Toronto, Ontario M9W 1M7
Phone: 416-743-7111
Fax: 416-743-2565

DSG–Canusa
25 Bethridge Road
Toronto, Ontario M9W 1M7
Phone: 416-743-7111
Fax: 416-743-7752

ShawCor
Energy Services • Global Solutions

HEAD OFFICE
25 Bethridge Road
Toronto, Ontario,
Canada M9W 1M7

Telephone: 416-743-7111
Facsimile: 416-743-7199

www.shawcor.com

AUDITORS
Ernst & Young LLP

BANKERS
The Toronto-Dominion Bank

TRANSFER AGENT AND REGISTRAR
Computershare Trust
Company of Canada

STOCK LISTING
The Toronto Stock Exchange

Class “A”
Subordinate Voting Shares
Trading symbol: SCL.A

Class “B”
Multiple Voting Shares
Trading symbol: SCL.B

ANNUAL MEETING
Friday, May 2, 2003
11:00 a.m.
The Fairmont Royal York Hotel
Toronto, Ontario, Canada