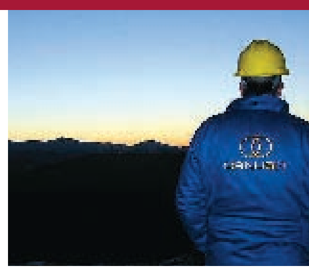







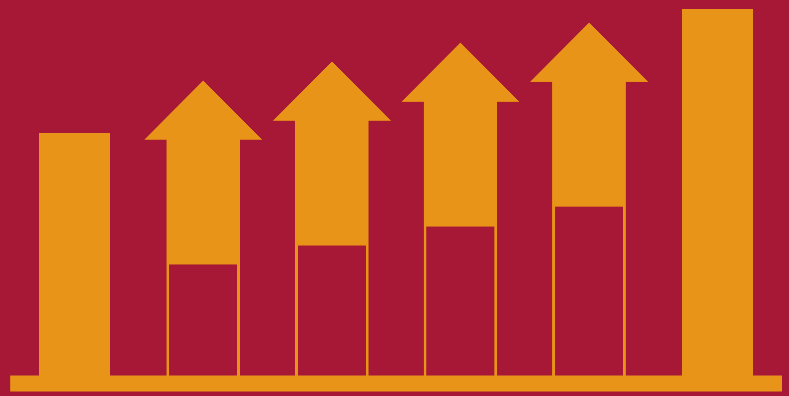
GLOBAL LEADERSHIP

2008 Annual Report

ShawCor Ltd. is a growth-oriented, global energy services company specializing in technology-based products and services for the Pipeline and Pipe Services and the Petrochemical and Industrial markets. The Company operates seven divisions with over seventy manufacturing, sales and service facilities located around the world.

Earnings Drivers

Long term goal >15% Net Income Growth
(Compound annual growth rate)



The Setting

New energy sources from increasingly remote and challenging locations are required to replace depleting conventional reserves of oil and gas.

The Company

ShawCor is the global leader in advanced pipe coating materials and processes.

The Opportunity

Capture a major share of the global investment in new pipeline projects (US$287 billion planned or under construction as of January 2009 – *Oil & Gas Journal*).

The Strategy

Execute a focused plan to drive revenue and margins to new levels.

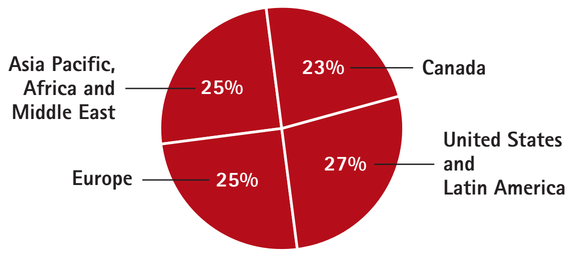
With a strong balance sheet, strategic global locations, a successful track record and a broad range of proprietary products, ShawCor is uniquely positioned to execute major pipeline projects wherever they occur.

FINANCIAL SUMMARY

(in thousands of Canadian dollars except per share amounts)	2008	2007
OPERATING RESULTS		
Revenue	**$ 1,379,577**	$ 1,048,099
EBITDA [note 1]	**$ 265,963**	$ 201,076
Operating income from continuing operations	**$ 201,718**	$ 160,001
Income from continuing operations for the year	**$ 138,717**	$ 117,819
Income (loss) from discontinued operations for the year	**$ 11,011**	$ (30,462)
Net income for the year	**$ 149,728**	$ 87,357
Earnings per share, Class A and Class B		
Basic – From continuing operations	**$ 1.96**	$ 1.62
– From discontinued operations	**$ 0.16**	$ (0.42)
Total	**$ 2.12**	$ 1.20
Diluted – From continuing operations	**$ 1.94**	$ 1.60
– From discontinued operations	**$ 0.15**	$ (0.41)
Total	**$ 2.09**	$ 1.19
CASH FLOW		
Cash provided by continuing operating activities	**$ 176,738**	$ 97,514
Purchases of property, plant and equipment	**$ 89,799**	$ 91,855
FINANCIAL POSITION		
Working capital	**$ 227,312**	$ 255,625
Total assets	**$ 1,228,466**	$ 963,614
Shareholders' equity per share (Class A and Class B) [note 2]	**$ 10.42**	$ 8.12

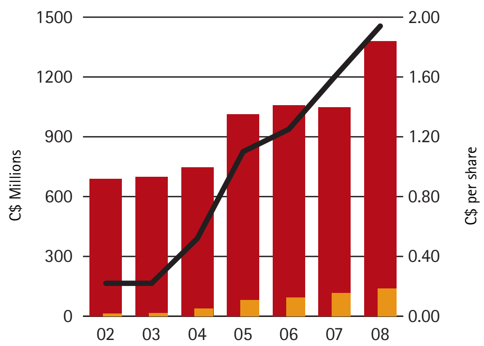
Note 1: EBITDA is a non-GAAP measure calculated by adding back to income from continuing operations, reported income taxes, net interest income (expense) and amortization of property, plant and equipment, excluding the impact of non-controlling interest in non-wholly owned subsidiaries. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures prescribed by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools.

Note 2: Shareholders' equity per share is a non-GAAP measure calculated by dividing shareholders' equity by the number of Class A and Class B shares outstanding at the date of the balance sheet.



A Global Player

(Geographic revenue breakdown)



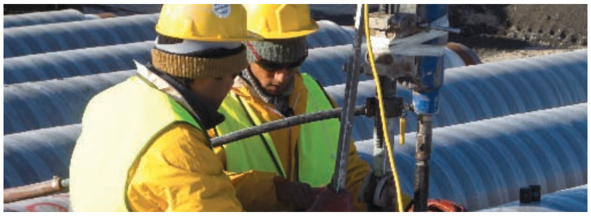
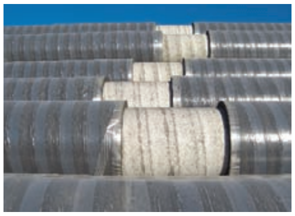
ShawCor Performance Trends

(From continuing operations)

SEVEN SUCCESSFUL BUSINESS UNITS

PIPELINE & PIPE SERVICES

Bredero Shaw
- Coatings
  - Anticorrosion
  - Flow assurance
  - Weight/Protective
  - Internal flow efficiency

Flexpipe Systems
- Flexible Composite Pipe for:
  - Oil and natural gas gathering lines
  - Oilfield water applications


Shaw Pipeline Services
- Weld Inspection
  - Radiographic
  - Ultrasonic


Canusa-CPS
- Field Joint Protection Systems
- Pipeline Coating Products
- Technical Support Services
- Application Engineering & Equipment

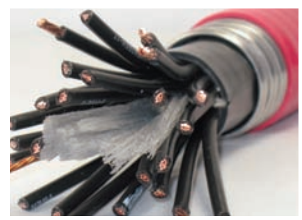

Guardian
- Drill Pipe/Tubular Inspection
- Oilfield Machining Services
  - OCTG and Premium Threading
  - Down Hole Tool Manufacturing & Repair
- Inventory Management Services


ShawCor's business units work closely with customers to define project requirements and participate with industry organizations to implement new standards, product solutions and technologies.

PETROCHEMICAL & INDUSTRIAL

DSG-Canusa
- Heat Shrink Tubing for:
  - Sealing
  - Protection
  - Electrical insulation

ShawFlex
- Control and Instrumentation Wire and Cable



+71.4% **Increase in 2008 net income**

5,800 **Employees worldwide**

>$1.2B **Market capitalization***

*As at December 31, 2008

#1 **Global ranking in pipe coatings and services**

>70 **Manufacturing, sales and service facilities worldwide**

TO OUR SHAREHOLDERS:

SHAWCOR PROVIDES GLOBAL REACH AND DIVERSIFICATION IN AN INDUSTRY WITH SOLID LONG-TERM FUNDAMENTALS.

2008 IN PERSPECTIVE

2008 was an exceptional year as ShawCor established new records for all key relevant financial metrics. In 2008, revenue reached $1.38 billion, an increase of 31.6 percent over the $1.05 billion that was achieved during the prior year. Record income from continuing operations of $138.7 million increased by 17.7 percent over the level of $117.8 million achieved during 2007. Fully diluted earnings per share reached $2.09 including $0.15 from discontinued operations, an increase of 75.6 percent over the $1.19 achieved in the prior year. Cash flow provided by continuing operating activities increased by 81.2 percent from $97.5 million in 2007 to $176.7 million in 2008. Return on equity also reached a record level of 21.5 percent, an increase of 2.0 points above the level of 19.5 percent achieved in 2007.

At the end of June 2008, ShawCor completed the acquisition of Flexpipe Systems Inc. for total consideration of approximately $130.0 million. Calgary based Flexpipe Systems manufactures and sells a proprietary, spoolable, composite line pipe that is used by oil and gas producers in applications which benefit from the product's ease and speed of installation and its pressure and corrosion resistance capabilities.

At the end of the third quarter of 2008, ShawCor's twelve-month order backlog reached a record level of $528.6 million reflecting continuing strength in international large diameter and offshore project activity and the inclusion in the backlog of the recently acquired Flexpipe Systems business. At the end of the year, the twelve-month order backlog had declined due to exceptionally strong shipments during the fourth quarter of 2008 but remained at $455.7 million, comparable with the level at the end of 2007. This backlog is expected to support continued revenue strength through the first half of 2009. While it is unclear to what extent lower oil and gas prices, combined with a softening of activity levels in the Company's non-pipeline related markets, may impact revenue in the second half of 2009 and beyond, bidding activity on major international pipeline projects in the fourth quarter was surprisingly strong and is continuing at a robust level.

In spite of the record performance in 2008, ShawCor's shares were not immune to the upheaval in financial markets during the second half of the year. As a result, the closing price of the Company's Class A shares declined by 47.9 percent to $18.41 on the last

VIRGINIA L. SHAW
Chair of the Board

WILLIAM P. BUCKLEY
President and
Chief Executive Officer

trading day in 2008 versus the corresponding closing price of $35.34 on the last trading day in 2007. In comparison, the Philadelphia Oil Service Index (OSX), which contains many of the leading North American energy service companies, declined by 59.8 percent during the same period.

SHAWCOR – THE GLOBAL LEADER

ShawCor continued to strengthen its international competitive position in 2008. This was achieved through expansion of the Company's strategic global locations, new product development initiatives, a dominant product and service array, strong client relationships built on a history of project execution success, an excellent safety record with recordable incidents at a new low despite worked hours increasing by 16% and the financial strength to ensure that all projects are completed to customer performance and schedule requirements.

On February 5, 2009, ShawCor reached its 40th anniversary as a publicly traded corporation. Today the Company operates more than seventy facilities with over 5,800 permanent and contract employees located in the key energy producing regions around the world. In each of these locations, management's commitment to the use of industry-leading business processes and programs has empowered the Company's employees to achieve improved performance throughout the organization.

ShawCor has been able to achieve sustainable earnings growth and generate record earnings based upon industry-leading innovation, a focused strategy of organic growth, the introduction of highly differentiated new products and services and a selective approach to acquisitions and joint ventures. Utilizing these programs and processes, ShawCor continues to make progress toward the realization of the Company's Corporate Long-Term Goals based upon a commitment to growth, continuous improvement and value creation that is shared by employees at all levels.

The ShawCor Board of Directors is a strong team. To support the Company's growth initiatives, the Board will seek an expanded level of international expertise and achieve a broader global perspective in keeping with ShawCor's worldwide mandate. During the year, the position of Lead Director was established and is currently being filled by John F. Petch. Also, we are pleased to welcome

OPERATING HIGHLIGHTS

- Revenue exceeded $1.3 billion in 2008, a new record for the Company.
- Income from continuing operations of $138.7 million also established a new record in 2008.
- Fully diluted earnings per share reached $2.09 including $0.15 from discontinued operations.
- Cash flow provided by continuing operating activities increased to $176.7 million in 2008.
- Return on equity reached a record level of 21.5 percent, an increase of 2.0 points above the level of 19.5 percent achieved in 2007.

SHAWCOR HAS BEEN ABLE TO ACHIEVE SUSTAINABLE EARNINGS GROWTH AND GENERATE RECORD EARNINGS THROUGH THE USE OF INDUSTRY-LEADING BUSINESS PROCESSES AND PROGRAMS TO ACHIEVE IMPROVED PERFORMANCE THROUGHOUT THE ORGANIZATION.

Heather A. Shaw, the Executive Chair of Corus Entertainment Inc., who joined the Board of Directors in 2008. It is believed that the strong governance and stewardship provided by all members of the Board is reflected in the results achieved by the Company during the year.

DIVISION HIGHLIGHTS

During 2008, each of ShawCor's five businesses in the Pipeline and Pipe Services segment achieved record performance in revenue and operating income. Bredero Shaw's Global Leadership capabilities were clearly demonstrated through the coordinated execution of the Pluto LNG Project at three facilities in Kabil, Indonesia; Kuantan, Malaysia; and at Orkanger in Norway. The division also completed several major capital investments that focused on capacity expansion through new or upgraded facilities in Canada, the United States and in Ras al Khaimah in the UAE.

Shaw Pipeline Services achieved growth in the division's international offshore ultrasonic girth weld inspection activity while radiographic and ultrasonic inspection volumes increased rapidly due to increased land pipeline construction volumes in the United States. The Canusa-CPS division added capacity at its Huntsville facility which enabled the division to meet customer production schedules without outsourcing, increased polypropylene sleeve manufacturing capacity to meet growing customer demand and expanded the capabilities of the field service group to provide installation services to clients on offshore projects. At Guardian, drilling activity declined throughout the Western Canadian basin; however, Guardian was able to achieve revenue growth through market share gains for its tubular inspection and inventory management services the introduction of new machining and pipe refurbishment services and as a result of Guardian's strategic locations close to the growing B.C. and Saskatchewan shale plays.

Each of ShawCor's two businesses in the Petrochemical and Industrial Products segment were impacted by the decline in economic activity in their core markets as the year progressed and were unable to match the level of operating income generated during the prior year. At ShawFlex, orders booked and shipped for major oil sands projects that are currently underway in Western Canada helped offset softness in other markets. For DSG-Canusa, extended plant shutdowns in the automotive sector contributed to lower activity levels in both North America and Europe but a highlight for the year was the decision to establish a

CORPORATE LONG-TERM GOALS

- Maintain 15% Return on Equity
- Achieve 15% Net Income Growth
- Commit to Incident and Injury Free (IIF) Environment within ShawCor
- Challenge Each Division to be #1 or #2 in its Respective Market(s)
- Achieve Flawless Execution Supported by Clear Lines of Accountability and Responsibility
- Increase the Flow of New Product Introductions
- Drive Toward "Lowest Cost Producer" Status Through Successful Use of the ShawCor Manufacturing System (SMS)
- Dedicate Resources to Ensure Adequate Governance and Internal Controls are in Place
- Provide a Workplace and Career Growth Environment That Will Attract and Retain Top Caliber Employees

wholly-owned manufacturing facility in Suzhou, China. This new facility will begin production during the first quarter of 2009 to serve the division's customers in the Far East and provide a low cost source of heat shrinkable tubing products for markets in North America and Europe.

LOOKING FORWARD

Notwithstanding the broader economic situation, ShawCor's strong backlog provides confidence with respect to short-term performance. The current robust level of international bidding activity provides optimism that energy markets, which support the emerging economies including those in the Asia Pacific region, will remain active. There are currently several projects proposed for pipelines to support the production and distribution of LNG for the relatively high growth economies in this region. In addition, national oil companies including Petrobras in Brazil and Pemex in Mexico have also announced increased spending plans as governments appear to be investing in the energy sector to stimulate local economic activity.

In the longer term, ShawCor's strong balance sheet and competitive position ensures that the Company continues to be well positioned to pursue opportunities as they arise – through organic growth in existing markets, the introduction of new products and services and selective acquisitions of companies that offer new technologies or access to regions where the Company is not presently active.

While it is not yet clear when economic activity will begin to recover on a sustained basis, there will be opportunities during these challenging times to broaden ShawCor's business base. The Company is also focused on reducing costs where markets are soft and investing in the more active international markets. The fundamentals of supply, demand and especially depletion will lead to a potential energy shortfall when world economic growth accelerates. This outcome will support a strong recovery in drilling rates and pipeline construction as the industry responds to rebuild supply to meet demand. ShawCor is ready to meet the needs of its customers when this recovery begins.

William P. Buckley
President and
Chief Executive Officer

Virginia L. Shaw
Chair of the Board

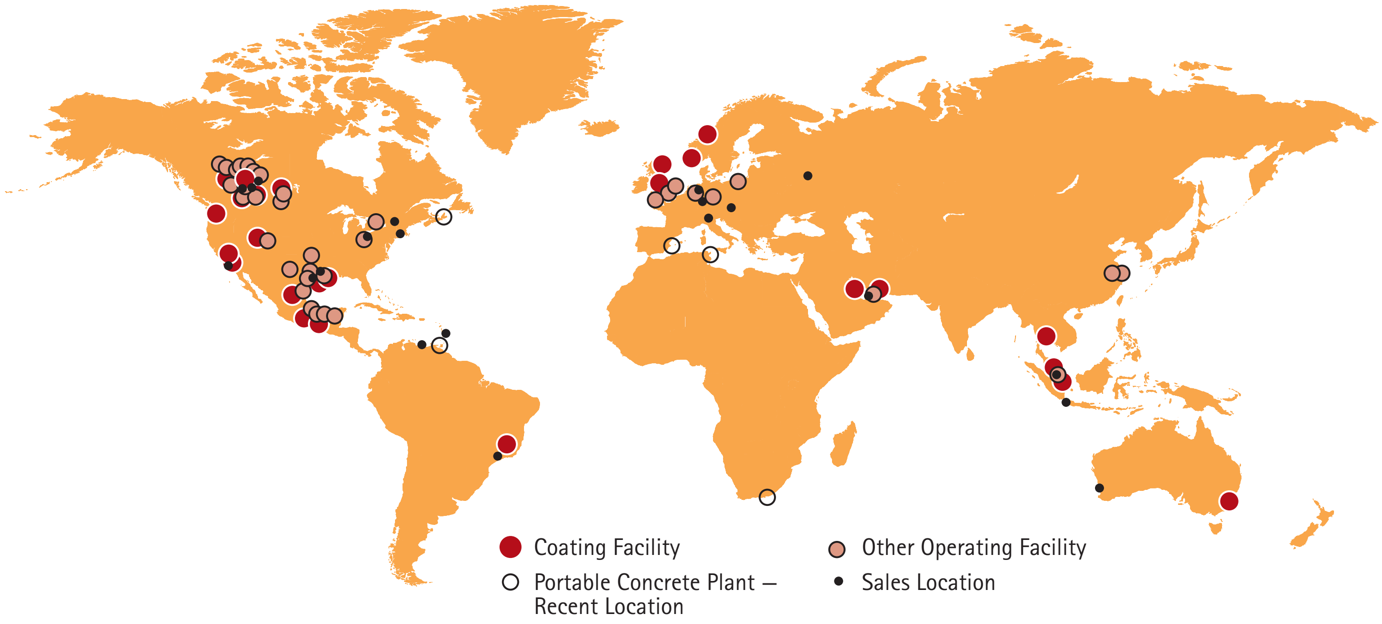
ShawCor leverages the commitment and expertise of its employees to exceed customer expectations while achieving the Company's performance objectives.

GLOBAL BREADTH

SHAWCOR IS CONTINUOUSLY SEARCHING FOR NEW GROWTH AND EXPANSION opportunities in order to better serve its customers around the world. In 2008, Bredero Shaw mobilized Concrete Weight Coating plants based on the Company's proprietary Compression Coat mobile coating technology for projects including the Deep Panuke gas export pipeline in Sheet Harbour, Nova Scotia, projects for the National Gas Company of Trinidad & Tobago in La Brea, Trinidad, the Balearic Project in Spain and the Hasdrubal Project in Tunisia. In recent years, Bredero Shaw has focused on improving the equipment, the process and the related logistics to create the most efficient mobile concrete coating plants in the world. This portable pipe coating technology, deployed at temporary locations near the pipeline route, offers customers expedited project completion and significantly lower costs through transportation cost savings and reduced pipe damage.

DSG-Canusa's new manufacturing facility, which opens early in 2009 at the Suzhou Industrial Park in Jiangsu Province, China, will provide low cost manufacturing capacity to support the division's global market expansion strategy. Heat shrink tubing produced at this low cost operation will serve new and existing customers in the Asia Pacific region and will also improve competitiveness in traditional markets in Europe and North America.

ShawCor's global breadth allows the Company to serve customers from more than 70 strategically located facilities on five continents. This broad coverage and the capability to mobilize temporary, project related facilities anywhere in the world ensures that customer projects are completed in the most cost effective and timely manner possible.



Deep Panuke

One example of the speed with which Bredero Shaw is able to provide concrete coated pipe using Compression Coat technology is the Deep Panuke project offshore Nova Scotia. Beginning on June 23, 2008, Bredero Shaw mobilized a concrete coating plant in Sheet Harbour, Nova Scotia, which began coating 22 inch diameter pipe on July 7, 2008. Operating two shifts, six days per week, the plant was demobilized at the beginning of November after successfully coating 174 km of pipe totaling 14,099 pipe joints.

Logistics Advantage

ShawCor's global footprint includes more than seventy strategically located facilities covering five continents which provide client solutions in both onshore and offshore markets. The Bredero Shaw facilities receive pipe from the pipe mills, identify and store the pipe, coat the pipe with a broad range of materials including anticorrosion, internal, flow assurance, protective and weight coatings and arrange to transport the pipe to the pipeline right-of-way or offshore lay barge in the proper sequence for installation. ShawCor provides the customer with optimum assurance for two major project risk areas: coating performance and project schedule. Included among the logistics advantages that offer real benefits to customers are an efficient, global, material procurement program and the ability to simultaneously process large or technically complex projects in multiple plants to ensure completion on an expedited basis.

LEADING TECHNOLOGIES

SHAWCOR'S NEW PRODUCT DEVELOPMENT SYSTEM IS BASED UPON WORKING closely with the client at the early planning stages of a project to identify ways to improve performance and reduce costs. This cooperation is becoming even more important as the search for oil and gas moves beyond the production of conventional reserves to more challenging frontier environments in the far north and in deep offshore basins. The development and commercialization of new products and processes at ShawCor have often been achieved in close cooperation with customers who faced previously unforeseen challenges while developing reserves in these difficult environments. Many of the new products and processes introduced by ShawCor offer unique performance characteristics that increase the integrity and performance of the pipeline and ensure its long-term operation while also providing differentiation from the commodity products offered by competitors.

ShawCor's R&D program focuses on six key technology platforms that are described below. ShawCor will continue to invest in materials research, product development and process engineering to continually enhance customer value while ensuring that the Company is able to maintain a global leadership position in each of the markets it serves.

COATING APPLICATION
Calgary, Canada:
8 Researchers

CENTRAL LABORATORIES
Toronto, Canada:
32 Researchers

FLOW ASSURANCE
Orkanger, Norway:
4 Researchers

Polymer Compounding

Developing polymer formulations that often involve molecular grafting or crosslinking technologies to achieve desired performance characteristics in challenging applications.

Adhesive Technology

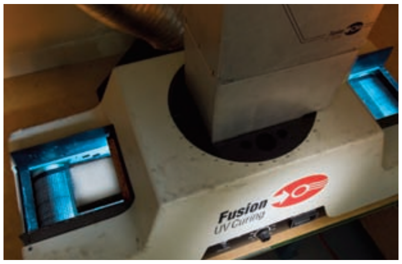
Developing proprietary adhesives that provide exceptional adhesion to a variety of substrates, ease of installation and reliable, long-term performance.

Flow Assurance/ Thermal Design

Utilizing computer modelling to determine the thermal properties of complex insulation systems to provide optimum flow efficiency on oil and gas pipelines.

Flexpipe

Flexpipe Systems, a leading manufacturer of spoolable, composite line pipe, was acquired by ShawCor on June 27, 2008. Flexpipe composite pipe is a proprietary product that is used by oil and gas producers in applications that significantly reduce well completion costs and shorten the time to bring new production on-line.

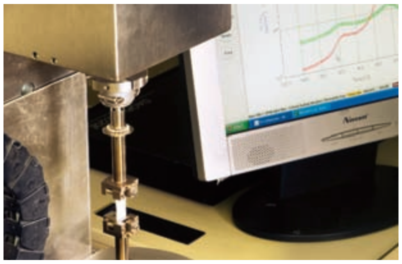


Crosslink Formulation

Using a variety of chemical processes and irradiation to produce crosslinked polymer systems with increased temperature performance and enhanced physical properties.

Specialized Concrete Systems

Using concrete chemistry in combination with unique additives to develop specialized concrete coatings with higher density, increased strength and faster processing speeds.



Anticorrosion Science

Developing high performance coating systems based upon an understanding of corrosion mechanisms that provide innovative approaches to corrosion prevention.

LONG-TERM FUNDAMENTALS

SHAWCOR'S RECORD PERFORMANCE IN 2008 WAS ACHIEVED DURING A YEAR that was marked by a decline in economic activity to recessionary levels, particularly during the second half of the year. The current low prices for oil and gas are having an impact on drilling activity with many producers announcing significant reductions in drilling budgets for 2009. The decline in drilling and deferral of capital programs in the oil sands and other frontier resource areas are also leading to the deferral of investment in a number of North American pipeline projects that had been planned for the 2009-2011 time frame. However, in other markets such as Asia Pacific, several major projects will continue on schedule where there are firm commitments in place for the shipment of oil and gas that require this additional pipeline infrastructure.

Looking toward the future, the long-term fundamentals in the energy industry, including supply, demand and depletion, remain strong. The current excess supply of oil and gas will be eliminated through supply destruction and reserve depletion. An increase in demand growth will occur as economic activity begins to recover. This recovery will require production from new reserves that are typically being found in more challenging locations which will require new technologies to produce and transport to market. This production growth will support increased investment in pipeline infrastructure that will require higher value coatings for these demanding applications.

The current excess supply of oil and gas will be eliminated through reserve depletion and an increase in demand growth as economic activity begins to recover. This recovery will require production from new reserves in more challenging locations and will support increased investment in pipeline infrastructure.

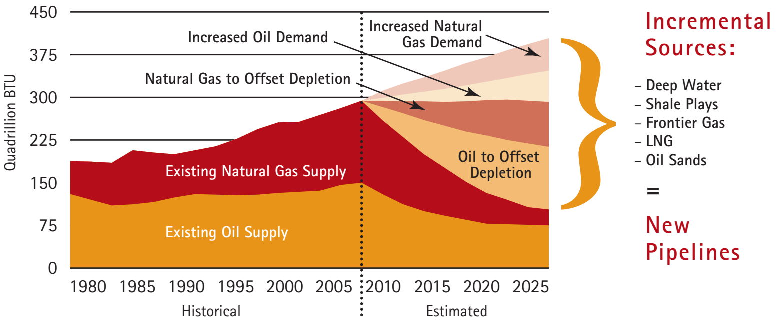
The Market Opportunity

KEY DRIVERS

Demand	Growth in energy demand (1.4% per annum)
	+
Depletion	Rising depletion (6.7% per annum)
	+
Technology	New reserves in more "challenging" locations

Demand growth and depletion will drive pipeline investment

GLOBAL DEMAND



Incremental sources require new pipelines

Pluto

Woodside, Australia's largest exploration and production company, sourced products and services from three ShawCor divisions for the Pluto LNG Project totaling more than US$85 million. Purchases included proprietary Thermotite® high density polypropylene insulation and anticorrosion, flow assurance, concrete weight and internal flow efficiency coatings from Bredero Shaw; ultrasonic and radiographic girth weld inspection from Shaw Pipeline Services; and heat shrink sleeves from Canusa-CPS.

Meeting Global Demand

In spite of the current decline in global economic activity, oil and gas demand growth in emerging economies is expected to continue for the foreseeable future and will recover in the developed economies as growth resumes. World-wide production decline rates for oilfields of 6.7% are expected to increase to 8.6% by 2030 and natural gas decline rates are likely to be even higher. An eventual global recovery in demand growth coupled with rising depletion will support the need to develop new reserves in more challenging environments including deep water, frontier gas and shale plays that will impose greater requirements on pipeline coatings. Many of these reserves will require new pipeline infrastructure as they will be developed in areas where previous production has not occurred. With more than seventy facilities on five continents, ShawCor has the necessary capacity in the right locations to serve client requirements on the large pipeline projects needed to deliver the new reserves of oil and gas to market.

With a strong balance sheet, strategic global locations, successful track record, broad range of proprietary products, history of game-changing innovations in anticorrosion, flow assurance, insulation and weight coatings for both onshore and offshore pipelines and a continuing focus on developing unique product and process solutions to meet future customer requirements, ShawCor is uniquely positioned to execute major pipeline projects wherever they occur.

CORPORATE SOCIAL RESPONSIBILITY

WITH OVER 5,800 EMPLOYEES AND OVER 70 FACILITIES AROUND THE WORLD, ShawCor takes Corporate Social Responsibility seriously. The Company is committed to a comprehensive program involving training, communication and accountability that seeks to improve workplace Health and Safety and Environmental Performance.

ShawCor values the health and safety of all employees, contractors and the public at large. Through the Company's Incident and Injury Free (IIF) program, there is a continual focus on eliminating incidents and injuries at all plants and other operating facilities. Through this program, ShawCor reviews leading indicators and other performance metrics and compares Company and business unit performance to both internal benchmarks and to external industry averages. In 2008, despite a 16% year over year increase to 21.7 million person-hours worked, the recordable incident rate was reduced by nearly 10% to 7.3 incidents per million person-hours worked.

ShawCor demonstrates Corporate Social Responsibility by striving to minimize any impacts on the environment from the Company's operations. ShawCor has taken steps to decrease the Company's global greenhouse gas emissions through improved operating practices. Another top priority is waste generation, which continues to be reduced by improving internal processes, changing product formulations and finding beneficial ways to reuse by-products.

ShawCor is focused on achieving its growth objectives on behalf of all stakeholders including investors, customers, suppliers and the Company's employees through empowerment, safety and increased job satisfaction. These goals are achieved in the many communities in which ShawCor operates through local hiring, training and environmental stewardship.








Training Programs

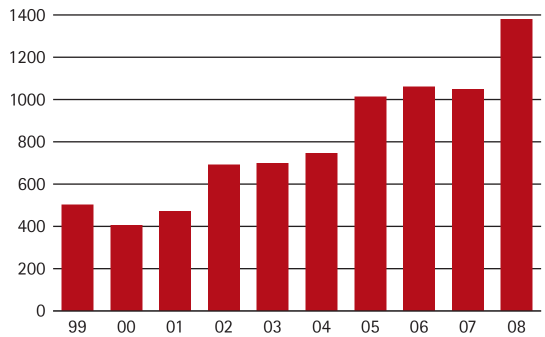
Comprehensive training and development is provided to all employees in the class-room and on the shop floor in order to achieve Health, Safety and Environment (HSE) performance objectives. Division management, HSE managers and staff ensure that each group and individual receives appropriate training and learning opportunities to allow them to undertake their work without detriment to their health, safety or the environment.

A Truly Multinational Company

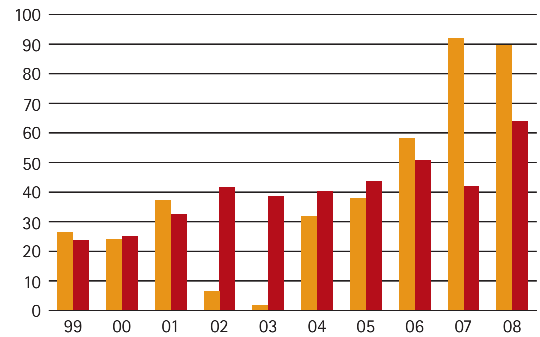
ShawCor is a global equal opportunity employer. The Company operates seven divisions with more than seventy manu-facturing, sales and service facilities employing over 5,800 people around the world. ShawCor's international opera-tions employ local personnel at all levels, many of whom have been prepared to take on increasing levels of responsibility as they progress through the organization. ShawCor trains its employees and runs its operations while respecting and being sensitive to local cultural values. Most of ShawCor's international facilities are managed by local and regional personnel who are committed to the pursuit of the Company's long-term goals. The high level of cultural and ethnic diversity among ShawCor management and operating personnel provides significant additional richness and strength to the Company's pursuit of Global Leadership in its sector of the energy industry.

FINANCIAL OVERVIEW

ShawCor has the strongest balance sheet in the industry. No other company has the financial strength necessary to support multiple large projects in several regions of the world at the same time.

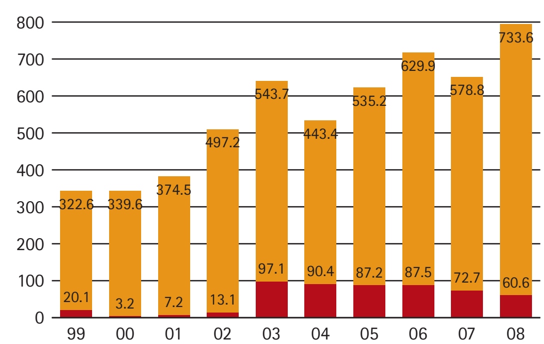


Revenue
($ millions)



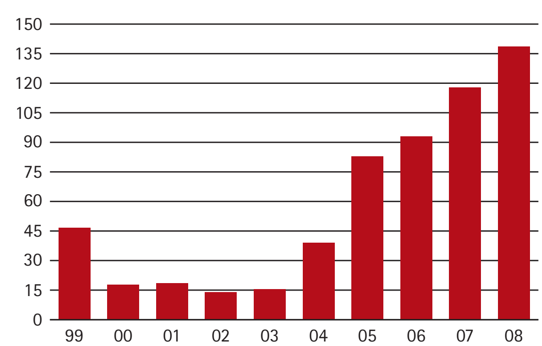
Capital Expenditures and Amortization
($ millions)

Capital Expenditures   Amortization



Capitalization
($ millions)

Shareholders' Equity   Long-Term Debt



Income from Continuing Operations
($ millions)

ShawCor Ltd. is a growth-oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry.

The Company operates through seven divisions producing specialized products and providing value-added services through a network of over seventy manufacturing and service facilities located around the world.

The Pipeline and Pipe Services segment is the largest segment of the Company and accounted for 89.9% of consolidated revenue in 2008. This segment includes the Bredero Shaw, Canusa-CPS, Shaw Pipeline Services, Flexpipe Systems and Guardian divisions. Bredero Shaw's product offerings include specialized internal and external corrosion protection systems, custom coating and field joint applications, insulation coating systems and weight coating systems for onshore and offshore pipelines. Canusa-CPS is a leading global developer, manufacturer and marketer of heat shrinkable sleeves, adhesives, sealants and liquid coatings for onshore and offshore pipelines. Shaw Pipeline Services provides ultrasonic and radiographic pipeline girth weld inspection services to pipeline construction contractors, owners and operators worldwide for both onshore and offshore pipeline applications. Flexpipe Systems, which was acquired by the Company on June 27, 2008, manufactures and sells spoolable composite pipeline systems used for oil and gas gathering systems, water disposal, CO_2 injection pipelines and other applications requiring corrosion resistant, high pressure pipelines. Guardian provides a complete range of tubular management services including mobile and in-plant inspection and the refurbishment and rethreading of drill pipe, production tubing and casing.

The Petrochemical and Industrial segment, which accounted for 10.1% of consolidated revenue in 2008, includes the DSG-Canusa and ShawFlex divisions. DSG-Canusa is a global manufacturer of heat shrinkable products including thin-, medium- and heavy-walled tubing, sleeves and moulded products as well as heat shrink accessories and equipment. ShawFlex is a manufacturer of control and instrumentation wire and cable for thermocouple, power, marine and robotics applications. Operations within this segment utilize polymer and adhesive technology that was developed for the Pipeline and Pipe Services segment and is now being applied to applications in other markets.

The primary driver of demand for the Company's products and services is the level of energy industry investment in pipeline infrastructure for hydrocarbon development and transportation around the globe. This investment, in turn, is driven by global levels of economic activity and the resulting growth in hydrocarbon demand, the impact of resource depletion on the supply of hydrocarbons and the financial position of the major energy companies. The relationship between global hydrocarbon demand and supply and the level of energy industry investment in infrastructure tends to be highly cyclical.

ShawCor has identified several factors as being critical to the long-term success of the Company. These include: the ability, through close involvement with customers, to quickly identify and respond to market opportunities; the development of proprietary and differentiated products and services to meet the evolving needs of customers; the capability to execute projects as planned; a systematic approach to continuous improvement; the maintenance of a conservative capital structure and the recruitment, development and retention of high-caliber personnel. The Company has developed a comprehensive strategy to manage each of these critical success factors.

2008 FINANCIAL RESULTS

REVENUE

Consolidated Results

Years ended December 31 (in thousands of Canadian dollars)	2008	2007
Pipeline and Pipe Services segment	**$ 1,239,893**	$ 903,427
Petrochemical and Industrial segment	**141,969**	143,665
Intersegment eliminations	**(2,285)**	1,007
Consolidated	**$ 1,379,577**	$ 1,048,099

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

Pipeline and Pipe Services Segment

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

At Bredero Shaw, revenue increased 30.5% over the level achieved in 2007 with growth achieved in all regions of the division. In North America, revenue increased 7.4% over the prior year, due mainly to the Deep Panuke pipe coating project in Eastern Canada, which contributed revenue of US$33.2 million, together with increased activity at the division's joint venture in Brazil, including the impact of the BC-10 project performed during the year. Partially offsetting these projects was the impact of lower pipe coating activity in the United States and in Western Canada where revenue decreased from the high levels experienced in 2007. Revenue in the Europe, Africa, Russia region increased 44.8% over the prior year due mainly to the Badaratskaya Bay project, performed at the pipe coating plant in Leith, Scotland, which contributed revenue of US$19.5 million in the year, as well as increased demand for the insulation coating products of the division's Thermotite operation in Orkanger, Norway. In the Middle East region, revenue increased 87.5% over the level in the prior year as the division's plant in Ras Al Khaimah operated throughout the year after being shut down in 2007 for a capacity expansion and upgrade program. In the Asia Pacific region, revenue increased 45.5% with buoyant demand in the region resulting in increased business activity at the division's three pipe coating plants in Kuantan, Malaysia; Kabil, Indonesia and Kembla Grange, Australia.

Revenue at the segment's other businesses also increased from the prior year. ShawCor's acquisition of Flexpipe on June 27, 2008 contributed revenue of $58.1 million in the second half of 2008. Shaw Pipeline Services achieved revenue growth of 55.8% due to growth in U.S. onshore pipeline construction while Canusa-CPS produced a revenue increase of 17.6% with stronger pipeline construction activity in the United States, Latin America, Europe and the Middle East. Revenue also increased 19.1% over the prior year at Guardian with Guardian overcoming weaker drilling activity in Western Canada with higher market share for its integrated drill pipe inspection and rethreading services.

Petrochemical and Industrial Segment

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

OPERATING INCOME FROM CONTINUING OPERATIONS

Consolidated Results

Years ended December 31 (in thousands of Canadian dollars)	**2008**	2007
Revenue from continuing operations	**$ 1,379,577**	$ 1,048,099
Operating income from continuing operations	**$ 201,718**	$ 160,001
Operating margin	**14.6%**	15.3%

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

Pipeline and Pipe Services Segment

Years ended December 31 (in thousands of Canadian dollars)	**2008**	2007
Revenue from continuing operations	**$ 1,239,893**	$ 903,427
Operating income from continuing operations	**$ 200,681**	$ 153,932
Operating margin	**16.2%**	17.0%

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

Petrochemical and Industrial Segment

Years ended December 31 (in thousands of Canadian dollars)	2008	2007
Revenue from continuing operations	**$ 141,969**	$ 143,665
Operating income from continuing operations	**$ 19,088**	$ 22,822
Operating margin	**13.4%**	15.9%

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

Financial and Corporate

Financial and corporate costs include corporate expenses not allocated to the operating segments and other non-operating items including foreign exchange gains and losses on foreign currency denominated cash and working capital balances. In 2008, unallocated corporate expenses totaled $26.2 million compared to $17.2 million in the prior year, with the increase reflecting a $2.8 million write-down of the Company's investment in Garneau Inc. together with $3.4 million of increased Corporate personnel costs to support increasing business levels, an increase in management incentive compensation of $1.0 million, and expenses incurred in mergers and acquisitions activity of $1.5 million. Foreign exchange gains in the year totaled $8.2 million compared to $475 thousand in 2007 and mainly resulted from the impact of the significant decline in the Canadian dollar in the fourth quarter on the translation of foreign cash and working capital balances.

NON-OPERATING INCOME AND EXPENSES

Consolidated net interest expense in 2008 totaled $5.7 million compared to income of $4.4 million in 2007 and reflected the impact of lower cash balances and higher levels of bank indebtedness in the year as a result of the Flexpipe acquisition on June 27, 2008.

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

Non-controlling interest in the net losses of non-wholly owned subsidiaries totaled $248 thousand in 2008, compared to $642 thousand in 2007, with the change mainly resulting from the acquisition of the minority interest in the Company's Indonesian subsidiary during the year.

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

DISCONTINUED OPERATIONS

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

NET INCOME AND EARNINGS PER SHARE

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

CASH FLOWS

Cash flow generated from continuing operating activities in 2008 totaled $176.7 million compared to $97.5 million in 2007, with the improvement in cash generation mainly due to the increased income from continuing operations which included significantly higher non-cash amortization expense.

Cash flow used in continuing investing activities totaled $231.3 million in 2008 compared to $99.4 million in the prior year, and included acquisition expenditures of $125.7 million to acquire Flexpipe and the minority share of the Company's Indonesian subsidiary, purchases of property, plant and equipment of $89.8 million and investments in deferred project costs of $21.5 million to support increased pipe coating activity, partially offset by proceeds on the sales of the Company's Nigerian subsidiaries of $5.7 million and proceeds on the disposal of property, plant and equipment of $46 thousand. Major capital expenditures in the year included $24.8 million at Bredero Shaw for new facilities in Camrose, Alberta and to increase capacity in Regina, Saskatchewan, $8.5 million to increase production capacity at newly acquired Flexpipe, $5.9 million of project-related capital expenditures at Bredero Shaw's Europe, Africa, Russia region and $13.1 million to complete the upgrade of the pipe coating facility in Ras Al Khaimah, U.A.E. and to add capacity at the Arabian Pipecoating Company Limited joint venture in Saudi Arabia.

Cash flow used in continuing financing activities in 2008 totaled $31.5 million and was comprised of dividends paid to shareholders of $17.6 million, and $26.0 million paid to repurchase 1,007,200 Class A Subordinate Voting Shares ("Class A shares") under the Company's NCIB, partially offset by a $10.3 million increase in bank indebtedness and $1.8 million received on the exercise of stock options. In 2007, cash flow used in continuing financing activities totaled $107.7 million and included $92.0 million paid to repurchase 2,999,900 Class A shares under the NCIB, dividends paid to shareholders of $16.5 million and $4.3 million paid to reduce bank indebtedness, partially offset by $5.0 million received on the exercise of stock options.

Cash flow used in discontinued operations totaled $35.8 million and mainly related to the payment of the settlement reached with the plaintiff in a lawsuit involving the closed Mobile, Alabama pipe coating plant. In 2007, cash flow used in discontinued operations totaled $3.1 million and reflected payments for the early termination of leases related to that site.

Cash and cash equivalents decreased $96.1 million during 2008 to $78.9 million at the end of the year. In 2007, cash and cash equivalents decreased $134.3 million during the year to $175.0 million.

DIVIDENDS

Dividends per share paid in 2008 were $0.2525 for Class A shares (2007 – $0.23) and $0.22925 for Class B Multiple Voting Shares ("Class B shares") (2007 – $0.209). 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 quarterly dividend payments based on a consideration of net income over a period of years, the Company's overall financial position and the Company's growth opportunities.

LIQUIDITY AND CAPITALIZATION

At December 31, 2008, the Company recorded a working capital ratio of 1.65 to 1 compared to 1.98 to 1 at December 31, 2007. Operating working capital, excluding cash and cash equivalents, bank indebtedness, the current portion of long-term debt and working capital related to discontinued operations, of $182.7 million increased $67.0 million during the year, reflecting higher inventory and accounts receivable balances in support of higher business levels. The current level of working capital investment is expected to be sufficient to support the level of business activity projected in 2009; however, unexpected increases in business activity or specific pipe coating project requirements may result in higher working capital requirements. Any such increase in requirements will be financed from the Company's cash balances and available committed credit facilities.

Property, plant and equipment, net of accumulated amortization, of $307.7 million increased $65.0 million over the prior year reflecting capital expenditures during the year of $89.8 million, $18.6 million of property, plant and equipment added on the acquisition of Flexpipe and the impact of the weaker Canadian dollar on the translation of property, plant and equipment of foreign operations of $21.5 million, partially offset by amortization in the year of $64.0 million.

Goodwill increased $70.1 million during the year to $229.5 million reflecting goodwill of $50.2 million recorded on the acquisition of Flexpipe and the impact of the weaker Canadian dollar on the translation of U.S. dollar and Euro denominated goodwill related to Bredero Shaw and the European operations of DSG-Canusa, respectively, of $19.9 million.

Shareholders' equity increased $154.8 million during the year to $733.6 million at December 31, 2008. The stated value of capital stock decreased $1.2 million, reflecting the $3.5 million impact of the repurchase of 1,007,200 Class A shares during the year under the NCIB, partially offset by the $2.3 million impact of the issuance of 113,234 Class A shares on the exercise of stock options. Contributed surplus increased $2.8 million as a result of $3.4 million recorded for stock-based compensation less the impact of stock options exercised in the year.

Retained earnings increased $112.7 million in the year to $602.5 million at December 31 reflecting net income for the year of $149.7 million and a $3.1 million transitional adjustment recorded on the implementation of new accounting standards, partially offset by cash dividends paid in the year of $17.6 million, and the excess of the purchase price paid over the stated value of shares purchased under the NCIB, in the amount of $22.5 million.

Accumulated other comprehensive loss was reduced by $40.5 million in 2008 to $85.5 million as a result of the impact of the weakening of the Canadian dollar on the translation of the net assets of the Company's U.S. dollar functional currency, self-sustaining subsidiaries and by the impact of a decrease in the fair market value of the Company's investment in Garneau Inc. This was partially offset by the impact of the translation of the Company's U.S. dollar-denominated Senior Notes, which are designated as a hedge of a portion of the Company's investment in the U.S. dollar net assets of Bredero Shaw and by the expiration of forward exchange contracts that were designated as cash flow hedges.

The Company operates in the global energy industry and, as a result, the operations of the Company tend to be cyclical. In addition, the Company can undertake major pipe coating projects anywhere in the world as part of its normal operations. These factors, as well as the Company's growth initiatives, can result in variations in the amount of investment in property, plant and equipment, working capital, deferred project costs and project guarantees required to support the Company's business. The Company's policy is to manage its financial resources, including debt facilities, so as to maintain sufficient financial capacity to fund these investment requirements. The current financial position of the Company is very strong and the Company does not foresee any difficulties in maintaining a sufficient level of financial capacity.

At December 31, 2008, the Company had total operating credit lines of $293.5 million (2007 – $172.0 million), of which $81.5 million were utilized for various standby letters of credit for performance, bid and surety bonds (2007 – $107.1 million) and bank indebtedness of $14.0 million (2007 – nil), to yield unutilized credit facilities of $198.0 million (2007 – $64.7 million) excluding the banking facilities of its 30%-owned joint venture, Arabian Pipecoating Company Ltd.

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The following table summarizes these future payments required in respect of the Company's contractual obligations:

(in thousands of Canadian dollars)	2009	2010	2011	2012	2013	After 2013	Total
Operating leases	$ 18,822	$ 10,141	$ 9,261	$ 8,305	$ 6,793	$ 21,572	$ 74,894
Capital leases	516	306	220	165	–	–	1,207
Purchase commitments	50,042	762	563	321	321	161	52,170
Asset retirement obligations	15,926	315	194	1,035	23	6,499	23,992
Total contractual obligations	$ 85,306	$ 11,524	$ 10,238	$ 9,826	$ 7,137	$ 28,232	$ 152,263

The Company expects to have sufficient financial capacity to meet all contractual obligations as and when they become due.

SELECTED ANNUAL INFORMATION

The following is selected annual financial information for the three most recently completed years:

(in thousands of Canadian dollars except per share and outstanding share amounts)	**2008**	2007	2006
Revenue	**$ 1,379,577**	$ 1,048,099	$ 1,059,619
Operating income from continuing operations	**201,718**	160,001	138,780
Income from continuing operations	**138,717**	117,819	92,924
Income (loss) from discontinued operations	**11,011**	(30,462)	(289)
Net income (loss)	**149,728**	87,357	92,635
Operating income from continuing operations per share (Classes A and B)			
Basic	**2.84**	2.21	1.87
Diluted	**2.82**	2.18	1.87
Income from continuing operations per share (Classes A and B)			
Basic	**1.96**	1.62	1.25
Diluted	**1.94**	1.60	1.25
Income (loss) from discontinued operations per share (Classes A and B)			
Basic	**0.16**	(0.42)	0.00
Diluted	**0.15**	(0.41)	0.00
Net income (loss) per share (Classes A and B)			
Basic	**2.12**	1.20	1.25
Diluted	**2.09**	1.19	1.25
Total assets	**1,228,466**	963,614	1,008,026
Total long-term financial liabilities	**60,554**	72,726	87,480
Cash dividends per share			
Class A	**0.2525**	0.23	0.135
Class B	**0.22925**	0.209	0.1227
Number of outstanding shares			
Class A	**57,358,537**	58,234,570	60,914,175
Class B	**13,060,209**	13,078,142	13,078,142
Total	**70,418,746**	71,312,712	73,992,317

The following are key factors that affect the comparability of the annual information disclosed above:

Over 70% of the Company's revenue is transacted in currencies other than Canadian dollars, with a majority transacted in U.S. dollars. Changes in the rates of exchange between the Canadian dollar and other currencies can have a significant effect on the amounts of these revenues when they are translated into Canadian dollars. In 2007, the Canadian dollar was stronger during the year against the U.S. dollar by approximately 6% compared with 2006. In 2008, the Canadian dollar was stronger during the year against the U.S. dollar by approximately 1% compared with 2007. In 2008, each 1% change in the U.S. dollar, versus the Canadian dollar, impacted revenue by approximately $7 million and net income by approximately $2 million ($0.03 per share, diluted).

On November 3, 2004, the Company announced the closure of its Mobile, Alabama facility. Operations at the facility ceased in the fourth quarter of 2005 and discontinued operations accounting treatment was adopted in that quarter with the prior years restated on a comparable basis.

On November 1, 2007, the Company received an adverse verdict in a legal action concerning the Company's closed Mobile, Alabama facility. As a result of the verdict, the Company recorded a charge to discontinued operations of US$30.3 million, net of related income tax recoveries, in the fourth quarter of 2007.

On July 17, 2008, the Company announced a settlement in the aforementioned lawsuit for US$43.5 million, to be shared between the Company and Halliburton Energy Services Inc. The Company's share of the settlement amount was considerably lower than the provision that had been recorded in 2007 and as a result, in the second quarter of 2008, the Company reduced its provision to the settlement amount and recorded income from discontinued operations in the amount, net of income taxes, of $10.6 million.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information for the eight most recently completed quarters:

(in thousands of Canadian dollars except per share amounts)	First	Second	Third	Fourth	Full Year
Revenue					
2008	**$ 293,357**	**$ 295,118**	**$ 357,249**	**$ 433,853**	**$ 1,379,577**
2007	221,329	276,440	264,892	285,438	1,048,099
Operating income from continuing operations					
2008	**41,219**	**33,449**	**50,486**	**76,564**	**201,718**
2007	27,972	47,036	45,500	39,493	160,001
Income from continuing operations					
2008	**27,131**	**22,207**	**32,682**	**56,697**	**138,717**
2007	23,308	30,267	30,191	34,053	117,819
Income (loss) from discontinued operations					
2008	**(69)**	**10,553**	**(82)**	**609**	**11,011**
2007	(55)	(48)	(59)	(30,300)	(30,462)
Net income (loss)					
2008	**27,062**	**32,760**	**32,600**	**57,306**	**149,728**
2007	23,253	30,219	30,132	3,753	87,357
Operating income from continuing operations per share (Classes A and B)					
Basic					
2008	**0.58**	**0.47**	**0.71**	**1.08**	**2.84**
2007	0.38	0.64	0.63	0.55	2.21
Diluted					
2008	**0.57**	**0.47**	**0.71**	**1.07**	**2.82**
2007	0.37	0.63	0.63	0.54	2.18
Income from continuing operations per share (Classes A and B)					
Basic					
2008	**0.38**	**0.31**	**0.46**	**0.80**	**1.96**
2007	0.31	0.41	0.42	0.48	1.62
Diluted					
2008	**0.38**	**0.31**	**0.46**	**0.80**	**1.94**
2007	0.31	0.41	0.42	0.47	1.60
Income (loss) from discontinued operations per share (Classes A and B)					
Basic					
2008	**0.00**	**0.15**	**0.00**	**0.01**	**0.16**
2007	0.00	0.00	0.00	(0.42)	(0.42)

(in thousands of Canadian dollars except per share amounts)	First	Second	Third	Fourth	Full Year
Diluted					
2008	**0.00**	**0.15**	**0.00**	**0.01**	**0.15**
2007	0.00	0.00	0.00	(0.42)	(0.41)
Net income (loss) per share (Classes A and B)					
Basic					
2008	**0.38**	**0.46**	**0.46**	**0.81**	**2.12**
2007	0.31	0.41	0.42	0.06	1.20
Diluted					
2008	**0.38**	**0.46**	**0.46**	**0.81**	**2.09**
2007	0.31	0.41	0.42	0.05	1.19

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

The Company's operations in the Pipeline and Pipe Services segment, representing 89.9% of the Company's consolidated revenue in 2008, are largely project-based. The nature and timing of projects can result in variability in the Company's quarterly revenue and profitability. In addition, certain of the Company's operations are subject to a degree of seasonality, particularly in the Pipeline and Pipe Services market segment. The following are additional key factors impacting the comparability of the quarterly information disclosed above:

Approximately 73% of the Company's revenue in 2008 is transacted in currencies other than Canadian dollars, with a majority transacted in U.S. dollars. Changes in the rates of exchange between the Canadian dollar and other currencies could have a significant effect on the amounts of these revenues when they are translated into Canadian dollars.

FOURTH QUARTER RESULTS

REVENUE

Consolidated Results

(in thousands of Canadian dollars)	Three months ended Dec. 31 2008	Sept. 30 2008	Dec. 31 2007
Pipeline and Pipe Services Segment	**$ 401,768**	$ 323,346	$ 254,316
Petrochemical and Industrial Segment	**33,001**	34,247	28,450
Intersegment eliminations	**(916)**	(344)	2,672
Consolidated	**$ 433,853**	$ 357,249	$ 285,438

Current Quarter versus Fourth Quarter 2007

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

Current Quarter versus Third Quarter 2008

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

Pipeline and Pipe Services Segment

Current Quarter versus Fourth Quarter 2007

Revenue in the quarter for the Pipeline and Pipe Services segment totaled $401.8 million, 158.0% of the level achieved in the fourth quarter of last year, reflecting higher revenue at all divisions in the segment together with the impact of Flexpipe which was acquired at the end of the second quarter of 2008. At Bredero Shaw, revenue increased 53.6% over the level achieved in the fourth quarter of 2007 with increases achieved in all regions of the division. In North America, revenue increased 2.8% over the fourth quarter of last year while in the Europe, Africa, Russia region, revenue increased 155.1%, mainly as a result of the Gjoa pipe coating project at the division's plant in Leith, Scotland, and the Vega project in Orkanger, Norway, which together contributed revenue of US$43 million in the quarter. In the Middle East region, revenue increased 138.1% from the level in the corresponding quarter of last year reflecting full operation of the division's plant in Ras Al Khaimah, which was shut down in the fourth quarter of 2007 for upgrading and capacity expansion. In the Asia Pacific region, revenue in the fourth quarter increased 113.3% over the same quarter of 2007 reflecting increased pipe coating activity in the region, including the Pluto project performed at the division's pipe coating plants in Kuantan, Malaysia and Kabil, Indonesia. This project contributed US$37 million of revenue in the quarter.

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

Current Quarter versus Third Quarter 2008

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

Petrochemical and Industrial Segment

Current Quarter versus Fourth Quarter 2007

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

Current Quarter versus Third Quarter 2008

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

OPERATING INCOME FROM CONTINUING OPERATIONS

Consolidated Results

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

Current Quarter versus Fourth Quarter 2007

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

Current Quarter versus Third Quarter 2008

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

Pipeline and Pipe Services Segment

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

Current Quarter versus Fourth Quarter 2007

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

Current Quarter versus Third Quarter 2008

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

Petrochemical and Industrial Segment

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

Current Quarter versus Fourth Quarter 2007

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

Current Quarter versus Third Quarter 2008

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

Financial and Corporate

Current Quarter versus Fourth Quarter 2007

Financial and corporate costs in the quarter consisted of unallocated corporate expenses of $2.6 million, net of foreign exchange gains of $5.9 million on the translation of foreign currency denominated cash and working capital balances, compared to $3.9 million, including foreign exchange gains of $47 thousand, in the fourth quarter of last year. The increase in corporate expenses reflected higher management compensation expenses in line with the Company's improved consolidated financial results, the impact of staff additions to support the Company's growth, and a $1.3 million write-down in the quarter of the Company's investment in Garneau Inc.

Current Quarter versus Third Quarter 2008

Financial and corporate costs in the quarter, excluding foreign exchange gains, were $2.4 million higher in the fourth quarter than in the prior quarter as a result of the $1.3 million write-down of the Company's investment in Garneau Inc. Foreign exchange gains in the quarter, due to the impact of the significant decline in the Canadian dollar on foreign currency cash balances and working capital, totaled $5.9 million compared to $233 thousand in the third quarter of 2008.

NON-OPERATING INCOME AND EXPENSES

Interest Income

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

Income Tax Expense

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

Income from Continuing Operations

Consolidated income from continuing operations for the quarter totaled $56.7 million ($0.80 per share, diluted) compared to $32.7 million ($0.46 per share, diluted) in the third quarter of 2008 and $34.1 million ($0.47 per share, diluted) in the fourth quarter of last year.

DISCONTINUED OPERATIONS

Income from discontinued operations for the quarter totaled $609 thousand ($0.01 per share, diluted) compared to a loss of $82 thousand ($0.00 per share, diluted) in the prior quarter and a loss from discontinued operations of $30.3 million ($0.42 per share, diluted) in the fourth quarter of 2007. The loss for the fourth quarter of 2007 resulted from the provision that was recorded following the adverse verdict in a lawsuit related to the closed pipe coating plant in Mobile, Alabama.

NET INCOME AND EARNINGS PER SHARE

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

CASH FLOW

Cash flow generated by continuing operating activities in the quarter totaled $82.0 million compared to $29.9 million last quarter and $8.7 million in the fourth quarter of 2007, with the improvement reflecting the higher income from continuing operations in the period together with higher non-cash amortization expense.

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

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

Overall, cash and cash equivalents increased $15.0 million during the quarter to $78.9 million, compared to a decrease of $40.8 million during the fourth quarter of 2007 to $175.0 million.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with Canadian Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. These estimates and assumptions are made with management's best judgment given the information available at the time; however, actual results could differ from the estimates. There have been no significant changes to any of these estimates during the last two years. Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

The Company evaluates the carrying values of goodwill on an annual basis to determine whether or not impairment of these assets has occurred and whether write-downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of long-lived assets whenever circumstances arise that could indicate impairment. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets. Actual results may differ from these assumptions.

Future Benefit Obligations

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The calculation of the accrued benefit obligations recognized in the consolidated financial statements includes a number of assumptions regarding discount rates, long-term rates of return on pension plan assets, and rates of employee compensation increases. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Contingent Liabilities

The Company is involved with a number of legal actions, all considered to be in the ordinary course of business. In addition, claims by or against the Company may arise with customers, suppliers or others from time to time. The outcome of such items is not certain. Management has recorded provisions for contingent liabilities in the financial statements in amounts considered appropriate given the facts of each situation. The outcome of any or all of these items may differ from the estimates used by management, which could have an impact on operating costs.

Asset Retirement Obligations

The Company has a number of asset retirement obligations related to owned and leased facilities. These have been recorded in the financial statements based on estimated future amounts required to satisfy these obligations, discounted at the Company's estimated cost of capital. Differences in either the actual future payments or the discount rate could have an impact on operating costs and accrued liabilities.

Financial Instruments

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Income Taxes

The recording of income tax expense includes certain estimations related to the impact in the current year of future events. Differences between the estimated and actual impact of these events could impact tax expense, current taxes payable or future taxes. In particular, earnings and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada.

CHANGES IN ACCOUNTING POLICIES

The following is a description of accounting policies adopted by the Company since January 1, 2008:

a) Intangible Assets

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

b) General Standards of Financial Statement Presentation

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

c) Capital Disclosures

Effective January 1, 2008, the Company adopted CICA Handbook section 1535, *Capital Disclosures*. This Handbook section establishes standards for disclosing information about the Company's capital and how it is managed and includes the requirement for disclosure of information about the Company's objectives, policies and processes for managing capital. The disclosures related to this Handbook section are included in note 27.

d) Financial Instruments

Effective January 1, 2008, the Company adopted the following CICA Handbook sections: 3862, *Financial Instruments – Disclosure*; and 3863, *Financial Instruments – Presentation*, the former of which outlines the disclosure requirements related to the Company's financial instruments. The adoption of the standards did not have any impact on the classification and valuation of the Company's financial instruments. The disclosures required by these Handbook sections are included in note 26.

Effective August 30, 2008, the Company adopted the following Emerging Issues Committee abstract; EIC-172 *Financial Instruments – Income Statement Representation Of Tax Loss Carryforward Recognized Following An Unrealized Gain Recorded In Other Comprehensive Income*. As required, this accounting standard has been adopted retrospectively. Prior year figures on the income statement have not been restated. The following adjustments were made to the Company's balance sheet as a result of adopting this accounting standard:

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

e) Inventories

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

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

On transition, manufacturing equipment spare parts totaling $2.0 million were transferred from inventories to property, plant and equipment.

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

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

UPCOMING ACCOUNTING CHANGES

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

In January 2009, the Canadian Accounting Standards Board ("AcSB") issued the following new Handbook sections: 1582 – *Business Combinations*, 1601 – *Consolidations* and 1602 – *Non-Controlling Interests*. These standards are effective January 1, 2011. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which applies to interim and annual financial statements for periods ending on or after

January 20, 2009. The Company is currently assessing the effect on its consolidated financial statements of the adoption of this accounting standard.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

During 2008, the AcSB confirmed that publicly accountable enterprises, including the Company, will be required to adopt International Financial Reporting Standards ("IFRS") in place of GAAP for interim and annual reporting purposes. The required changeover date is for fiscal years beginning on or after January 1, 2011.

The Company has commenced the process to transition to IFRS and has developed a project plan. A project team has also been assembled and is led by senior finance management and includes individuals from throughout the Company. The project plan consists of five main phases: diagnostic, design and planning, solution development, implementation and post implementation review. The Company has completed the first two phases, which involved identifying the main differences between GAAP and IFRS and developing implementation priorities based on the expected impact to the Company, the development of a detailed implementation plan and timeline, including definition of process and training needs, and the assembly of the project team. Regular reporting is provided to the Company's senior executive management and to the Audit Committee of the Board of Directors.

The Company is currently engaged in the solution development phase of the project, which involves the training of project team members and the development of new IFRS accounting policies and implementation guidance. This phase of the project is expected to be completed by the end of the fourth quarter of 2009.

During the implementation phase, the Company will execute the changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting that will be required to implement IFRS. This phase of the project is expected to be completed by the end of the second quarter of 2010.

At this time, the impact on the Company's consolidated financial statements is not reasonably determinable.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with the management of the Company, have evaluated the effectiveness of the Company's disclosure controls and procedures ("DC&Ps") (as defined in the rules of the Canadian Securities Administrators) and the effectiveness of internal controls over financial reporting ("ICFRs"). Based on that evaluation, they have concluded that the Company's DC&Ps were effective as of December 31, 2008. Furthermore, they have concluded that the Company's ICFRs were adequate and effective to prevent a material misstatement of the Company's annual financial statements as at December 31, 2008. There were no material changes in either the Company's DC&Ps or its ICFRs during the fourth quarter of 2008.

The Company has excluded its joint venture operations from the scope of its assessment of DC&Ps and ICFRs as is permitted under securities regulations. The following is summarized financial information pertaining to these operations:

(in thousands of Canadian dollars)	2008	2007
Revenue	**$ 121,021**	$ 65,213
Operating expenses	**90,363**	48,663
Net income before income taxes	**30,658**	16,550
Income taxes	**8,753**	2,016
Net income	**$ 21,905**	$ 14,534
Cash provided by (used in):		
Operating activities	**$ 18,224**	$ 6,805
Investing activities	**(3,913)**	(978)
Financing activities	**(15,942)**	(7,864)
Current assets	**30,892**	25,597
Property, plant and equipment	**16,452**	11,877
Goodwill	**4,251**	4,521
Current liabilities	**18,200**	17,103

Further information concerning the Company's joint venture operations is included in note 25 to the Company's consolidated financial statements for the years ended December 31, 2008 and 2007.

FINANCIAL INSTRUMENTS

The Company has several financial instruments including cash and cash equivalents, accounts receivable, accounts payable, long-term debt and forward exchange contracts. The methods and assumptions used to estimate the fair value of financial instruments are described below:

a) Fair Value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

ACCOUNTS RECEIVABLE, INCOME TAXES RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, AND INCOME TAXES PAYABLE.

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

LONG-TERM INVESTMENT

The fair value of the Company's long-term investment is based on quoted market prices and is not different from its carrying value.

LONG-TERM DEBT

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

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

b) Interest Rate Risk

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

(in thousands of Canadian dollars)		Fixed interest rate maturing in		
	Floating rate	1 year or less	Greater than 1 year	Total
Financial assets				
Cash and cash equivalents	$ 78,932	$ –	$ –	$ 78,932
Total	$ 78,932	$ –	$ –	$ 78,932
Financial liabilities				
Bank indebtedness	$ 15,418	$ –	$ –	$ 15,418
Long-term debt	$ –	30,672	60,554	91,226
Total	$ 15,418	$ 30,672	$ 60,554	$ 106,644
Average fixed rates of debt	–	5.11%	5.11%	

c) Credit Risk

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

Cash and cash equivalents consist of deposits with major commercial banks.

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

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

d) Foreign Exchange Risk

The Company operates in several countries, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk from its underlying customer contracts. In particular, the Company uses foreign exchange forward contracts for the sole purpose of hedging a portion of its projected foreign currency inflows, consisting primarily of foreign currency sales to the Company's customers. Gains or losses on these hedging instruments are recognized in the same period as, and as part of, the hedged transactions. As of December 31, 2008, there were no foreign exchange forward contracts designated as hedges. The Company does not enter into foreign exchange contracts for speculative purposes. The Company does not generally attempt to hedge the net investment and equity of self-sustaining foreign operations, except that the Company has designated, effective July 3, 2003, the 5.11% Senior Notes as a hedge of a portion of its net investment in the Company's U.S. dollar based operations. Gains and losses from the translation of this debt are not included in the income statement but are shown in the accumulated other comprehensive income.

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at December 31, 2008:

Maturity

(in thousands)	December 31, 2008
U.S. dollars sold for Canadian dollars	
Less than one year	US$12,000
Weighted average rate	1.066
U.S. dollars sold for Euros	
Less than one year	US$3,160
Weighted average rate	1.4698
Euros sold for U.S. dollars	
Less than one year	Euro 4,300
Weighted average rate	1.4517
One year to two years	Euro 2,200
Weighted average rate	1.4465

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

RISKS AND UNCERTAINTIES

Operating in an international environment, servicing predominantly the oil and gas industry, ShawCor faces a number of business risks and uncertainties that could materially, adversely affect the Company's projections, business, results of operations and financial condition.

An economic downturn could adversely affect demand for the Company's products and services and, consequently, its projections, business, results of operations and financial condition.

Demand for oil and natural gas is influenced by numerous factors, including the North American and worldwide economies as well as activities of the Organization of Petroleum Exporting Countries ("OPEC"). Economic declines impact demand for oil and natural gas and result in a softening of oil and gas prices and projected oil and gas drilling activity. If economic conditions or international markets decline unexpectedly, the Company's projections, business, results of operations and financial condition could be materially, adversely affected. In addition, if actions by OPEC and other oil producers to increase production of oil adversely affect world oil prices, additional declines in rig counts could result, particularly internationally, and the Company's projections, business, results of operations and financial condition could be materially, adversely affected. Similarly, demand for the products of the Petrochemical and Industrial segment's businesses is largely dependent on the level of general economic activity in North America and Europe. Decreases in economic activity in these regions could result in significant decreases in business activity in these businesses.

A cyclical decline in the level of global pipeline construction could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of global pipeline construction activity which in turn relates to the growth in demand for oil and natural gas and the availability of new supplies to meet this increased demand. The recent decline in the commodity prices for oil and natural gas has impacted the ability of producers to maintain capital spending. Reductions in capital spending by producers could dampen demand for the Company's products and services supplied in pipeline markets.

Revenue generated by the Company's Pipeline and Pipe Services divisions accounted for 89.9% of consolidated sales in 2008. With this proportion expected to continue, the Company's revenue is materially dependent on the global pipeline and pipe services industry. Any reduction in the anticipated growth in pipeline market activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Increases in the prices and/or shortages in the supply of raw materials used in the Company's manufacturing processes could adversely affect the competitiveness of the Company, its ability to serve its customers' needs and its financial performance.

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper and other nonferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is important to the maintenance of customer satisfaction but the Company is not dependent on any single source of supply. While the materials required for its manufacturing operations have generally been readily available, cyclical swings in supply and demand can produce short-term shortages and/or price spikes. The Company's ability to pass on any such price increases may be restricted in the short term.

A decline in global drilling activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of global drilling activity which in turn depends on global oil and gas demand, prices and production depletion rates. Lower drilling activity decreases demand for the Company's products and services, including small diameter pipe coating and tubular inspection and inventory management services.

The Company could be subject to substantial liability claims, which could adversely affect its projections, business, results of operations and financial condition.

Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury, loss of life, damage to property, equipment, or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these difficulties, the Company could face litigation and may be held liable for those losses. The Company's insurance coverage may not be adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies likely will cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company is subject to environmental, health and safety laws and regulations that expose it to potential financial liability.

The Company's operations are regulated under a number of federal, provincial, state, local and foreign environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of hazardous materials. Compliance with these environmental laws is a major consideration in the manufacturing of the Company's products, as the Company uses, generates, stores and disposes of hazardous substances and wastes in its operations and the Company may be subject to material financial liability for any investigation and clean-up of such hazardous materials. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Accordingly, the Company also may be subject to financial liabilities relating to the investigation and remediation of hazardous materials resulting from the actions of previous owners or operators of industrial facilities on those sites. Liability in certain instances may be imposed on the Company regardless of the legality of the original actions relating to the hazardous or toxic substances or whether or not the Company knew of, or was responsible for, the presence of those substances. The Company is also subject to various Canadian and U.S. federal, provincial, state, local and foreign laws and regulations relating to safety and health conditions in its manufacturing facilities. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any non-compliance, as well as potential business disruption if any of its facilities or a portion of any facility is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company is subject to litigation and could be subject to future litigation and significant potential financial liability.

From time to time, the Company is a party to litigation and legal proceedings that it considers to be a part of the ordinary course of business. Although none of the litigation or legal proceedings in which the Company is currently involved could reasonably be expected to have a material adverse effect on the Company's projections, business, results of operations, or financial condition, the Company may, however, become involved in material legal proceedings in the future. A predecessor of the Company and several foreign indirect subsidiaries of Bredero Shaw historically used felt wrap containing asbestos in their pipe coating processes. After about 1994, asbestos in the felt was replaced with glass fibre. Some of Bredero Shaw's subsidiaries' pipe coating assets were purchased from parties which utilized asbestos encapsulated felt or unencapsulated asbestos as part of their pipe coating processes. Some of the Company's plants have or had equipment and/or building materials containing asbestos. Some parts purchased for resale in Canada by the Company also contain asbestos but meet current environmental regulations in this regard. There are not, and to the Company's knowledge, never have been, any lawsuits against it, Bredero Shaw or any of their respective subsidiaries relating to the use of asbestos. There is no certainty that claims relating to asbestos use or exposure may not be initiated in the future and, if initiated, such claims would not result in an award against the Company, Bredero Shaw and/or any of their respective subsidiaries. The Company maintains insurance it believes to be commercially reasonable and customary; however, such coverage may be inadequate for or inapplicable to particular claims.

The Company's international operations may experience interruptions due to political, economic or other risks, which could adversely affect the Company's projections, business, results of operations and financial condition.

During 2008, the Company derived 31.0% of its total revenue from its facilities outside Canada, the United States and Europe. In addition, part of the Company's sales from its locations in Canada and the United States were for use in other countries. The Company's operations in certain international locations are subject to various political and economic conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- currency restrictions and limitations on repatriation of profits;
- political instability;
- hostile or terrorist activities; and
- restrictions on foreign operations.

The Company's foreign operations may suffer disruptions and may incur losses that will not be covered by insurance. In particular, civil unrest in politically unstable countries may increase the possibility that the Company's operations could be interrupted or adversely affected. The impact of such disruptions could include the Company's inability to ship products in a timely and cost effective manner, its inability to place contractors and employees in various countries or regions, or result in the need for evacuations or similar disruptions.

Any material currency fluctuations or devaluations or political unrest that may disrupt oil and gas exploration and production or the movement of funds and assets could materially adversely affect the Company's projections, business, results of operations and financial condition.

The Company's projections and results of operations could be adversely affected by actions under Canadian, U.S. or other trade laws.

The Company is a Canadian-based company with significant operations in the United States. The Company also owns and operates international manufacturing operations that support its Canadian and U.S. operations. If actions under Canadian, U.S. or other trade laws were instituted that limited the Company's access to the materials or products necessary for such manufacturing operations, the Company's ability to meet its customer's specifications and delivery requirements would be reduced. Any such reduction in the Company's ability to meet its customer's specifications and delivery requirements could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company also conducts business in countries permitted by Canadian law that would be prohibited by U.S. trade laws if the Company were a U.S. entity or controlled by a U.S. entity or person. While the Company believes that it and its subsidiaries currently are in compliance with applicable U.S. trade laws, changes in these regulations or the interpretation of these regulations, or changes in the control of the Company, could adversely affect the Company's business.

Demand for the Company's products and services could be adversely affected by changes to Canadian, U.S. or other countries' laws or regulations pertaining to the emission of CO_2 and other Greenhouse Gases ("GHGs") into the atmosphere.

Although the Company is not a large producer of GHGs, the products and services of the Company are mainly related to the transmission of hydrocarbons including crude oil and natural gas, whose ultimate consumption are major sources of GHG emissions. Changes in the regulations concerning the release of GHG into the atmosphere, including the introduction of so-called carbon taxes or limitations over the emissions of GHGs, may adversely impact the demand for hydrocarbons and ultimately, the demand for the Company's products and services.

OUTLOOK

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

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

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

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

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

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

OUTSTANDING SHARE CAPITAL

As at January 31, 2009, the Company had 57,358,537 Class A shares outstanding and 13,060,209 Class B shares outstanding. In addition, as at January 31, 2009, the Company had stock options outstanding to purchase up to 2,470,466 Class A shares.

FORWARD-LOOKING INFORMATION

This document includes certain statements that reflect management's expectations and objectives for ShawCor's future performance, opportunities and growth which constitute forward-looking information under applicable securities laws. Such statements, except to the extent that they contain historical facts, are forward-looking and accordingly involve estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may," "will," "should", "anticipate," "expect", "believe", "predict", "estimate," "continue," "intend," "plan," and variations of these words or other similar expressions. These statements are based on assumptions, estimates and analysis made by ShawCor in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. Although ShawCor believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions in light of currently available information, ShawCor can give no assurance that such expectations will be achieved.

Forward-looking statements involve known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted, expressed or implied by the forward-looking statements. Significant risks facing ShawCor include, but are not limited to: changes in global economic activity and changes in energy supply and demand which impact on the level of drilling activity and pipeline construction; political, economic and other risks arising from ShawCor's international operations; compliance with environmental, trade and other laws; liability claims; fluctuations in foreign exchange rates; fluctuations in prices of raw materials, as well as other risks and uncertainties.

Further information on the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

February 19, 2009

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 judgment 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 officers or employees of ShawCor Ltd. or any of its subsidiaries. The Committee meets periodically to review quarterly financial reports 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 10, 2009

William P. Buckley
President and Chief Executive Officer

Gary S. Love
Vice President, Finance and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of ShawCor Ltd.

We have audited consolidated balance sheets of ShawCor Ltd. as at December 31, 2008 and 2007 and the consolidated statements of income, retained earnings, comprehensive income (loss) 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, 2008 and 2007 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
February 10, 2009

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

Years Ended December 31 (in thousands of Canadian dollars)	2008	2007 (note 2)
ASSETS		
Current assets		
Cash and cash equivalents [note 4]	**$ 78,932**	$ 175,017
Accounts receivable	**307,933**	203,547
Taxes receivable	**9,261**	3,169
Inventories [note 5]	**150,606**	102,486
Prepaid expenses	**14,635**	11,362
Derivative financial instruments	**523**	1,508
Current future income taxes [note 22]	**3,532**	2,770
Current assets of discontinued operation [note 23]	**12,256**	16,305
	577,678	516,164
Property, plant and equipment, net [note 6]	**307,735**	242,783
Goodwill [note 7]	**229,549**	159,480
Intangible assets [note 8]	**66,803**	1,558
Future income taxes [note 22]	**30,743**	27,751
Other assets [note 9]	**15,958**	15,878
	$ 1,228,466	$ 963,614
LIABILITIES		
Current liabilities		
Bank indebtedness [note 11]	**$ 15,418**	$ 107
Accounts payable and accrued liabilities	**193,675**	153,116
Taxes payable	**53,405**	32,030
Derivative financial instruments	**2,049**	–
Deferred revenue	**54,692**	24,021
Current portion of long-term debt	**30,672**	–
Current liabilities of discontinued operation [note 23]	**455**	51,265
	350,366	260,539
Long-term debt [note 11]	**60,554**	72,726
Future income taxes [note 22]	**73,993**	37,539
Other non-current liabilities [note 12]	**9,978**	10,740
	494,891	381,544
Non-controlling interest in subsidiaries	**–**	3,283
Commitments and contingencies [note 14]		
SHAREHOLDERS' EQUITY		
Capital stock [note 15]	**202,073**	203,252
Contributed surplus [note 16]	**14,512**	11,729
Retained earnings	**602,530**	489,836
Accumulated other comprehensive loss [note 19]	**(85,540)**	(126,030)
	733,575	578,787
	$ 1,228,466	$ 963,614

See accompanying notes.

On behalf of the Board

Paul G. Robinson, Director

Virginia L. Shaw, Director

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 (in thousands of Canadian dollars except per share amounts)	2008	2007 (note 2)
Revenue	$ 1,379,577	$ 1,048,099
Cost of goods sold	887,230	626,262
Gross profit	492,347	421,837
Selling, general and administrative expenses [notes 10, 18 and 20]	217,364	214,637
Amortization of property, plant and equipment	63,997	40,433
Amortization of intangible assets	1,902	–
Research and development expenses	7,366	6,766
	290,629	261,836
Operating income from continuing operations	201,718	160,001
Interest income (expense), net [note 21]	(5,659)	4,381
Income from continuing operations before income taxes and non-controlling interest	196,059	164,382
Income taxes [note 22]	57,590	47,205
Income from continuing operations before non-controlling interest	138,469	117,177
Non-controlling interest	248	642
Income from continuing operations	138,717	117,819
Income (loss) from discontinued operation [note 23]	11,011	(30,462)
Net income for the year	$ 149,728	$ 87,357
Earnings (loss) per share		
Basic [note 24]		
From continuing operations	$ 1.96	$ 1.62
From discontinued operations	0.16	(0.42)
Total	$ 2.12	$ 1.20
Diluted [note 24]		
From continuing operations	$ 1.94	$ 1.60
From discontinued operations	0.15	(0.41)
Total	$ 2.09	$ 1.19

See accompanying notes.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years Ended December 31 (in thousands of Canadian dollars)	2008	2007 (note 2)
Balance, at beginning of year	$ 489,836	$ 498,001
Transitional adjustment [note 2]	–	(585)
Transitional adjustment [note 2]	3,067	3,288
Adjusted balance, at beginning of year	492,903	500,704
Net income for the year	149,728	87,357
	642,631	588,061
Excess of purchase price paid over stated value of shares	(22,504)	(81,756)
Dividends paid	(17,597)	(16,469)
Balance, at end of year	$ 602,530	$ 489,836

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years Ended December 31 (in thousands of Canadian dollars)	2008	2007 (note 2)
Net income for the year	$ 149,728	$ 87,357
Other comprehensive income (loss), net of income taxes:		
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	55,627	(49,954)
Gain (loss) on hedges of unrealized foreign currency translation	(18,060)	13,830
Income tax benefit	3,079	–
Unrealized foreign currency translation gain (loss), net of hedging activities arising during the year	40,646	(36,124)
Unrealized loss on available-for-sale financial asset arising in the year	(2,229)	(1,331)
Unrealized loss on available-for-sale financial asset transferred to net income in the current period	2,816	–
Income tax expense transferred to net income in the year	253	–
Change in unrealized loss on available-for-sale financial asset	840	(1,331)
Gain on derivatives designated as cash flow hedges	–	4,112
Income tax expense	–	(1,398)
Gain on derivatives designated as cash flow hedges in prior periods transferred to net income in the year	(1,508)	(1,679)
Income tax expense transferred to net income in the year	512	571
Change in gain on derivatives designated as cash flow hedges	(996)	1,606
Other comprehensive income (loss) for the year	40,490	(35,849)
Comprehensive income for the year	$ 190,218	$ 51,508

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years Ended December 31 (in thousands of Canadian dollars)	2008	2007 (note 2)
OPERATING ACTIVITIES		
Income from continuing operations	**$ 138,717**	$ 117,819
Add (deduct) items not affecting cash:		
Amortization of property, plant and equipment	**63,997**	40,433
Amortization of intangible assets	**1,902**	–
Amortization of deferred project costs	**18,582**	1,291
Amortization of transaction costs	**440**	441
Asset retirement obligations expense	**703**	1,147
Stock-based compensation expense [note 18]	**3,359**	2,765
Future income taxes [note 22]	**11,777**	681
Loss (gain) on disposal of property, plant and equipment	**404**	(372)
Impairment of asset retirement obligation asset	**7,770**	–
Impairment of available-for-sale financial asset	**2,816**	–
Impairment of intangible assets	**600**	–
Impairment of goodwill [note 7]	**352**	–
Non-controlling interest in losses of subsidiaries	**(248)**	(642)
Gain on disposal of subsidiary [note 3]	**(864)**	–
Settlement of asset retirement obligations [note 13]	**(891)**	(1,906)
Change in employee future benefits	**(1,400)**	176
Change in non-cash working capital and foreign exchange	**(71,278)**	(64,319)
Cash provided by continuing operating activities	**176,738**	97,514
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(89,799)**	(91,855)
Proceeds on disposal of property, plant and equipment	**46**	732
Increase in deferred project costs	**(21,547)**	(5,150)
Acquisition of subsidiary [note 3]	**(125,723)**	(2,786)
Proceeds on disposal of subsidiaries [note 3]	**5,719**	–
Investment in available-for-sale financial asset	**–**	(301)
Cash used in continuing investing activities	**(231,304)**	(99,360)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	**10,311**	(4,275)
Issue of shares [note 15]	**1,763**	4,955
Purchase of shares for cancellation	**(26,022)**	(91,950)
Dividends paid to shareholders	**(17,597)**	(16,469)
Cash used in continuing financing activities	**(31,545)**	(107,739)
Foreign exchange on foreign cash and cash equivalents	**25,776**	(21,585)
Net cash used in continuing operations	**(60,335)**	(131,170)
Net cash used in discontinued operations [note 23]	**(35,750)**	(3,135)
Cash and cash equivalents, at beginning of year	**175,017**	309,322
Cash and cash equivalents, at end of year	**$ 78,932**	$ 175,017
Supplemental information:		
Cash interest paid	**$ 7,472**	$ 5,392
Cash income taxes paid	**$ 48,522**	$ 59,101

See accompanying notes.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in Canadian dollars in accordance with Canadian generally accepted accounting principles ("GAAP"). The more significant accounting policies are as follows:

a) Principles of Consolidation

The consolidated financial statements include the accounts of ShawCor Ltd. (the "Company"), its wholly owned subsidiaries, certain partially owned subsidiaries which give rise to non-controlling interest in their net assets and net results and the Company's proportionate share in joint ventures.

b) 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 accumulated other comprehensive income. The appropriate amounts of exchange gains and losses accumulated in accumulated other comprehensive income 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 amortization expense denominated in foreign currencies, are translated at historical exchange rates. Revenue and expense items other than amortization 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.

c) Use of Estimates

The preparation of the consolidated financial statements in conformity with 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.

d) Cash and 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.

e) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and, other than project-related facilities and equipment, are amortized over their useful lives commencing when the asset is available for use on a straight-line basis at annual rates of 100% for land improvements, 4% to 10% on buildings and 10% to 50% on machinery and equipment. Project-related facilities are amortized over the initial estimated project life, generally no longer than seven years. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of the asset exceeds the estimated undiscounted cash flows from the use of the asset, then an impairment loss is recognized to write the asset down to fair value.

f) Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in subsidiary entities over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. 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 earnings.

g) Investments

The Company accounts for investments in which it has significant influence using the equity method. Other investments, which are considered to be available-for-sale financial instruments, are recorded at fair market value with changes in fair market value charged to other comprehensive income. Reductions in fair market value that are considered to be other than temporary are charged to selling, general and administrative expenses. Investments which are jointly controlled by the Company and one or more unrelated parties are accounted for using the proportionate consolidation method.

h) Deferred Costs

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

i) Asset Retirement Obligations

The Company recognizes the fair value of estimated asset retirement obligations when a reasonable estimate of fair value can be made. An asset retirement obligation is a legal obligation associated with the retirement of an owned or leased, tangible, long-lived asset. Such obligations are recognized in the consolidated balance sheet by recording an increase in the carrying value of the applicable long-lived assets and recognizing corresponding liabilities. The increases in carrying value of the assets are amortized over the useful life of the asset. The asset retirement obligations are accreted over the period to settlement with a corresponding charge to operating expenses.

j) Revenue Recognition

Revenue is recorded when title to goods passes or services are provided to customers, the price is fixed or determinable and collection is reasonably assured. For the majority of product revenue, title passes to the buyer at the time of shipment and revenue is recorded at that time. Revenue from pipe coating, inspection, repair and other services provided in respect of customer-owned property is recognized as services are performed under specific contracts. Revenue on these contracts is recognized using the percentage-of-completion method based on a proportional performance basis using output as a measure of performance. Losses, if any, on these contracts are provided for in full at the time such losses are identified.

Services performed in advance of billings are recorded as unbilled revenue pursuant to the contractual terms. In general, amounts become billable upon the achievement of certain milestones or in accordance with predetermined payment schedules. Changes in the scope of work are not included in net revenues until earned and realization is assured.

k) Leases

Leases entered into by the Company, in which substantially all of the benefits and risks of ownership are transferred to the Company, are recorded as obligations under capital leases, and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future minimum lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. Property, plant, and equipment under capital leases is depreciated based on the useful life of the asset. All other leases are classified as operating leases. Payments for these leases are charged to income on a straight-line basis over the life of the assets.

l) Employee Future Benefits

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The cost of the defined benefit plans is determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement age and inflation. The cost is then charged to expense as services are rendered. Obligations are accrued net of plan assets, which are valued at quoted market prices at the balance sheet date. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service lives of the employees who are members of the plan. Net actuarial gains and losses that exceed 10% of the greater of the benefit obligation and the value of plan assets are amortized over the average remaining service lives of the employees who are members of the plan. For the Company's principal plans, these periods range from 14 years to 22 years.

m) Stock-Based Compensation

The Company has two stock option plans, which are described in note 17. The Company recognizes compensation expense in respect of stock options granted under both plans. The compensation expense is equal to the estimated fair value of the option at its grant date and is amortized over the vesting period of the option. An amount equal to compensation expense is initially credited to contributed surplus and transferred to share capital if and when the option is exercised. Consideration received on the exercise of stock options is credited to share capital.

n) Research and Development Costs

Research and development costs other than property, plant and equipment acquisitions are charged against income in the year incurred unless they meet GAAP requirements for deferral. Research and development costs are reported net of investment tax credits. Investment tax credits are recorded to income in the year the related investment expenditures are made and totaled $196 thousand in 2008 (2007 – $288 thousand).

o) Income Taxes

The Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

p) 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.

q) Financial Instruments

i) Comprehensive Income

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

ii) Accumulated Other Comprehensive Income

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

iii) Financial Instruments

Held-for-trading financial assets are financial assets which are acquired for resale prior to maturity. Held-for-trading financial assets are reflected in the consolidated balance sheet at fair value with changes in fair value during a period charged to selling general and administrative expenses. Available-for-sale financial assets are those non-derivative financial assets which are so designated by the Company or that do not fall into another category. Available-for-sale financial assets are carried on the consolidated balance sheet at fair value with gains or losses from changes in fair value in a period included in other comprehensive income. Held-to-maturity financial assets, loans and receivables and other liabilities not held for trading are accounted for at amortized cost with related expenses charged to interest income or interest expense.

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

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

iv) Derivative Financial Instruments

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

Derivative financial instruments designated as effective cash flow hedges are reflected in the consolidated balance sheet at fair value with any gains or losses resulting from fair value changes included in other comprehensive income to the extent of hedge effectiveness. Derivatives with positive exposures are classified as assets while those with negative exposures are classified as liabilities. Derivative financial instruments not designated as effective cash flow hedges are carried at fair value in the consolidated balance sheet with gains or losses resulting from changes in fair value in a period charged to selling, general and administrative expenses. As at December 31, 2008, there were no derivatives designated as cash flow hedges.

r) Transaction Costs

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

2. CHANGE IN ACCOUNTING POLICIES

a) Intangible Assets

Intangible assets and intellectual property, acquired in 2008 (note 3), are recorded at their allocated cost at the date of acquisition of the related subsidiary. Amortization is recorded for intangible assets and intellectual property with limited lives on a straight-line basis over their estimated useful lives of up to 15 years.

b) General Standards of Financial Statement Presentation

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

c) Capital Disclosures

Effective January 1, 2008, the Company adopted CICA Handbook section 1535, *Capital Disclosures*. This Handbook section establishes standards for disclosing information about the Company's capital and how it is managed and includes the requirement for disclosure of information about the Company's objectives, policies and processes for managing capital. The disclosures related to this Handbook section are included in note 27.

d) Financial Instruments

Effective January 1, 2007, the Company adopted the following CICA Handbook section: 3855, *Financial Instruments – Recognition and Measurement*, which outlines the requirements related to the Company's financial instruments. On adoption of this accounting standard, the Company recorded a decrease to other assets and to retained earnings of $585 thousand.

Effective January 1, 2008, the Company adopted the following CICA Handbook sections: 3862, *Financial Instruments – Disclosure*; and 3863, *Financial Instruments – Presentation*, the former of which outlines the disclosure requirements related to the Company's financial instruments. The adoption of the standards did not have any impact on the classification and valuation of the Company's financial instruments. The disclosures required by these Handbook sections are included in note 26.

Effective August 30, 2008, the Company adopted the following Emerging Issues Committee abstract; EIC-172, *Financial Instruments – Income Statement Representation Of Tax Loss Carryforward Recognized Following An Unrealized Gain Recorded In Other Comprehensive Income*. As required, this accounting standard has been adopted retrospectively. Prior year figures on the income statement have not been restated. The following adjustments were made to the Company's balance sheet as a result of adopting this accounting standard:

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

e) Inventories

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

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

On transition, $2.0 million of manufacturing equipment spare parts was transferred from inventories to property, plant and equipment.

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

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

3. ACQUISITIONS AND DIVESTITURES

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

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

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

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

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

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

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

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

4. CASH AND CASH EQUIVALENTS

(in thousands of Canadian dollars)	2008	2007
Cash	$ 78,932	$ 122,655
Cash equivalents	–	52,362
	$ 78,932	$ 175,017

5. INVENTORIES

(in thousands of Canadian dollars)	2008	2007
Raw materials and supplies	$ 113,662	$ 77,834
Work in progress	6,573	7,236
Finished goods	39,862	22,307
Inventory obsolescence	(9,491)	(4,891)
	$ 150,606	$ 102,486

During the fourth quarter of 2008, the Company recorded a charge of $4.3 million (2007 – nil) to reduce the carrying values of certain excess raw material inventories to net realizable value.

6. PROPERTY, PLANT AND EQUIPMENT

(in thousands of Canadian dollars)	2008	2007
Cost		
Land and land improvements	$ 44,894	$ 46,335
Buildings	109,293	90,738
Machinery and equipment	591,737	452,497
Capital projects in progress	16,555	27,410
	762,479	616,980
Accumulated amortization and write-downs		
Land improvements	23,043	24,616
Buildings	62,082	55,410
Machinery and equipment	369,619	294,171
	454,744	374,197
	$ 307,735	$ 242,783

7. GOODWILL

(in thousands of Canadian dollars)	2008	2007
Balance at beginning of year	$ 159,480	$ 175,813
Additions to goodwill on acquisitions [note 3]	50,220	559
Impairment of goodwill	(352)	–
Translation of self-sustaining foreign operations	20,201	(16,892)
Balance at end of year	$ 229,549	$ 159,480

During 2008, the company assessed the fair value of the reporting units to which the underlying goodwill is attributable. This review determined that, due to changing market conditions, goodwill pertaining to the Company's Shaw Inspection Services business was impaired, and accordingly a goodwill impairment charge to selling, general and administrative expenses of $352 thousand was recorded in 2008.

8. INTANGIBLE ASSETS

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

9. OTHER ASSETS

(in thousands of Canadian dollars)	2008	2007
Long-term investment	$ 360	$ 2,589
Deferred project costs	8,865	8,491
Accrued employee future benefit asset [note 10]	6,733	4,798
	$ 15,958	$ 15,878

Long-term investments at December 31, 2008 represented an investment in Garneau Inc., a Canadian-based, publicly traded pipe coating company. The Company has reviewed the 2008 financial performance of Garneau, as outlined in its public filings, and the protracted decline in its share price and has concluded that the decrease in fair value, based on quoted market prices, of the investment from original cost is other than temporary. The Company has recorded a charge to selling, general and administrative expenses, in the financial and corporate segment, during the twelve months ended December 31, 2008 of $2.8 million.

10. EMPLOYEE FUTURE BENEFITS

The Company provides employee future benefits to its employees under a number of defined benefit and defined contribution arrangements. The defined benefit pension plans are in Canada, the U.K. and Norway and include both flat-dollar plans for hourly employees and final earnings plans for salaried employees. The Company also provides a post-retirement life insurance benefit to its Canadian retirees and a post-employment benefit to its hourly and salaried employees in Indonesia.

The total cash payments made by the Company during 2008 were $10.1 million (2007 – $10.5 million). The cash payments consisted of contributions required to fund both the defined benefit and defined contribution plans. The Company measures the fair value of assets and accrued benefit obligations as of December 31. Actuarial valuations for the Company's seven defined benefit pension plans are generally required at least every three years. The most recent actuarial valuations of the plans were conducted at December 31, 2005 (one plan), December 31, 2006 (one plan), January 1, 2007 (one plan), August 1, 2007 (one plan) and January 1, 2008 (three plans).

Information about the Company's employee future benefits in aggregate is as follows:

(in thousands of Canadian dollars)	**2008**	2007
Net benefit cost for the year:		
Employer portion of current service cost	**$ 3,988**	$ 3,683
Interest on accrued benefit obligation	**4,201**	3,941
Actual return on plan assets	**8,330**	(676)
Actuarial losses and changes in assumptions	**(16,542)**	(5,888)
Currency (gains) losses	**–**	123
Curtailment/settlement/plan amendments	**159**	–
Elements of employee future costs before adjustments to recognize the long-term nature of employee future benefit costs	**136**	1,183
Adjustments to recognize the long-term nature of employee benefit costs:		
Difference between expected return and actual return on plan assets for the year	**(12,490)**	(3,427)
Difference between actuarial loss recognized for the year and actual actuarial loss and assumption changes on accrued benefit obligation for the year	**16,891**	6,309
Difference between currency loss recognized for year and actual currency loss	**–**	(123)
Difference between amortization of past service costs for the year and actual plan amendment costs for the year	**232**	286
Amortization of transitional obligation	**159**	111
Extraordinary items	**19**	9
Valuation allowance provided against accrued benefit assets	**(819)**	1,008
Subtotal	**3,992**	4,173
Defined benefit cost recognized	**4,128**	5,356
Defined contribution employee future benefit expense	**4,405**	5,159
Employee future benefit cost	**$ 8,533**	$ 10,515

(in thousands of Canadian dollars)	2008	2007
Accrued benefit obligation, at beginning of year	$ 74,817	$ 77,802
Employer portion of current service cost	3,988	3,683
Actuarial losses and changes in assumptions	(16,533)	(5,888)
Interest cost	4,201	3,941
Foreign currency loss	(854)	(1,445)
Benefits paid	(2,386)	(3,988)
Plan amendments	159	–
Adoption of CICA 3461	–	712
Accrued benefit obligation, at end of year	63,392	74,817
Fair value of plan assets, at beginning of year	65,717	65,549
Actual return on plan assets	(8,330)	676
Employer contributions	5,659	5,047
Benefits paid	(2,386)	(3,988)
Effect of foreign currency exchange rates	(845)	(1,567)
Fair value of plan assets, at end of year	59,815	65,717
Funded status – plan deficit	(3,577)	(9,100)
Unamortized actuarial loss	5,862	10,263
Unamortized past service costs	365	597
Unamortized net transitional obligation	974	1,283
Valuation allowance	(189)	(1,008)
Net accrued future employee benefit asset	$ 3,435	$ 2,035

The accrued benefit asset is included in the consolidated balance sheet as follows:

(in thousands of Canadian dollars)	2008	2007
Accrued employee future benefit asset	$ 6,733	$ 4,798
Accrued employee future benefit liability	(3,298)	(2,763)
Net accrued future employee benefit asset	$ 3,435	$ 2,035

Included in the 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 of Canadian dollars)	2008	2007
Accrued future employee obligation	$ 39,391	$ 52,919
Fair value of plan assets	33,236	41,597
Funded status – plan (deficit)	$ (6,155)	$ (11,322)

The following were the composition of plan assets at the balance sheet dates and the significant assumptions used in the calculation of accrued benefit obligations and net defined benefit cost:

(percentage of plan assets)	2008	2007
(Registered Canadian employee future benefit plans)		
Equities	55%	63%
Fixed income	39%	32%
Real estate	0%	0%
Other	6%	5%
Total	100%	100%

(percentage of plan assets)	2008	2007
(SERP plan)		
Equities	99%	95%
Fixed income	0%	0%
Real estate	0%	0%
Other	1%	5%
Total	100%	100%

Significant assumptions used:

(percentage of plan assets)	2008	2007
Canada		
Accrued benefit obligation as of December 31:		
Discount rate	7.3%	5.4%
Salary increases	4.0%	4.0%
Benefit cost of year ended December 31:		
Discount rate	5.4%	5.0%
Expected rate of return on assets	6.5%	6.5%
Rate of compensation increase	4.0%	4.0%

Significant assumptions used:

(percentage of plan assets)	2008	2007
Norway		
Accrued benefit obligation as of December 31:		
Discount rate	**3.8%**	4.7%
Salary increases	**4.0%**	4.5%
Increases to pensions in pay	**1.5%**	1.6%
Benefit cost of year ended December 31:		
Discount rate	**4.7%**	4.4%
Expected rate of return on assets	**5.8%**	5.4%
Rate of compensation increase	**4.5%**	4.5%
Increases to pensions in pay	**1.6%**	1.6%

Significant assumptions used:

(percentage of plan assets)	2008	2007
U.K.		
Accrued benefit obligation as of December 31:		
Discount rate	**6.2%**	5.8%
Salary increases	**0.0%**	0.0%
Increases to pensions in pay	**2.9%**	3.2%
Benefit cost of year ended December 31:		
Discount rate	**5.8%**	5.0%
Expected rate of return on assets	**7.3%**	7.2%
Rate of compensation increase	**0.0%**	0.0%
Increases to pensions in pay	**3.2%**	3.1%

Significant assumptions used:

(percentage of plan assets)	2008	2007
Indonesia		
Accrued benefit obligation as of December 31:		
Discount rate	**12.0%**	10.0%
Salary increases	**11.0%**	9.0%

11. BANK INDEBTEDNESS AND LONG-TERM DEBT

a) Long-term debt consists of the following:

(in thousands of Canadian dollars)	2008	2007
5.11% Senior Notes due in equal installments of US$25 million		
Current portion due on June 30, 2009 (US$25 million)	**$ 30,672**	$ –
Non-current portion due on June 30, 2010 and 2011 (US$50 million)	**60,554**	72,726
Total (US$75 million)	**$ 91,226**	$ 72,726

Under the terms of the Senior Notes, the Company has the option of early repayment; however, such early repayment would result in the Company making a "make-whole" payment to the holders of the notes equal to the excess of the discounted value, calculated using the current market yield to maturity plus 50 basis points, of all remaining scheduled payments over the principal amount of the Senior Notes.

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

(in thousands of Canadian dollars)	
2009	$ 30,672
2010	$ 30,608
2011	$ 30,570
Total	$ 91,850

b) On June 24, 2008, the Company negotiated a $65.8 million increase in its Unsecured Bank Credit facilities on the same terms as the preexisting agreements, in support of the Company's acquisition of Flexpipe Systems Inc. ("Flexpipe") on June 27, 2008. At December 31, 2008, the Company had total operating credit lines of $293.5 million (2007 – $172.0 million), of which $81.5 million has been drawn for various standby letters of credit for performance, bid and surety bonds (2007 – $107.1 million) and bank indebtedness of $14.0 million (2007 – nil), to yield unutilized credit facilities of $198.0 million (2007 – $64.7 million), excluding the Company's proportionate share of the bank indebtedness of its joint venture, Arabian Pipecoating Company Limited, of $1.5 million (2007 – $107 thousand).

c) The Company has undertaken to maintain certain covenants in respect of the US$75.0 million of 5.11% Senior Notes and its 5-Year Unsecured Committed Bank Credit Facility. The Company is in compliance with these covenants at December 31, 2008.

12. OTHER NON-CURRENT LIABILITIES

(in thousands of Canadian dollars)	2008	2007
Non-current asset retirement obligations [note 13]	$ 6,680	$ 7,977
Accrued employee future benefit obligations [note 10]	3,298	2,763
	$ 9,978	$ 10,740

13. ASSET RETIREMENT OBLIGATIONS

(in thousands of Canadian dollars)	2008	2007
Balance, at beginning of year	$ 14,082	$ 15,235
Liabilities settled in year	(891)	(1,906)
Liabilities incurred in year	8,675	1,004
Accretion expense	703	779
Translation of self-sustaining foreign operations	37	(1,030)
Balance, at end of year	$ 22,606	$ 14,082

Asset retirement obligations are included in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	2008	2007
Accounts payable and accrued liabilities	$ 15,926	$ 6,105
Other non-current liabilities	6,680	7,977
Total asset retirement obligations	$ 22,606	$ 14,082

The total undiscounted cash flows which are estimated to be required to settle all asset retirement obligations is $24.0 million (2007 – $16.9 million) and the credit-adjusted risk-free rate at which the estimated cash flows have been discounted is 5.11%.

14. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

At December 31, 2008, the aggregate minimum amounts payable under non-cancellable contracts related to continuing operations were as follows:

(in thousands of Canadian dollars)	2009	2010	2011	2012	2013	After 2013	Total
Operating leases	$ 18,822	$ 10,141	$ 9,261	$ 8,305	$ 6,793	$ 21,572	$ 74,894
Capital leases	516	306	220	165	–	–	1,207
Purchase commitments	50,042	762	563	321	321	161	52,170
Total	$ 69,380	$ 11,209	$ 10,044	$ 8,791	$ 7,114	$ 21,733	$ 128,271

b) General

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. 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.

c) Leases

The future minimum capital lease payments are as follows:

(in thousands of Canadian dollars)	
Total future minimum lease payments	$ 1,354
Less: imputed interest	(147)
Balance of obligations under capital	1,207
Less: current portion	(516)
Long-term obligations under capital leases	$ 691

15. CAPITAL STOCK

As at December 31, the following shares were outstanding:

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

There are an unlimited number of Class A Subordinate Voting Shares ("Class A shares") and Class B Multiple Voting Shares ("Class B shares") authorized. Holders of 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. Holders of Class B shares are entitled to ten votes per share and these shares are convertible at any time into Class A shares on a one-for-one basis.

In 2008, the Company repurchased and cancelled 1,007,200 Class A shares (2007 –2,999,900) under the terms of a Normal Course Issuer Bid ("NCIB"). The $22.5 million (2007 – $81.8 million) excess of cost over stated capital of the acquired shares was charged to retained earnings. Under the terms of the NCIB, which was renewed on November 27, 2008, the Company is entitled to repurchase up to 4,900,000 Class A shares and up to 100,000 Class B shares between December 1, 2008 and November 30, 2009. The repurchase of shares is made on the open market at prevailing market prices.

16. CONTRIBUTED SURPLUS

(in thousands of Canadian dollars)	2008	2007
Balance, at beginning of year	**$ 11,729**	$ 10,603
Fair value of stock options exercised [note 15]	**(576)**	(1,639)
Stock-based compensation expense [note 18]	**3,359**	2,765
Balance, at end of year	**$ 14,512**	$ 11,729

17. STOCK OPTION PLANS

During 2008, the Company had two stock option plans, both of which were initiated in 2001. Under the Company's 2001 employee stock option plan (the "2001 Employee Plan"), which is a traditional stock option plan, the options granted have a term of ten years from the date of the grant. Exercises are 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 equals 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 equals the closing sale price of the Class A Subordinate Voting 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:

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

		Options Outstanding		**Options Exercisable**	
Range of Exercise Prices	**Outstanding at December 31, 2008**	**Weighted Average Remaining Contractual Life in Years**	**Weighted Average Exercise Price**	**Exercisable at December 31, 2008**	**Weighted Average Exercise Price**
$10.00 to $15.00	**474,966**	**4.41**	**$ 12.63**	**444,486**	**$ 12.73**
$15.01 to $20.00	**1,181,100**	**5.41**	**$ 16.84**	**791,304**	**$ 16.77**
$20.01 to $25.00	**40,000**	**6.50**	**$ 20.90**	**18,400**	**$ 21.03**
$25.01 to $30.00	**744,400**	**8.54**	**$ 27.62**	**69,560**	**$ 25.02**
$30.01 to $35.00	**30,000**	**9.01**	**$ 31.77**	**—**	**—**
	2,470,466			**1,323,750**	

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Outstanding at December 31, 2007	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at December 31, 2007	Weighted Average Exercise Price
$10.00 to $15.00	518,620	5.28	$ 12.69	387,616	$ 12.80
$15.01 to $20.00	1,259,760	6.36	$ 16.81	645,568	$ 16.71
$20.01 to $25.00	40,000	7.51	$ 20.90	11,200	$ 21.19
$25.01 to $30.00	355,600	9.01	$ 25.02	—	—
	2,173,980	—	—	1,044,384	—

18. STOCK-BASED COMPENSATION

The weighted average fair value of options granted during 2008 was $10.54 (2007 – $8.15). Compensation cost was calculated using the fair value of each stock option which was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

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

The compensation cost recognized in selling, general and administrative expenses for the year ended December 31, 2008 was $3.4 million (2007 – $2.8 million).

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

During 2008, the Canadian dollar weakened 24.5% (2007 strengthened 15.8%) against the U.S. dollar, weakened 17.1% (2007 strengthened 6.1%) against the Euro and strengthened 9.4% (2007 strengthened 14.2%) against the U.K. pound.

20. FOREIGN EXCHANGE GAINS AND LOSSES

Included in selling, general and administrative expenses are foreign exchange gains, primarily related to the translation of foreign currency cash and working capital balances, totaling $8.2 million (2007 – $475 thousand loss).

21. INTEREST INCOME (EXPENSE)

(in thousands of Canadian dollars)	2008	2007
Interest income on short-term deposits	**$ 1,895**	$ 10,224
Interest expense on bank indebtedness	**(2,518)**	(707)
Interest expense on long-term debt	**(5,036)**	(5,136)
	$ (5,659)	$ 4,381

22. INCOME TAXES

a) The income tax expense is comprised of:

(in thousands of Canadian dollars)	2008	2007
Current	**$ 45,813**	$ 46,524
Future	**11,777**	681
	$ 57,590	$ 47,205

b) The Company's effective income tax rate is composed of the following:

	2008	2007
Combined basic Canadian federal and provincial income tax rate	**33.5%**	36.1%
Canadian manufacturing and processing profits deduction	**(2.0)**	(2.0)
Expected rate	**31.5%**	34.1%
Tax rate differential on earnings of foreign subsidiaries	**(2.3)**	(2.1)
Benefit of previously unrecognized tax losses of foreign subsidiaries	**(0.6)**	(6.4)
Unrecognized tax losses of foreign subsidiaries	**1.3**	0.9
Permanent differences between accounting and taxable income	**1.3**	1.1
Other	**(1.8)**	1.1
	29.4%	28.7%

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

(in thousands of Canadian dollars)	2008	2007
Current future tax asset		
Provisions and future expenditures	$ 3,532	$ 1,884
Net operating losses carry forward	–	886
	3,532	2,770
Non-current future tax asset		
Amortizable property, plant and equipment	23,263	26,312
Provisions and future expenditures	7,480	1,439
Net operating losses carry forward non-current	785	3,828
Less: valuation allowance	(785)	(3,828)
	30,743	27,751
Total future tax asset	$ 34,275	$ 30,521
Non-current future tax liability		
Amortizable property, plant and equipment	$ 49,759	$ 21,213
Provisions and future expenditures	24,234	10,966
Other comprehensive income	–	5,360
Total future tax liability	$ 73,993	$ 37,539

The Company has income tax losses totaling $ nil (2007 – $3.0 million) carried forward for which tax benefits have been recorded as future tax assets and net operating losses of $2.6 million (2007 – $11.6 million) and capital losses of $19.7 million (2007 – $19.2 million) in various jurisdictions for which no future tax asset has been recognized. The operating losses will expire as follows, with the "Thereafter" category including losses which carry forward indefinitely, while the capital losses carry forward indefinitely:

(in thousands of Canadian dollars)	
2009	$ 404
2010	74
2011	1,082
2012	388
2013	68
Thereafter	602
Total	$ 2,618

23. DISCONTINUED OPERATIONS

On November 2, 2004, the Company announced its decision to close the Mobile, Alabama pipe coating facility (the "Mobile Facility") and by December 31, 2005, operations at the Mobile Facility had ceased. The Company adopted discontinued operation accounting treatment for the Mobile Facility in 2005. The Mobile Facility was part of the Pipeline and Pipe Services market segment.

The Company previously announced that it had reached a settlement of the Alabama lawsuit brought by Dirt, Inc. against Bredero Price Company, Bredero Shaw LLC, ShawCor Ltd. and Halliburton Energy Services, Inc., which resulted in the previously announced verdict of US$100 million in compensatory damages and punitive damages of US$2 million against each defendant plus interest. In 2007, the Company accrued $46.6 million for its share of the damages less anticipated tax recoveries of $16.3 million. The matter was settled, at a mediation ordered by the Alabama Supreme Court as part of the appeal proceedings, for a total of US$43.5 million against all parties. As a result of this settlement, in the second quarter of 2008, the Company reduced its reserves related to this lawsuit to $36.0 million, less anticipated income tax recoveries of $12.6 million. During the three months ended September 30, 2008, all amounts related to the settlement were paid.

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

(in thousands of Canadian dollars)	2008	2007
Revenue	$ –	$ –
Income (loss) from operations	17,960	(46,765)
Income tax expense (recovery)	6,949	(16,303)
Net gain (loss) from discontinued operations	$ 11,011	$ (30,462)
Cash flow used in operating activities	$ (35,750)	$ (3,135)
Net cash used in discontinued operations	$ (35,750)	$ (3,135)
Current assets	$ 12,256	$ 16,305
Current liabilities	455	51,265

24. EARNINGS PER SHARE

The Company calculates earnings per share ("EPS") based on Class A shares using the "if converted" method. The weighted average number of common shares for the purpose of the EPS calculations was as follows:

(number of shares)	2008	2007
Basic		
Class A	**57,846,083**	59,472,114
Class B	**13,060,209**	13,078,142
Total	**70,906,292**	72,550,256
Dilutive effect of stock options		
Class A	**645,897**	877,998
Class B	**–**	–
Total	**645,897**	877,998
Diluted		
Class A	**58,491,980**	60,350,112
Class B	**13,060,209**	13,078,142
Total	**71,552,189**	73,428,254

25. JOINT VENTURE OPERATIONS

The Company's joint venture operations have been accounted for through proportionate consolidation with the Company's share of each joint venture's assets, liabilities, revenue, expenses, net income and cash flows consolidated based on the Company's ownership position. The figures related to these joint ventures included in the Company's consolidated financial statements are summarized as follows:

(in thousands of Canadian dollars)	2008	2007
Revenue	**$ 121,021**	$ 65,213
Operating expenses	**90,363**	48,663
Net income before income taxes	**30,658**	16,550
Income taxes	**8,753**	2,016
Net income	**$ 21,905**	$ 14,534
Cash provided by (used in):		
Operating activities	**$ 18,224**	$ 6,805
Investing activities	**(3,913)**	(978)
Financing activities	**(15,942)**	(7,864)
Current assets	**30,892**	25,597
Property, plant and equipment	**16,452**	11,877
Goodwill	**4,251**	4,521
Current liabilities	**18,200**	17,103

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Categories of Financial Assets and Financial Liabilities

Under Canadian GAAP, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, derivatives and other financial liabilities. The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	Dec. 31, 2008	Dec. 31, 2007
Financial assets:		
Held for trading, measured at fair value		
Cash	**$ 78,932**	$ 122,655
Held to maturity, recorded at amortized cost		
Cash equivalents	**–**	52,362
Loans and receivables, recorded at amortized cost		
Accounts receivable	**307,933**	203,547
Taxes receivable	**9,261**	3,169
Available for sale, measured at fair value		
Long-term investments	**360**	2,589
Derivatives, measured at fair value		
Derivative financial instruments	**(1,526)**	1,508
Financial liabilities:		
Other liabilities, recorded at amortized cost:		
Bank indebtedness	**$ 15,418**	$ 107
Accounts payable and accrued liabilities	**193,675**	153,116
Taxes payable	**53,405**	32,030
Current portion of long-term debt	**30,672**	–
Long-term debt	**60,554**	72,726

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values. The Company's Senior Notes with a carrying value of $91.2 million (December 31, 2007 – $72.7 million) have a fair value estimated to be $90.9 million (December 31, 2007 – $74.9 million), based on current interest rates for debt with similar terms and maturities.

b) Foreign Exchange Forward Contracts and Other Hedging Arrangements

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions; however, at December 31, 2008, none of the Company's forward contracts outstanding had been designated as hedges.

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at December 31, 2008:

Maturity

(in thousands)	Dec. 31, 2008
U.S. dollars sold for Canadian dollars	
Less than one year	US$12,000
Weighted average rate	1.066
U.S. dollars sold for Euros	
Less than one year	US$3,160
Weighted average rate	1.4698
Euros sold for U.S. dollars	
Less than one year	EUR 4,300
Weighted average rate	1.4517
One year to two years	EUR 2,200
Weighted average rate	1.4465

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

c) Financial Risk Management

The Company's operations expose it to a variety of financial risks including: market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of Company management. Material risks are monitored and are regularly reported to the Board of Directors.

Foreign exchange risk

The majority of the Company's business is transacted outside Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As of December 31, 2008, fluctuations of ±5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, operating income from continuing operations and income from continuing operations for the year then ended by approximately $68.1 million, $15.3 million and $12.4 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total shareholders' equity by $41.6 million, $11.3 million and $30.3 million, respectively. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk from its underlying customer contracts. The Company does not enter into foreign exchange contracts for speculative purposes.

The Company's 5.11% Senior Notes and associated interest expense are denominated in U.S. dollars. Fluctuations in the exchange rate between the Canadian and the U.S. dollar would impact the carrying value of the Notes in terms of Canadian dollars as well as the amount of interest expense when translated into Canadian dollars. Effective July 3, 2003, the Company designated the Senior Notes as a hedge of a portion of its net investment in the Company's U.S. dollar based operations. Gains and losses from the translation of this debt are not included in the income statement, but are shown in accumulated other comprehensive income. As of December 31, 2008, fluctuations of ±5% in the Canadian dollar, relative to the U.S. dollar, would impact the Company's accumulated other comprehensive income by $3.8 million for the twelve months then ended.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures associated with the Company's foreign currency-denominated cash streams and the resulting variability of the Company's earnings. The Company utilizes foreign exchange forward contracts to manage this foreign exchange risk. The Company does not enter into foreign exchange contracts for speculative purposes. With the exception of the Company's U.S. dollar based operations, the Company does not hedge translation exposures.

Interest rate risk

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

(in thousands of Canadian dollars)		Fixed rate maturing in		
	Floating rate	1 year or less	Greater than 1 year	Total
Financial assets				
Cash and cash equivalents	$ 78,932	$ –	$ –	$ 78,932
Total	$ 78,932	$ –	$ –	$ 78,932
Weighted average fixed rate of cash equivalents	$ –	$ –	$ –	
Financial liabilities				
Bank indebtedness	$ 15,418	$ –	$ –	$ 15,418
Current portion of long-term debt	$ –	$ 30,672	$ –	$ 30,672
Long-term debt	$ –	$ –	$ 61,178	$ 61,178
Total	$ 15,418	$ 30,672	$ 61,178	$ 107,268
Weighted average fixed rate of debt	–	5.11%	5.11%	

The Company's interest rate risk arises primarily from its floating rate bank indebtedness, and is not currently considered to be material.

Credit risk

Credit risk arises from cash and cash equivalents held with banks, forward foreign exchange contracts and credit exposure of customers, including outstanding accounts receivable. The maximum credit risk is equal to the carrying value of the financial instruments.

The objective of managing counter party credit risk is to prevent losses in financial assets. The Company is subject to considerable concentration of credit risk since the majority of its customers operate within the global energy industry and are therefore affected to a large extent by the same macroeconomic conditions and risks. The Company manages this credit risk by assessing the credit quality of all counter parties, taking into account their financial position, past experience and other factors. Management also establishes and regularly reviews credit limits of counter parties and monitors utilization of those credit limits on an ongoing basis.

The carrying value of accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the income statement with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses.

The aging of trade accounts receivable and the balance of the allowance for doubtful accounts as of December 31, 2008 are as follows:

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

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

(in thousands of Canadian dollars)	Twelve Months Ended Dec. 31, 2008
Balance, beginning of period	$ 4,165
Bad debt expense	2,944
Write-offs of bad debts	(877)
Impact of change in foreign exchange rates	5
Balance, end of period	$ 6,237

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As of December 31, 2008, the Company had cash and cash equivalents totaling $78.9 million and had unutilized lines of credit available for use of $198.0 million. The following are the contractual maturities of the Company's financial liabilities as of December 31, 2008:

(in thousands of Canadian dollars)	Less than 30 days	30 to 90 days	90 to 365 days	1 to 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	$ 79,467	$ 50,761	$ 47,521	$ –	$ –	$ 177,749
Asset retirement obligations	–	–	15,926	1,567	6,499	23,992
Bank indebtedness	–	14,000	1,418	–	–	15,418
Long-term debt	–	–	30,672	61,178	–	91,850
Obligations under capital leases	43	86	387	691	–	1,207
Interest on financial instruments	433	867	2,893	3,194	–	7,387
Derivative financial instruments	396	420	1,233	–	–	2,049
Total	$ 80,339	$ 66,134	$ 100,050	$ 66,630	$ 6,499	$ 319,652

27. CAPITAL MANAGEMENT

The Company defines capital that it manages as the aggregate of its shareholders' equity and interest bearing debt. The Company's objectives when managing capital are to ensure that the Company will continue to operate as a going concern and continue to provide products and services to its customers, preserve its ability to finance expansion opportunities as they arise and provide returns to its shareholders.

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the underlying assets and business investment opportunities. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, or adjust the amount of cash, cash equivalents, bank indebtedness or long-term debt balances. The Company's capital is not subject to any capital requirements imposed by any regulators; however, it is limited by the terms of its credit facility and long-term debt agreements. Specifically, the Company is required to maintain a Fixed Charge Coverage Ratio (Earnings Before Interest, Taxes, Depreciation and Amortization ["EBITDA"] divided by interest expense) of more than 2.5 to 1 and a debt to total capitalization ratio of less than 0.45 to one. The Company's capital structure at December 31, 2008 was within the parameters established by these agreements.

28. SEGMENTED INFORMATION

The Company provides products and services to two general segments of the global energy industry: Pipeline and Pipe Services, and Petrochemical and Industrial. The Pipeline and Pipe Services segment is comprised of Bredero Shaw, which provides pipe coating, lining and insulation products; Flexpipe Systems, which provides spoolable composite pipe systems; Canusa-CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications; Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction and Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubulars. 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. Intersegment transactions are accounted for at negotiated transfer prices.

Financial information by operating segment for continuing operations is as follows:

(in thousands of Canadian dollars)	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Eliminations		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenue – customer	**1,239,893**	906,547	**139,684**	141,552	**–**	–	**–**	–	**1,379,577**	1,048,099
– intersegment	**–**	(3,120)	**2,285**	2,113	**–**	–	**(2,285)**	1,007	**–**	–
– total	**1,239,893**	903,427	**141,969**	143,665	**–**	–	**(2,285)**	1,007	**1,379,577**	1,048,099
Operating expenses	**976,252**	709,099	**116,438**	114,876	**16,091**	14,185	**(2,285)**	1,007	**1,106,496**	839,167
Amortization of property, plant and equipment	**57,624**	35,821	**5,196**	4,929	**1,177**	1,415	**–**	–	**63,997**	42,165
Research and development	**5,336**	4,575	**1,247**	1,038	**783**	1,153	**–**	–	**7,366**	6,766
	1,039,212	749,495	**122,881**	120,843	**18,051**	16,753	**(2,285)**	1,007	**1,177,859**	888,098
Income (loss) from operations	**200,681**	153,932	**19,088**	22,822	**(18,051)**	(16,753)	**–**	–	**201,718**	160,001
Interest income (expense), net	**–**	–	**–**	–	**(5,659)**	4,381	**–**	–	**(5,659)**	4,381
Income tax expense	**–**	–	**–**	–	**57,590**	47,205	**–**	–	**57,590**	47,205
Total assets	**1,358,697**	976,635	**87,726**	74,480	**814,913**	883,669	**(1,032,870)**	(971,170)	**1,228,466**	963,614
Goodwill	**209,547**	142,402	**20,002**	17,078	**–**	–	**–**	–	**229,549**	159,480
Additions to property, plant and equipment, net of disposals	**85,585**	86,340	**2,973**	2,535	**1,195**	2,248	**–**	–	**89,753**	91,123

Revenues and property, plant and equipment by geographic segment are as follows. The geographical segment is determined by the location of the Company's country of operation:

(in thousands of Canadian dollars)	Canada		United States and Latin America		Europe		Asia Pacific, Africa and Middle East		Eliminations		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenue												
– customer	**315,477**	289,393	**367,728**	293,028	**341,755**	228,351	**354,617**	237,327	**–**	–	**1,379,577**	1,048,099
– intersegment	**93,841**	66,807	**6,725**	5,840	**2,162**	2,389	**–**	–	**(102,728)**	(75,036)	**–**	–
– total	**409,318**	356,200	**374,453**	298,868	**343,917**	230,740	**354,617**	237,327	**(102,728)**	(75,036)	**1,379,577**	1,048,099
Property, plant and equipment, net	**152,885**	113,758	**44,990**	34,903	**20,710**	21,902	**89,150**	72,220	**–**	–	**307,735**	242,783
Goodwill	**73,852**	61,784	**34,035**	45,574	**78,868**	31,893	**42,794**	21,787	**–**		**229,549**	161,038
Total Assets	**1,036,667**	1,060,247	**398,763**	373,760	**229,712**	157,009	**739,872**	242,542	**(1,176,548)**	(873,232)	**1,228,466**	960,326

29. UPCOMING ACCOUNTING POLICY CHANGES

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

On February 13, 2008, The Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publicly accountable, profit-oriented enterprises for fiscal years beginning on or after January 1, 2011 and the Company will be required to report using IFRS beginning on that date. The Company has begun the process of evaluating the effect of and the planning for the transition to IFRS. The impact of the ultimate adoption of IFRS on the Company has not yet been finalized.

In January 2009, the AcSB issued the following new Handbook sections: 1582 – *Business Combinations*, 1601 – *Consolidations*, and 1602 – *Non-Controlling Interests*. These standards are effective January 1, 2011. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The Company is currently assessing the effect on its consolidated financial statements of the adoption of this accounting standard.

30. COMPARATIVE FIGURES

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year consolidated financial statements.

SIX YEAR REVIEW (Unaudited)

(in thousands of Canadian dollars except per share information)	2008	2007	2006	2005	2004	2003
		Restated (note 1)		Restated (note 2)	Restated (note 2)	Restated (note 2)
OPERATING RESULTS						
Revenue	**$ 1,379,577**	$ 1,048,099	$ 1,059,619	$ 1,012,453	$ 746,511	$ 699,339
EBITDA (note 3)	**265,963**	201,076	187,828	140,214	108,355	107,709
Net income (loss) for the year	**149,728**	87,357	92,635	138,840	(86,661)	24,351
Cash Flow						
Cash from operating activities	**$ 176,738**	$ 97,514	$ 189,877	$ 79,890	$ 72,132	$ 139,125
Purchases of property, plant and equipment	**89,799**	91,855	58,170	38,141	31,882	6,454
FINANCIAL POSITION						
Working capital	**$ 227,312**	$ 255,625	$ 341,375	$ 274,103	$ 153,452	$ 155,207
Long-term debt	**91,226**	72,726	87,480	87,210	90,360	97,095
Shareholders' equity	**733,575**	578,787	629,927	535,238	443,406	543,670
Total assets	**1,228,466**	963,614	1,008,026	919,846	805,437	826,996
PER SHARE INFORMATION						
(Class A and Class B)						
Net income (loss)						
Basic	**$ 2.12**	$ 1.20	$ 1.25	$ 1.85	$ (1.16)	$ 0.35
Diluted	**$ 2.09**	$ 1.19	$ 1.25	$ 1.85	$ (1.16)	$ 0.34
Dividends						
Class A	**$ 0.2525**	$ 0.23	$ 0.135	$ 0.09	$ 0.0808	$ 0.0808
Class B	**$ 0.22925**	$ 0.209	$ 0.1227	$ 0.0818	$ 0.0734	$ 0.0734
Shareholders' equity (note 4)	**$ 10.42**	$ 8.12	$ 8.51	$ 7.22	$ 5.91	$ 7.25

Note 1: Restated due to the adoption of EIC-172.
Note 2: Restated to exclude discontinued operations and to reflect the adoption of proportionate consolidation for the Company's investment in Arabian Pipecoating Company Limited.
Note 3: EBITDA is a non-GAAP measure calculated by adding back to income from continuing operations, reported income taxes, net interest income (expense) and amortization of property, plant and equipment, excluding the impact of non-controlling interest in non-wholly owned subsidiaries. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures prescribed by other companies. EBITDA is used by many analysts in the oil and gas industry as one of several important analytical tools.
Note 4: Shareholders' equity per share is a non-GAAP measure calculated by dividing shareholders' equity by the number of Class A and Class B shares outstanding at the date of the balance sheet.

QUARTERLY INFORMATION (Unaudited)

(in thousands of Canadian dollars except per share information)		First	Second	Third	Fourth	Total
Revenue	**– 2008**	**$ 293,357**	**$ 295,118**	**$ 357,249**	**$ 433,853**	**$ 1,379,577**
	– 2007	$ 221,329	$ 276,440	$ 264,892	$ 285,438	$ 1,048,099
Net income	**– 2008**	**$ 27,062**	**$ 32,760**	**$ 32,600**	**$ 57,306**	**$ 149,728**
	– 2007	$ 23,253	$ 30,219	$ 30,132	$ 3,753	$ 87,357
Net income per share (Class A and Class B)						
Diluted	**– 2008**	**$ 0.38**	**$ 0.46**	**$ 0.46**	**$ 0.81**	**$ 2.09**
	– 2007	$ 0.31	$ 0.41	$ 0.42	$ 0.05	$ 1.19

SHAWCOR DIRECTORS

Back Row (left to right) G.F. Hyland, L.W.J. Hutchison, M.K. Mullen, R.J. Ritchie, J.F. Petch, Q.C., D.C. Vaughn
Front Row (left to right) Z.D. Simo, E.C. Valiquette, J.W. Derrick, V.L. Shaw, W.P. Buckley, H.A. Shaw, P.G. Robinson

W.P. Buckley
Toronto, Ontario

Mr. Buckley is President and CEO of ShawCor Ltd., a position he has held since June 2005, and has been a Director of the Company since August 2005.

J.W. Derrick
Buffalo, New York

Mr. Derrick is Chief Executive Officer of Derrick Corporation, a position he has held since 1992, and has been a Director of ShawCor Ltd. since August 2007.

L.W.J. Hutchison
St. James, Barbados

Mr. Hutchison joined ShawCor in 1998 and is Managing Director of ShawCor Global Services Limited, a position he has held since November 2007, and has been a Director and Vice Chair of the Company since February 2008.

G.F. Hyland
Caledon, Ontario

Mr. Hyland has been a Director of the Company since December 1987 and was President and CEO of ShawCor Ltd. from December 1994 until his retirement in June 2005.

M.K. Mullen
Calgary, Alberta

Mr. Mullen is Chairman and Chief Executive Officer of Mullen Group Income Fund and has been a Director of ShawCor Ltd. since August 2003.

J.F. Petch Q.C.
Toronto, Ontario

Mr. Petch serves as Counsel to Osler, Hoskin & Harcourt LLP and has been a Director of ShawCor Ltd. since March 2005.

R.J. Ritchie
Calgary, Alberta

Mr. Ritchie was the President of the CP Rail Systems division of Canadian Pacific Limited from 1990 until 2001, retired as CEO and a Director of Canadian Pacific Railway Limited in 2006, and has been a Director of ShawCor Ltd. since April 1994.

P.G. Robinson
Toronto, Ontario

Mr. Robinson is President and General Manager of Litens Automotive Group, a position he has held since 2001, and has been a Director of ShawCor Ltd. since August 2001.

V.L. Shaw
St. James, Barbados

Ms. Shaw was elected Chair of the Board of ShawCor Ltd. in February 2007, was Vice Chair of the Board from August 2000 until February 2007, and has been a Director of the Company since April 1994.

H.A. Shaw

Ms. Shaw is the Executive Chair of Corus Entertainment, a position she has held since 1999, and has been a Director of ShawCor Ltd. since May 2008.

Z.D. Simo
Oakville, Ontario

Mr. Simo is a former President and CEO of Tecsyn International Inc. and has been a Director of ShawCor Ltd. since August 1987.

E.C. Valiquette
Cobden, Ontario

Ms. Valiquette was Senior Vice President and Chief Financial Officer of ING Canada Inc. from 2000 to 2002, was a management consultant from 2002 to 2004, and has been a Director of ShawCor Ltd. since March 2005.

D.C. Vaughn
The Woodlands, Texas

Mr. Vaughn was President and COO of Dresser Industries, Inc. from 1996 to 1999, was Vice Chairman of Haliburton Company from 1999 to 2001, and has been a Director of ShawCor Ltd. since November 2001.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") and management of the Company recognize that effective corporate governance is central to the prudent direction and operation of the Company in a manner that ultimately enhances shareholder value. The following discussion outlines the Company's system of corporate governance.

The business and affairs of the Company are managed under the supervision of the Board. The Board's duties consist of approval of strategic plans, approval of the Company's financial results, review of corporate risks identified by management and monitoring the Company's practices and policies for dealing with these risks, management succession planning, monitoring business practices and assessment of the integrity of the Company's internal controls, information and governance systems.

The Board ensures that a strategic planning process is in place, reviews and approves overall corporate strategies, assesses management's success in implementing the agreed strategies and reviews the results obtained. This is done regularly and through an annual special purpose Board Meeting held each year to review and approve the Company's strategic and annual business plan. The strategic plan is updated each year so that it always projects the next three-year period. Management reports to the Board quarterly, highlighting and commenting upon divisional performance compared with annual business plan forecasts and prior year results. As part of the strategic plan review process, management identifies and evaluates the principal risks of the Company's businesses and the Board ensures that management puts in place appropriate policies and procedures to manage those risks.

During 2008, the position of Lead Director was established and is currently being filled by John F. Petch. The Lead Director has responsibility to provide leadership to ensure that the Board functions independently of management of the Company and the non-independent Directors. In providing this leadership, the Lead Director promotes best practices and high standards of corporate governance, consistent with enhancing and promoting the effectiveness and performance of the Board. The Vice Chair of the Board, Leslie W.J. Hutchison, provides back-up to the Chair, Virginia L. Shaw.

The Audit, Compensation and Corporate Governance Committees of the Board are each comprised of independent Directors. The Executive Committee is comprised of the Chair, the Chief Executive Officer and three independent Directors. Nine of thirteen members of the Board are considered to be independent.

The corporate governance practices and policies of the Company have been developed under the general stewardship of the Corporate Governance Committee. The Committee believes that the corporate governance practices of the Company are appropriate for the Company. As a result of evolving laws, policies and practices, the Corporate Governance Committee regularly reviews these corporate governance practices and policies to ensure that the Company complies with all applicable requirements and implements best practices appropriate to its operations.

CORPORATE INFORMATION

Corporate Officers

V.L. Shaw
Chair of the Board

L.W.J. Hutchison
Vice Chair of the Board

W.P. Buckley
President and Chief Executive Officer

G.S. Love
Vice President, Finance and Chief Financial Officer

D.R. Ewert
Corporate Secretary

Operations Management

J.D. Tikkanen
President
Bredero Shaw

E.J. Boufarah
Vice President and General Manager, Middle East
Bredero Shaw

R.T. Davis
President
Flexpipe Systems

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

S.J. Edmondson
Vice President, Research & Development
ShawCor Ltd.

P.L. Evans
Senior Vice President, Asia Pacific
Bredero Shaw

F. Gallina
Vice President, Operations
ShawCor Ltd.

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

N.W. Gritis
Senior Vice President, Canada
Bredero Shaw

J.H. McTurnan
Vice President, Legal
ShawCor Ltd.

Y.F. Paletta
Senior Vice President, Americas
Bredero Shaw

P.A. Pierroz
Vice President, Human Resources
ShawCor Ltd.

G.R. Prentice
Vice President and General Manager
Shaw Pipeline Services

K.D. Reizer
Vice President and General Manager, Europe
Bredero Shaw

E.W. Reynolds
Vice President and General Manager
DSG-Canusa, ShawFlex

K.C Willson
Vice President and General Manager
Guardian

Primary Operating Locations

Pipeline and Pipe Services

Bredero Shaw

ShawCor Pipe Protection
3838 N. Sam Houston Pkwy. E.
Suite 300
Houston, Texas 77032
T: 281-886-2350
F: 281-886-2351

Shaw Pipe Protection
Two Executive Place
1824 Crowchild Trail N.W.
Calgary, Alberta T2M 3Y7
T: 403-263-2255
F: 403-264-3649

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

Bredero Shaw
#17-01/02 United Square
101 Thomson Road
Singapore 307591
T: 65-6732-2355
F: 65-6732-9073

Bredero Shaw
P.O. Box 1789
Suite 402, Al Reem Plaza
Buhairah Corniche
Sharjah, UAE
T: 971-6-573-7374
F: 971-6-573-7379

Flexpipe Systems
3501 54th Avenue S.E.
Calgary, Alberta T2C 0A9
T: 403-503-0548
F: 403-503-0547

Canusa-CPS
25 Bethridge Road
Toronto, Ontario M9W 1M7
T: 416-743-7111
F: 416-743-5927

Shaw Pipeline Services
4250 N. Sam Houston Pkwy. E.
Suite 180
Houston, Texas 77032
T: 832-601-0850
F: 281-442-1593

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

Petrochemical and Industrial

DSG-Canusa
25 Bethridge Road
Toronto, Ontario M9W 1M7
T: 416-743-7111
F: 416-743-7752

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

Mixed Sources

Product group from well-managed forests, controlled sources and recycled wood or fiber

FSC

www.fsc.org Cert no. SW-COC-001862

18 Trees preserved for the future

933 lbs of solid waste not generated

6,608 gallons of wastewater flow saved

1,739 lbs net of greenhouse gases prevented

12,000,000 BTUs energy not consumed

SHAWCOR

www.shawcor.com

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M9W 1M7

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Facsimile: 416.743.7199

Auditors
Ernst & Young LLP

Transfer Agent and Registrar
CIBC Mellon Trust Company

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
Monday, May 11, 2009
4:30 p.m.
The Fairmont Royal York Hotel
Toronto, Ontario
Canada