Shawcor Ltd.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2022

Shawcor Ltd.

Condensed Interim Consolidated Statements of Income (Loss) (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenue				
Sale of products	**$ 218,371**	$ 162,702	**$ 594,772**	$ 444,690
Rendering of services	**116,648**	128,691	**315,059**	431,929
	335,019	291,393	**909,831**	876,619
Cost of Goods Sold and Services Rendered	**237,540**	207,499	**653,422**	629,111
Gross Profit	**97,479**	83,894	**256,409**	247,508
Selling, general and administrative expenses	**60,418**	48,410	**167,918**	153,783
Research and development expenses	**2,264**	2,342	**6,776**	6,050
Foreign exchange (gains) losses	**(6,585)**	948	**(11,127)**	1,593
Depreciation and amortization	**16,442**	19,198	**51,397**	58,656
Gain on sale of land and other (note 6)	**–**	–	**(43,017)**	–
Impairment (note 12)	**–**	11,609	**20,269**	11,609
Restructuring costs (gains) and other, net (note 5)	**2,070**	(1,105)	**6,272**	7,491
Income from Operations	**22,870**	2,492	**57,921**	8,326
Loss on sale of operating unit (note 3)	**(5,932)**	–	**(5,932)**	–
Income from investments in associates	**–**	1,723	**–**	1,690
Finance costs, net (note 8)	**(6,495)**	(5,128)	**(16,902)**	(17,926)
Net monetary loss	**(5,805)**	(1,605)	**(9,182)**	(4,478)
Income (Loss) before Income Taxes	**4,638**	(2,518)	**25,905**	(12,388)
Income tax (recovery) expense (note 9)	**(18,365)**	5,919	**(9,929)**	9,249
Net Income (Loss)	**$ 23,003**	$ (8,437)	**$ 35,834**	$ (21,637)
Net Income (Loss) Attributable to:				
Shareholders of the Company	**$ 23,014**	$ (8,284)	**$ 36,424**	$ (21,009)
Non-controlling interests	**(11)**	(153)	**(590)**	(628)
Net Income (Loss)	**$ 23,003**	$ (8,437)	**$ 35,834**	$ (21,637)
Earnings (Loss) per Share ("EPS") (note 10)				
Basic	**$ 0.33**	$ (0.12)	**$ 0.52**	$ (0.30)
Diluted	**$ 0.33**	$ (0.12)	**$ 0.52**	$ (0.30)
Weighted Average Number of Shares Outstanding (000s) (note 10)				
Basic	**70,503**	70,479	**70,499**	70,463
Diluted	**70,616**	70,479	**70,578**	70,463

Shawcor Ltd.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net Income (Loss)	**$ 23,003**	$ (8,437)	**$ 35,834**	$ (21,637)
Other Comprehensive Income (Loss) to be Reclassified to Net Loss in Subsequent Periods				
Exchange differences on translation of foreign operations	**19,324**	14,348	**11,595**	(2,060)
Other comprehensive loss attributable to investments in associates	**–**	109	**–**	8
Net Other Comprehensive Income (Loss) to be Reclassified to Net Income (Loss) in Subsequent Periods	**19,324**	14,457	**11,595**	(2,052)
Other Comprehensive Income (Loss) not to be Reclassified to Net Income (Loss) in Subsequent Periods				
Actuarial gain on defined benefit plans	**102**	26	**219**	23
Income tax expense	**(25)**	(7)	**(53)**	(6)
Net Other Comprehensive Income not to be Reclassified to Net Income in Subsequent Periods	**77**	19	**166**	17
Other Comprehensive Income (Loss), Net of Income Tax	**19,401**	14,476	**11,761**	(2,035)
Total Comprehensive Income (Loss)	**$ 42,404**	$ 6,039	**$ 47,595**	$ (23,672)
Comprehensive Income (Loss) Attributable to:				
Shareholders of the Company	**$ 42,165**	$ 5,990	**$ 47,978**	$ (23,279)
Non-controlling interests	**239**	49	**(383)**	(393)
Total Comprehensive Income (Loss)	**$ 42,404**	$ 6,039	**$ 47,595**	$ (23,672)

Shawcor Ltd.
Condensed Interim Consolidated Balance Statement (Unaudited)

(in thousands of Canadian dollars)		September 30, 2022		December 31, 2021
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**124,194**	$	124,449
Accounts receivable		**217,146**		184,041
Contract assets (note 14)		**36,862**		39,545
Income taxes receivable		**7,412**		12,088
Inventory		**163,766**		122,740
Prepaid expenses		**15,663**		9,241
Derivative financial instruments (note 2)		**96**		150
Assets held for sale (note 7)		**42,627**		–
Total current assets		**607,766**		492,254
Non-current Assets				
Property, plant and equipment		**295,488**		311,354
Right-of-use assets		**46,594**		50,222
Intangible assets		**169,717**		172,428
Deferred income tax assets		**43,531**		20,839
Goodwill		**215,381**		215,540
Other assets		**4,157**		5,115
Total non-current assets		**774,868**		775,498
TOTAL ASSETS	**$**	**1,382,634**	$	1,267,752
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**230,488**	$	184,664
Provisions		**14,836**		14,938
Income taxes payable		**10,425**		14,414
Derivative financial instruments (note 2)		**747**		–
Contract liabilities (note 14)		**79,297**		27,630
Lease liabilities		**20,311**		13,391
Other liabilities		**15,920**		5,032
Liabilities associated with assets held for sale (note 7)		**14,354**		–
Total current liabilities		**386,378**		260,069
Non-current Liabilities				
Long-term debt (note 15)		**229,373**		292,140
Lease liabilities		**37,706**		41,048
Provisions		**13,134**		15,482
Contract Liabilities (note 14)		**12,268**		–
Employee future benefits		**11,019**		10,452
Deferred income tax liabilities		**6,887**		3,492
Other liabilities		**4,792**		2,996
Total non-current liabilities		**315,179**		365,610
Total liabilities		**701,557**		625,679
Equity				
Share capital (note 16)		**711,589**		720,993
Contributed surplus		**28,727**		27,914
Retained Deficit		**(94,373)**		(130,797)
Non-controlling interests		**2,415**		2,798
Accumulated other comprehensive income		**32,719**		21,165
Total equity		**681,077**		642,073
TOTAL LIABILITIES AND EQUITY	**$**	**1,382,634**	$	1,267,752

Shawcor Ltd.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Deficit	Non-controlling Interests	Accumulated Other Comprehensive Income	Total Equity
	$	$	$	$	$	$
Balance – December 31, 2021	**720,993**	**27,914**	**(130,797)**	**2,798**	**21,165**	**642,073**
Net Income (loss)	**–**	**–**	**36,424**	**(590)**	**–**	**35,834**
Other comprehensive income	**–**	**–**	**–**	**207**	**11,554**	**11,761**
Comprehensive Income (loss)	**–**	**–**	**36,424**	**(383)**	**11,554**	**47,595**
Compensation cost on exercised Restricted Share Units	**1,516**	**(1,516)**	**–**	**–**	**–**	**–**
Share-based compensation expense	**–**	**1,800**	**–**	**–**	**–**	**1,800**
Share repurchase (note 16)	**(10,920)**	**529**	**–**	**–**	**–**	**(10,391)**
Balance – September 30, 2022	**711,589**	**28,727**	**(94,373)**	**2,415**	**32,719**	**681,077**
Balance – December 31, 2020	719,615	26,494	(51,686)	3,995	18,275	716,693
Net loss	–	–	(21,009)	(628)	–	(21,637)
Other comprehensive income (loss)	–	–	–	235	(2,270)	(2,035)
Comprehensive loss	–	–	(21,009)	(393)	(2,270)	(23,672)
Compensation cost on exercised Restricted Share Units	1,330	(1,330)	–	–	–	–
Share-based compensation expense	–	2,199	–	–	–	2,199
Balance – September 30, 2021	720,945	27,363	(72,695)	3,602	16,005	695,220

Shawcor Ltd.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
Operating Activities				
Net income (loss)	**$ 23,003**	$ (8,437)	**$ 35,834**	$ (21,637)
Add (deduct) items not affecting cash				
Depreciation and amortization	**16,442**	19,198	**51,397**	58,656
Impairment (note 12)	**–**	11,609	**20,269**	11,609
Interest expense on right-of-use asset leases (note 8)	**807**	630	**1,914**	2,136
Share-based compensation and incentive-based compensation (note 11)	**9,466**	1,163	**14,873**	5,160
Deferred income taxes	**(20,396)**	4,320	**(17,370)**	1,989
Loss (gain) on disposal of property, plant and equipment (note 5)	**1,211**	(1,482)	**929**	(8,176)
Gains on sale of land and other (note 6)	**–**	–	**(43,017)**	–
Unrealized loss on derivative financial instruments	**402**	258	**801**	412
Income from investments in associates	**–**	(1,723)	**–**	(1,690)
Loss on sale of operating unit (note 3)	**5,932**	–	**5,932**	–
Other	**1,180**	150	**(122)**	1,053
Change in non-cash working capital and foreign exchange (note 13)	**31,563**	(8,687)	**(23,345)**	(27,085)
Cash Provided by Operating Activities	**$ 69,610**	$ 16,999	**$ 48,095**	$ 22,427
Investing Activities				
Increase in loans receivable	**–**	–	**–**	(500)
Purchase of property, plant and equipment	**(21,876)**	(5,882)	**(42,844)**	(15,175)
Proceeds on disposal of property, plant and equipment	**1,008**	367	**57,423**	7,151
Decrease in other assets	**–**	–	**–**	1,537
Proceeds from redemption of investment in associate	**–**	3,012	**–**	9,354
Proceeds from sale of operating unit (note 3)	**5,900**	–	**5,900**	–
Cash (Used in) Provided by Investing Activities	**$ (14,968)**	$ (2,503)	**$ 20,479**	$ 2,367
Financing Activities				
Increase in bank indebtedness	**1,058**	–	**1,058**	–
Repayment of bank indebtedness and long-term debt (note 15)	**(50,000)**	(35,000)	**(60,000)**	(110,265)
Repayment of long term debt finance cost	**(124)**	–	**(3,028)**	–
Repayment of lease liabilities	**(5,792)**	(5,420)	**(17,960)**	(15,814)
Repurchase of shares – Normal Course Issuer Bids	**(989)**	–	**(989)**	–
Cash Used in Financing Activities	**$ (55,847)**	$ (40,420)	**$ (80,919)**	$ (126,079)
Effect of Foreign Exchange on Cash and Cash Equivalents	**9,564**	2,843	**12,090**	3,684
Net increase (decrease) in Cash and Cash Equivalents	**8,359**	(23,081)	**(255)**	(97,601)
Cash and Cash Equivalents – Beginning of Period	**115,835**	139,994	**124,449**	214,514
Cash and Cash Equivalents – End of Period	**$ 124,194**	$ 116,913	**$ 124,194**	$ 116,913
Cash	**124,194**	116,276	**124,194**	116,276
Cash Equivalents	**–**	637	**–**	637
Total Cash and Cash Equivalents	**$ 124,194**	$ 116,913	**$ 124,194**	$ 116,913

Shawcor Ltd. Is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange under ticker symbol SCL. Shawcor Ltd., together with its wholly owned subsidiaries (collectively referred to as the "Company" or "Shawcor"), is a growth oriented, global material sciences company serving the Infrastructure, Energy, and Transportation markets. The Company operates through a network of fixed and mobile manufacturing and service facilities. Its three business segments, Composite Systems, Automotive & Industrial and Pipeline & Pipe Services enable responsible renewal and enhancement of critical infrastructure while lowering risk and environmental impact. The Company's business includes five operating units with manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 4.

The head office, principal address and registered office of the Company is 25 Bethridge Road, Toronto, Ontario, M9W 1M7, Canada.

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1 Basis of Financial Statement Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and thus should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2021 ("Annual Consolidated Financial Statements"). The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the Annual Consolidated Financial Statements.

Basis of Presentation

a) Statement of Compliance

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain current assets and financial instruments, which are measured at fair value, as explained in note 2 of the accounting policies in the Company's Annual Consolidated Financial Statements.

The condensed interim consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company's equity accounted interests in joint ventures and associates. The results of the subsidiaries acquired during the period are included from the date of the acquisition. Adjustments are made, where necessary, to the financial statements of the subsidiaries, joint arrangements and associates to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The condensed interim consolidated financial statements and accompanying notes as at and for the three and nine-month periods ended September 30, 2022 were authorized for issue by the Company's Board of Directors on November 12, 2022.

Recently adopted accounting policies are as follows:

b) Non-Current Assets Held for Sale

Assets and liabilities are classified as held for sale if their carrying amounts are expected to be recovered through a disposition rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset or disposal group and the sale is expected to be completed within one year from the date of the classification. The assets or disposal groups are measured at the lower of their carrying amount and estimated fair value less costs of disposal. Impairment losses on initial classification as well as subsequent gains or losses on remeasurement are recognized in Depreciation, Amortization, and Impairment. When the assets or disposal groups are sold, the gains or losses on the sale are recognized in Gain (Loss) on Disposal of Assets. Assets classified as held for sale are not depreciated or amortized.

c) Use of Estimates and Judgements

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these condensed interim consolidated financial statements, are described in note 2 of the Company's Annual Consolidated Financial Statements.

2 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	September 30, 2022	December 31, 2021
Loans and Receivables, Measured at Amortized Cost		
Cash and cash equivalents	**$ 124,194**	$ 124,449
Accounts receivable	**217,146**	184,041
Loans receivable	**543**	891
Deposit guarantee	**161**	246
Fair Value through Profit or Loss		
Derivative financial instruments – assets	**96**	150
Derivative financial instruments – liabilities	**747**	–
Financial Liabilities, Measured at Amortized Cost		
Accounts payable	**96,188**	82,459
Long-term debt (note 15)	**229,373**	292,140

Fair Value

IFRS 13, *Fair Value Measurement*, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those that reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs which are used to measure fair value fall into the following three levels of the fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical instruments that are observable.
- Level 2 – Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

The fair values of the cash and cash equivalents, accounts receivable, loans receivable, and accounts payable approximate their carrying values due to the relatively short-term maturity of these financial instruments.

The following table presents the fair value of financial assets and liabilities in the fair value hierarchy as at September 30, 2022:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Deposit guarantee	**161**	**–**	**161**	**–**
Derivative financial instruments	**96**	**–**	**96**	**–**
	$ 257	**$ –**	**$ 257**	**$ –**
Liabilities				
Long-term debt (note 15)	**$ 229,373**	**$ –**	**$ 229,373**	**$ –**
Derivative financial instruments	**747**	**–**	**747**	**–**
	$ 230,120	**$ –**	**$ 230,120**	**$ –**

The fair value of the Senior Notes, unsecured approximates the carrying amount as the fixed interest rate approximates the market rate of interest as at September 30, 2022.

The derivative financial instruments relate to foreign exchange forward contracts entered into by the Company (as described below) and are valued by comparing the rates at the time the derivatives are acquired to the period-end rates quoted in the market.

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange risk 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 the Company's management. Material risks are monitored and are regularly reported to the Board.

Market Risk

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in many countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are denominated 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 amounts are translated into Canadian dollars. As at September 30, 2022, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the nine-month period ended September 30, 2022 by approximately $29.1 million, $1.2 million, and $1.0 million, respectively, prior to foreign exchange forward contract activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by approximately $41.7 million, $14.7 million, and $27.0 million, respectively, as at September 30, 2022.

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 forward contracts for speculative purposes. With the exception of the Company's US dollar-based operations, the Company does not hedge translation exposures.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates.

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:

(in thousands, except weighted average rate amounts)	**September 30, 2022**	December 31, 2021
US dollars sold for Euros		
Less than one year	**US$13,885**	US$20,519
Weighted average rate	**0.98**	0.88
Canadian dollars sold for British pounds		
Less than one year	**CA$8,479**	CA$9,374
Weighted average rate	**0.65**	0.59

The Company does not apply hedge accounting to account for its foreign exchange forward contracts.

As at September 30, 2022, the Company had notional amounts of $27.5 million of foreign exchange forward contracts outstanding (December 31, 2021 – $35.4 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling $0.7 million (December 31, 2021 – $0.2 million net gain).

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at September 30, 2022:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Standard letters of credit for performance, bid and surety bonds (note 15)	**$ 67,243**	**$ –**	**$ –**	**$ 67,243**
Long-term debt (note 15)	**–**	**88,000**	**150,000**	**238,000**
	$ 67,243	**$ 88,000**	**$ 150,000**	**$ 305,243**

The Company's interest rate risk arises primarily from the floating rate on its Credit Facility and is not currently considered to be material.

Credit Risk

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

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 at September 30, 2022, the Company had cash and cash equivalents totalling $124.2 million (December 31, 2021 – $124.4 million) and had unutilized lines of credit available of $400.6 million (December 31, 2021 – $261.9 million) subject to covenant restrictions.

3 Sale of Operating Unit

On September 1, 2022, the Company sold 100% of the controlling interest in Lake Superior Consulting ("LSC") for the purchase price of $5.9 million (or U.S.$4.5 million) to a group of buyers which included LSC management personnel. The sale of this operating unit resulted in a loss of $5.9 million (or U.S. $4.5 million). The LSC business, reported within the Company's Pipeline and Pipe Services ("PPS") segment, offers engineering, consulting and field inspection services to the US onshore pipeline and broader energy infrastructure markets.

Details of sale of operating units (in thousands of Canadian dollars)		2022
Purchase price	$	5,900
Costs related to sale		(1,527)
Carrying amount of net assets sold		(10,305)
Loss on Sale of Operating Unit	$	(5,932)

4 Segment Information

Shawcor's operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ("CODM") in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on segment operating income or loss, which is measured differently than income from operations in the condensed interim consolidated financial statements. Income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at September 30, 2022, the Company had three reportable operating segments: Composite Systems, Automotive and Industrial, and Pipeline and Pipe Services. Inter-segment transactions among Composite Systems, Automotive and Industrial, and Pipeline and Pipe Services are accounted for at negotiated transfer prices. The aggregation of the reportable segments is based on the customers and markets that the Company services. The Company sold its Lake Superior Consulting operating unit at the end of August 2022 which was included in the Pipeline and Pipe Services segment. The three reportable operating segments remain unchanged from what has been reported on note 7 of the Annual Consolidated Financial Statements.

Segment

The following table sets forth information by segment for the three months ended September 30:

			2022			
(in thousands of Canadian dollars)	**Composite Systems**	**Automotive and Industrial**	**Pipeline and Pipe Services**	**Financial and Corporate**	**Eliminations and Adjustments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	**147,310**	**81,072**	**106,637**	**–**	**–**	**335,019**
Inter-Segment	**386**	**–**	**192**	**–**	**(578)**	**–**
Total Revenue	**147,696**	**81,072**	**106,829**	**–**	**(578)**	**335,019**
Income (Loss) from Operations	**21,747**	**13,727**	**(9,549)**	**(3,055)**	**–**	**22,870**
Additions to property, plant and equipment, net of disposals	**3,900**	**747**	**17,022**	**166**	**–**	**21,835**

			2021			
(in thousands of Canadian dollars)	Composite Systems	Automotive and Industrial	Pipeline and Pipe Services	Financial and Corporate	Eliminations and Adjustments	Total
	$	$	$	$	$	$
Revenue						
External	102,394	71,370	117,629	–	–	291,393
Inter-Segment	802	–	128	–	(930)	–
Total Revenue	103,196	71,370	117,757	–	(930)	291,393
Income (loss) from Operations	7,573	11,458	(13,243)	(3,296)	–	2,492
Additions to property, plant and equipment, net of disposals	1,095	1,842	(494)	191	–	2,634

The following table sets forth information by segment for the nine months ended September 30:

(in thousands of Canadian dollars)	**2022** Composite Systems	Automotive and Industrial	Pipeline and Pipe Services	Financial and Corporate	Eliminations and Adjustments	Total
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	**387,579**	**238,558**	**283,694**	**–**	**–**	**909,831**
Inter-Segment	**1,973**	**82**	**596**	**–**	**(2,651)**	**–**
Total Revenue	**389,552**	**238,640**	**284,290**	**–**	**(2,651)**	**909,831**
Income (loss) from Operations	**38,142**	**43,446**	**(48,223)**	**24,556**	**–**	**57,921**
Additions to property, plant and equipment, net of disposals	**9,280**	**3,899**	**27,243**	**(2,912)**	**–**	**37,510**
As at September 30, 2022						
Goodwill	**141,968**	**15,802**	**57,611**	**–**	**–**	**215,381**
Total assets	**611,906**	**172,326**	**408,071**	**242,058**	**(51,727)**	**1,382,634**
Total liabilities	**168,041**	**63,806**	**237,697**	**229,464**	**2,549**	**701,557**

(in thousands of Canadian dollars)	2021 Composite Systems	Automotive and Industrial	Pipeline and Pipe Services	Financial and Corporate	Eliminations and Adjustments	Total
	$	$	$	$	$	$
Revenue						
External	270,271	201,770	404,578	–	–	876,619
Inter-Segment	802	13	252	–	(1,067)	–
Total Revenue	271,073	201,783	404,830	–	(1,067)	876,619
Income (loss) from Operations	16,391	32,413	(24,944)	(15,534)	–	8,326
Additions to property, plant and equipment, net of disposals	3,173	4,163	2,654	449	–	10,439
As at December 31, 2021						
Goodwill	142,544	16,992	56,004	–	–	215,540
Total assets	574,220	155,008	421,423	169,323	(52,222)	1,267,752
Total liabilities	144,711	50,032	166,570	261,557	2,809	625,679

Geographical Segment Revenue Information

The table below sets forth, by geographical region, revenue for the following periods for the Composite Systems Segment:

	Three Months Ended		**Nine Months Ended**	
(in thousands of Canadian dollars)	**September 30, 2022**	September 30, 2021	**September 30, 2022**	September 30, 2021
North America	**$ 147,269**	$ 102,355	**$ 388,164**	$ 267,743
Latin America	**–**	404	**–**	1,705
EMEA[(a)]	**299**	435	**1,238**	1,487
Asia Pacific	**128**	2	**150**	138
Total revenue	**$ 147,696**	$ 103,196	**$ 389,552**	$ 271,073

(a) Refers to the Europe, Middle East, and Africa geographic region. The EMEA geographic location group was previously referred to by the Company as EMAR (Europe, Middle East, Africa and Russia). The Company has updated this group reference to more appropriately reflect the geographic locations where the Company conducts its business and where the majority of the customers are.

The table below sets forth, by geographical region, revenue for the following periods for the Automotive and Industrial Segment:

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021
North America	**$ 58,829**	$ 49,901	**$ 168,953**	$ 131,586
EMEA	**18,124**	17,985	**58,104**	59,590
Asia Pacific	**4,119**	3,484	**11,583**	10,607
Total revenue	**$ 81,072**	$ 71,370	**$ 238,640**	$ 201,783

The table below sets forth, by geographical region, revenue for the following periods for the Pipeline and Pipe Services Segment:

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021
North America	**$ 57,704**	$ 68,613	**$ 161,568**	$ 193,878
Latin America	**18,211**	13,019	**35,794**	60,263
EMEA	**21,408**	31,883	**66,844**	123,645
Asia Pacific	**9,506**	4,242	**20,084**	27,044
Total revenue	**$ 106,829**	$ 117,757	**$ 284,290**	$ 404,830

5 Restructuring Costs and Other, Net

In the three months ended September 30, 2022, the Company recorded restructuring costs of $2.1 million, as a result of a leased facility exit in Edmonton, Canada and other restructuring activities (nine months ended September 30, 2022 – $6.3 million, net of a gain of $0.7 million from the sale of assets related to site closure).

In the three months and nine months ended September 30, 2021, the Company incurred $1.1 million gain and $7.5 million loss in restructuring and severance related costs, respectively. These costs are net of gains from the sale of scrap, land, and retirement of decommissioning liabilities that result from the shutdown of sites and related restructuring activities of $1.3 million for the three months ended September 30, 2021 and $7.0 million for the nine months ended September 30, 2021.

6 Gain on sale of Land and Other

On June 28, 2022 the Company finalized the sale and leaseback agreement of its Rexdale facility in Toronto, Canada. The sale generated proceeds of $49.5 million, net of selling costs. As part of this sale transaction, the Company entered into a three-year lease to facilitate operational continuity while the Company relocates to a modernized location in the Greater Toronto Area. After accounting for the leaseback adjustment, the Company recorded an accounting gain of $39.2 million. The Company recognized a lease liability of $6.9 million and ROU asset of $0.5 million.

Additionally, in the second quarter of 2022, the Company generated proceeds of $5.0 million and a gain of $3.8 million from the sale of assets and exit from the Global Poly product line, which was previously part of the Composite Systems reporting segment.

7 Assets Held for Sale

As at September 30, 2022, the Company had reclassified the assets and liabilities related to the Socotherm Americas (Argentina) and Oilfield Asset Management operating units as assets held for sale. Shawcor has entered into definitive agreements for the sale of these assets and the liabilities associated with these operating units. The Company anticipates the completion of these sales to occur before the end of 2022. The Socotherm Americas (Argentina) and Oilfield Asset Management operating units are reported within the Pipeline and Pipe Services and Composite Systems segments respectively.

The table below details the assets and liabilities of the businesses that were held for sale as at September 30, 2022:

(in thousands of Canadian dollars)	Oilfield Asset Management	Socotherm Americas (Argentina)	Total
	$	$	$
Assets			
Cash and cash equivalents	–	390	390
Accounts receivable	10,273	5,763	16,036
Income taxes receivable	–	832	832
Contract assets	1,663	5,264	6,927
Inventory	5,003	4,167	9,170
Prepaid expenses	282	188	470
Property, plant and equipment, net	5,260	1,458	6,718
Right-of-use assets	2,084	–	2,084
Total assets held for sale	**24,565**	**18,062**	**42,627**
Liabilities			
Accounts payable and accrued liabilities	5,871	6,100	11,971
Provisions	287	872	1,159
Contract liabilities	–	1,224	1,224
Total liabilities associated with assets held for sale	**6,158**	**8,196**	**14,354**

8 Finance Costs

The following table sets forth the Company's finance costs for the following periods:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
Interest income	**$ (264)**	$ (37)	**$ (438)**	$ (158)
Interest expense on bank indebtedness/long-term debt	**4,774**	3,258	**13,789**	12,293
Interest expense, other	**1,178**	1,277	**1,637**	3,655
Interest expense on ROU asset leases	**807**	630	**1,914**	2,136
Finance Costs – net	**$ 6,495**	$ 5,128	**$ 16,902**	$ 17,926

9 Income Taxes

The following table sets forth a reconciliation of the Company's effective income tax rate for the nine months ended September 30:

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
Expected income tax expense based on statutory rate	**$ 1,128**	$ (633)	**$ 6,302**	$ (3,116)
Tax rate differential on earnings of foreign subsidiaries	**(33)**	(38)	**1,067**	645
Benefit of previously unrecognized tax losses	**(16,623)**	(125)	**(20,378)**	(1,519)
Deferred tax not recognized	**(2,556)**	4,475	**5,101**	8,760
Adjustment to prior year provisions	**(665)**	501	**(1,272)**	668
Non-deductible amounts	**(1,552)**	536	**(5,199)**	1,322
Withholding taxes	**204**	350	**488**	725
Argentina hyperinflation adjustment	**1,575**	690	**3,132**	2,090
Foreign exchange impact on non-monetary assets	**(70)**	203	**(384)**	181
Movement in uncertain tax positions	**58**	(123)	**1,426**	(660)
State tax and other	**169**	83	**(212)**	153
Income tax (recovery) expense	**$ (18,365)**	$ 5,919	**$ (9,929)**	$ 9,249

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

In the third quarter of 2022 a deferred tax asset of $16.6M (third quarter of 2021 - $0.1M) has been recorded in excess of the reversing taxable temporary differences. Income projections support the conclusion that the realization of the deferred tax asset is probable and, consequently, it has been recognized.

10 Income (loss) Per Share

The following table details the weighted average number of shares outstanding for the purposes of calculating basic and diluted EPS:

(in thousands of Canadian dollars, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021[(a)]	**2022**	2021[(a)]
Net income (loss) (attributable to shareholders of the Company) for the period	**$ 23,014**	$ (8,284)	**$ 36,424**	$ (21,009)
Weighted average number of shares outstanding – basic (000s)	**70,503**	70,479	**70,499**	70,463
Basic EPS	**$ 0.33**	$ (0.12)	**$ 0.52**	$ (0.30)
Net income (loss) (attributable to shareholders of the Company) for the period	**$ 23,014**	$ (8,284)	**$ 36,424**	$ (21,009)
Weighted average number of shares outstanding – diluted (000s)	**70,616**	70,479	**70,578**	70,463
Diluted EPS	**$ 0.33**	$ (0.12)	**$ 0.52**	$ (0.30)

(a) All potentially dilutive instruments are anti-dilutive in the three months and nine months ended September 30, 2021 and therefore are not included in the calculation of EPS.

11 Share-based and Other Incentive-based Compensation

The Company employs a number of long-term incentive plans that include a stock option plan without Tandem Share Appreciation Rights, a stock option plan with Tandem Share Appreciation Rights (SARs), a Value Growth Plan ("VGP"), an Employee Share Unit Plan ("ESUP"), a Restricted Share Unit ("RSU"), a Performance Share Units ("PSU"), a Performance Incentive Plan ("PIP"), a Deferred Share Unit Plan ("DSU") and Shawcor Ltd. Performance Plan ("SPSP").

The following tables summarize the information related to these plans and set forth the incentive-based compensation expense (recovery) for the period indicated.

(in thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
Stock option expense	**$ 202**	$ 332	**$ 702**	$ 952
VGP expense (recovery)	**29**	(335)	**151**	(2,170)
DSU expense	**2,093**	185	**3,205**	2,319
RSU expense	**319**	416	**1,096**	1,247
SARs expense	**101**	71	**325**	299
PIP (recovery) expense	**(7)**	66	**20**	268
SPSP expense	**6,729**	428	**9,374**	2,245
Total share-based and other incentive-based compensation expense	**$ 9,466**	$ 1,163	**$ 14,873**	$ 5,160

Nine Months Ended September 30, 2022								
	Stock Options without Tandem Share Appreciation Rights ("SARs")		**Stock Options with Tandem Share Appreciation Rights**		**Restricted Share Units and Performance Share Units**		**Deferred Stock Units**	
	Total Shares	**Weighted Average Exercise Price**	**Total Shares**	**Weighted Average Share Price[(a)]**	**Total Shares**	**Weighted Average Share Price[(b)]**	**Total Shares**	**Weighted Average Share Price[(b)]**
Balance Outstanding – Beginning of Period	**1,538,901**	**$ 18.41**	**557,735**	**$ 6.83**	**676,695**	**$ 16.86**	**622,599**	**$ 15.11**
Granted	**65,819**	**4.91**	**178,297**	**4.91**	**202,597**	**4.85**	**166,499**	**6.06**
Exercised	**–**	**–**	**–**	**–**	**(80,427)**	**17.81**	**(140,113)**	**5.13**
Cancelled/Forfeited	**–**	**–**	**–**	**–**	**(5,815)**	**11.91**	**–**	**–**
Expired	**–**	**–**	**–**	**–**	**(2,037)**	**30.67**	**–**	**–**
Balance Outstanding – End of Period	**1,604,720**	**$ 17.86**	**736,032**	**$ 6.37**	**791,013**	**$ 13.68**	**648,985**	**$ 14.95**
Exercisable	**898,550**	**$ 23.89**	**325,908**	**$ 7.66**	**265,371**	**$ 25.12**	**–**	**$ –**

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.
(b) RSU, PSU, and DSU awards do not have an exercise price; their weighted average Share Price is the weighted average trading price of the common shares over the five trading days preceding the grant date.

The Board of Directors approved the granting of 65,819 stock options during the nine-month period ended September 30, 2022 (September 30, 2021 – 308,249) under the 2001 Employee Plan. The total fair value of the stock options granted during the nine-month period ended September 30, 2022 was $0.2 million (nine-month period ended September 30, 2021 – $1.6 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

	September Months Ended September 30,	
	2022	2021
Weighted average share price	**$ 4.91**	$ 7.48
Weighted average exercise price	**$ 4.91**	$ 7.48
Weighted average expected life of options	**6.25**	6.25
Weighted average expected stock price volatility	**68.8%**	88.3%
Weighted average expected dividend yield	**0.00%**	0.00%
Weighted average risk-free interest rate	**1.67%**	1.21%

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the expected life of the options.

The fair value of options granted will be amortized to compensation expense over the five-year vesting period of the options. The compensation cost from the amortization of stock options for the nine-month period ended September 30, 2022, included in selling, general and administrative expenses, was $0.7 million (nine-month period ended September 30, 2021 – $1.0 million).

The mark-to-market liability for the stock options with SARs as at September 30, 2022 is $0.4 million (December 31, 2021 – $0.1 million), all of which is included in current other liabilities on the condensed interim consolidated balance sheets.

The mark-to-market liability for the DSUs as at September 30, 2022 is $5.5 million (December 31, 2021 – $3.1 million), all of which is included in current other liabilities on the condensed interim consolidated balance sheet.

The VGP liability as at September 30, 2022 is $0.6 million (December 31, 2021 – $0.7 million).

SPSP

The SPSP is a cash-based awards plan, which seeks to further align the interests of employees with those of the shareholders of the Company and associates a portion of the compensation of executives and key employees with the returns achieved by the shareholders. In 2022, the units granted to participants are broken up into three equal tranches that vest on January 3 of three subsequent years. The value of the units is determined based on Shawcor's share performance as of the vesting date. The plan also includes a Total Shareholder Return ("TSR factor"), which modifies the unit value based on Shawcor's share performance compared to its peer group. Compensation cost is recognized over the vesting periods and adjusted based on Shawcor's share price. All units granted under the SPSP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The SPSP liability as at September 30, 2022 is $10.7 million (December 31, 2021 – $2.0 million).

12 Impairment

2022

The Company reviews its long-lived assets for impairment whenever events or circumstances indicate potential impairment. As a result of the evaluations performed in support of its strategy of portfolio optimization, the Company determined that the recoverable amounts, based on fair value less cost to dispose ("FVLCD"), of the Shaw Pipeline Services cash generating unit, the ("SCGU"), and the Composite Production Systems Plant in Saudi Arabia were less than their respective carrying amounts. The FVLCD was categorized as Level 3 fair value measurement.

The Company also concluded that the recoverable amounts, based on FVLCD indicated by the sale price of the Lake Superior Consulting cash generating unit and the quoted prices in active markets for the Oilfield Asset Management cash generating unit, and Socotherm Americas (Argentina) cash generating unit, were less than their respective carrying amounts. As such, impairments of property, plant and equipment, and intangible assets were recorded. The FVLCD was categorized as Level 3 fair value measurement.

Indicators of impairment did not exist for cash generating units of the Company not listed above and as such no impairment tests were required for these during the nine months period ended September 30, 2022.

The following table sets forth the Company's impairment charges for the nine-months ended September 30, 2022:

(in thousands of Canadian dollars)	**Pipeline and Pipe Services**	**Composite Production Systems**	**Oilfield Asset Management**	**Shaw Pipeline Services**	**Total**
Impairment of property, plant and equipment	**$ 4,846**	**$ 1,132**	**$ 6,161**	**$ 8,063**	**$ 20,202**
Impairment of intangible assets	**–**	**–**	**–**	**67**	**67**
Total Impairment	**$ 4,846**	**$ 1,132**	**$ 6,161**	**$ 8,130**	**$ 20,269**

13 Supplemental Cash Flow Information

The following table sets forth the supplemental cash flow information on net change in non-cash working capital and foreign exchange for the following periods:

	Three Months Ended		**Nine Months Ended**	
(in thousands of Canadian dollars)	**September 30, 2022**	September 30, 2021	**September 30, 2022**	September 30, 2021
Accounts receivable	**$ (10,402)**	$ (17,866)	**$ (56,641)**	$ (27,589)
Inventories	**(7,433)**	(2,981)	**(50,196)**	(2,538)
Prepaid expenses	**(5,175)**	(5,546)	**(7,558)**	(2,535)
Contract assets	**(19,282)**	11,834	**(12,005)**	18,929
Contract liabilities	**36,900**	2,517	**53,011**	(7,464)
Accounts payable, accrued liabilities, income taxes, and other liabilities	**46,221**	3,379	**70,848**	(1,634)
Foreign exchange losses and other	**(9,266)**	(24)	**(20,804)**	(4,254)
Total change in non-cash working capital	**$ 31,563**	$ (8,687)	**$ (23,345)**	$ (27,085)

14 Contract Balances

Contract assets represent costs incurred and recorded margins on service contracts in the amount of $36.9 million and $39.5 million as at September 30, 2022 and December 31, 2021, respectively.

Contract liabilities represent obligations to perform services or deliver products in the future for cash considerations that have been received from customers. Contract liabilities were as follows, as at:

(in thousands of Canadian dollars)		**September 30, 2022**		December 31, 2021
Composite Systems	**$**	**5,623**	$	6,180
Automotive and Industrial		**354**		890
Pipeline and Pipe Services		**85,587**		20,559
	$	**91,565**	$	27,630
Of which current	**$**	**79,297**	$	27,630
Of which non-current		**12,268**		–
Total Contract Liabilities	**$**	**91,565**	$	27,630

15 Long-term Debt and Credit Facilities

The following table sets forth the Company's total long-term debt as at:

(in thousands of Canadian dollars)		**September 30, 2022**		December 31, 2021
Credit facility	**$**	**88,000**	$	148,000
Senior Notes, unsecured		**150,000**		150,000
Deferred transaction costs		**(8,627)**		(5,860)
Total Long-term Debt	**$**	**229,373**	$	292,140

The Company was in full compliance with financial covenants as at September 30, 2022.

Credit Facilities

The following table sets forth the Company's total credit facilities as at:

(in thousands of Canadian dollars)		**September 30, 2022**		December 31, 2021
Borrowings on Credit Facility	**$**	**88,000**	$	148,000
Standard letters of credit for financial guarantees, performance and bid bonds		**67,243**		44,096
Total utilized credit facilities	**$**	**155,243**	$	192,096
Total available credit facilities[(a)]		**555,887**		453,956
Unutilized Credit Facilities[(b)]	**$**	**400,644**	$	261,860

(a) The Company guarantees the bank credit facilities of its subsidiaries.
(b) Subject to covenant restrictions

Credit Facility Renewal

On January 13, 2022, the Company amended its Credit Facility with Toronto-Dominion Bank and National Bank Financial as co-lead arrangers and HSBC Bank Canada, JP Morgan Chase Bank and Export Development Bank as lenders. The amended Credit Facility provides for a US$300 million, four-year senior secured revolving facility maturing January 13, 2026. The Company will pay a floating interest rate on this Credit Facility that is a function of the Company's Net Debt to EBITDA, and before foreign exchange gains or losses and non-recurring and one-time items. The Company is required to maintain an Interest Coverage Ratio of not less than 2.50:1.00 and a Secured Net Debt to Adjusted EBITDA covenant (the "Secured Leverage Ratio") of not greater than 2.75:1.00. For calculating the Secured Leverage Ratio, Secured Net Debt excludes the Senior Notes and the first $100 million of performance and bid bond letters of credit and all standard letters of credit that are guaranteed by EDC. The Company incurred fees and expenses of $1.9 million to implement this renewal.

Senior Notes

On December 10, 2021, the Company closed a private placement offering through a syndicate of underwriters led by National Bank Financial and TD Securities, of $150 million principal amount of 9.00% senior unsecured notes due 2026. The Senior Notes were issued at a price of $1,000 per $1,000 principal amount of Senior Notes. Shawcor used the net proceeds of the Offering to repay amounts outstanding under its existing syndicated Credit Facility. The Notes are subject to customary terms, conditions and covenants.

16 Share capital

There are an unlimited number of common shares authorized. Holders of common shares are entitled to one vote per share. All shares have been issued and fully paid and have no par value.

On September 21, 2022 the Company announced that the Toronto Stock Exchange approved a normal course issuer bid ("NCIB") permitting the purchase for cancellation of up to 5.69 million SCL common shares. Purchases under the NCIB commenced on September 26, 2022 and may continue until September 25, 2023, when the NCIB expires, or such earlier date as the Company completes its purchases. As at September 30, 2022, the Company had repurchased 246,100 shares. These shares had a carrying value of $10.24, out of which $8.09 paid was recorded in common shares and $2.15 was recorded in contributed surplus in the Consolidated Statements of Changes in Equity. Also on September 28, 2022, the Company initiated the application of the automatic repurchase plan ("ASPP") which is applicable from October 3 to November 16, initiating a blackout period, to buy back up to 1,120,000 shares at $7.50 per share or lower.

The following table sets forth the changes in the Company's shares for the nine months ended September 30:

(all dollar amounts in thousands of Canadian dollars)		**2022**
Number of shares		
Balance – December 31, 2021		70,481,714
Issued on exercise of RSUs		80,427
Purchase – NCIB		(246,100)
Balance – September 30, 2022		**70,316,041**
Stated value		
Balance – December 31, 2021	$	720,993
Compensation cost on exercised RSUs		1,516
Share repurchase		(10,920)
Balance – September 30, 2022	**$**	**711,589**