CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

March 31, 2023

Shawcor Ltd.

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

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended March 31, 2023	2022
Revenue		
Sale of products	**$ 222,925**	$ 173,323
Rendering of services	**141,480**	94,471
	364,405	267,794
Cost of Goods Sold and Services Rendered	**251,337**	194,951
Gross Profit	**113,068**	72,843
Selling, general and administrative expenses	**55,486**	53,817
Research and development expenses	**2,451**	2,050
Foreign exchange losses (gains)	**271**	(3,036)
Depreciation and amortization	**19,230**	17,472
Restructuring costs and other, net	**–**	1,206
Income from Operations	**35,630**	1,334
Finance costs, net (note 5)	**(5,144)**	(4,345)
Net monetary loss	**–**	(1,868)
Income (Loss) before Income Taxes	**30,486**	(4,879)
Income tax expense (note 6)	**5,257**	2,237
Net Income (Loss)	**$ 25,229**	$ (7,116)
Net Income (Loss) Attributable to:		
Shareholders of the Company	**$ 25,239**	$ (6,942)
Non-controlling interests	**(10)**	(174)
Net Income (Loss)	**$ 25,229**	$ (7,116)
Earnings (Loss) per Share ("EPS") (note 7)		
Basic	**$ 0.36**	$ (0.10)
Diluted	**$ 0.36**	$ (0.10)
Weighted Average Number of Shares Outstanding (000s) (note 7)		
Basic	**70,175**	70,491
Diluted	**70,743**	70,491

Shawcor Ltd.

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

(in thousands of Canadian dollars)	Three Months Ended March 31, 2023	2022
Net Income (Loss)	**$ 25,229**	$ (7,116)
Other Comprehensive Income (Loss) that has been or may be Reclassified to Net Income (Loss) in Subsequent Periods		
Exchange differences on translation of foreign operations	**(145)**	(9,740)
Net Other Comprehensive Income (Loss) that has been or may be Reclassified to Net Income (Loss) in Subsequent Periods	**(145)**	(9,740)
Other Comprehensive Income (Loss) not to be Reclassified to Net Income (Loss) in Subsequent Periods		
Actuarial gain (loss) on defined benefit plans	**12**	(13)
Income tax (recovery) expense	**(13)**	8
Net Other Comprehensive Loss not to be Reclassified to Net Income (Loss) in Subsequent Periods	**(1)**	(5)
Total Other Comprehensive Loss	**(146)**	(9,745)
Total Comprehensive Income (Loss)	**$ 25,083**	$ (16,861)
Comprehensive Income (Loss) Attributable to:		
Shareholders of the Company	**$ 24,978**	$ (16,737)
Non-controlling interests	**105**	(124)
Total Comprehensive Income (Loss)	**$ 25,083**	$ (16,861)

Shawcor Ltd.
Condensed Interim Consolidated Balance Sheet (Unaudited)

(in thousands of Canadian dollars)		March 31, 2023		December 31, 2022
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**162,009**	$	263,990
Accounts receivable		**254,888**		223,779
Contract assets (note 10)		**64,386**		43,792
Income taxes receivable		**4,229**		7,714
Inventory		**208,645**		181,964
Prepaid expenses		**42,012**		17,669
Derivative financial instruments (note 2)		**88**		1,441
Total current assets		**736,257**		740,349
Non-current Assets				
Property, plant and equipment		**317,564**		297,101
Right-of-use assets		**53,555**		50,286
Intangible assets		**173,147**		170,824
Deferred income tax assets		**70,202**		61,224
Goodwill		**220,800**		217,032
Other assets		**12,644**		12,274
Total non-current assets		**847,912**		808,741
TOTAL ASSETS	**$**	**1,584,169**	$	1,549,090
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**250,300**	$	237,397
Provisions		**22,049**		15,813
Income taxes payable		**12,716**		6,692
Derivative financial instruments (note 2)		**75**		–
Contract liabilities (note 10)		**239,300**		192,093
Lease liabilities		**30,127**		25,804
Other liabilities		**16,514**		28,326
Total current liabilities		**571,081**		506,125
Non-current Liabilities				
Long-term debt (note 11)		**186,364**		210,832
Lease liabilities		**32,274**		33,635
Provisions		**13,849**		14,132
Contract liabilities (note 10)		**12,824**		51,831
Employee future benefits		**9,803**		9,550
Deferred income tax liabilities		**26,950**		16,151
Other liabilities		**8,165**		7,181
Total non-current liabilities		**290,229**		343,312
Total liabilities		**861,310**		849,437
Equity				
Share capital (note 12)		**707,670**		707,400
Contributed surplus		**24,847**		25,717
Retained deficit		**(137,250)**		(161,212)
Non-controlling interests		**380**		275
Accumulated other comprehensive income		**127,212**		127,473
Total equity		**722,859**		699,653
TOTAL LIABILITIES AND EQUITY	**$**	**1,584,169**	$	1,549,090

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, 2022	**707,400**	**25,717**	**(161,212)**	**275**	**127,473**	**699,653**
Net Income (loss)	–	–	**25,239**	**(10)**	–	**25,229**
Other comprehensive income (loss)	–	–	–	**115**	**(261)**	**(146)**
Comprehensive Income (loss)	–	–	**25,239**	**105**	**(261)**	**25,083**
Issued on exercise of stock options	**80**	–	–	–	–	**80**
Compensation cost on exercised Restricted Share Units	**1,524**	**(1,524)**	–	–	–	–
Share-based compensation expense	–	**654**	–	–	–	**654**
Purchase – NCIB (note 12)	**(6,434)**	–	–	–	–	**(6,434)**
Share repurchase – ASPP (note 12)	**5,100**	–	–	–	–	**5,100**
Excess of purchase price over stated value of shares	–	–	**(1,277)**	–	–	**(1,277)**
Balance – March 31, 2023	**707,670**	**24,847**	**(137,250)**	**380**	**127,212**	**722,859**
Balance – December 31, 2021	720,993	27,914	(130,797)	2,798	21,165	642,073
Net loss	–	–	(6,942)	(174)	–	(7,116)
Other comprehensive income (loss)	–	–	–	50	(9,795)	(9,745)
Comprehensive loss			(6,942)	(124)	(9,795)	(16,861)
Compensation cost on exercised Restricted Share Units	479	(479)	–	–	–	–
Share-based compensation expense	–	749	–	–	–	749
Balance – March 31, 2022	721,472	28,184	(137,739)	2,674	11,370	625,961

Shawcor Ltd.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended March 31,	
	2023	2022
Operating Activities		
Net income (loss)	**$ 25,229**	$ (7,116)
Add (deduct) items not affecting cash		
Depreciation and amortization	**19,230**	17,472
Interest expense on lease liabilities	**936**	632
Share-based compensation (note 8)	**(602)**	2,685
Deferred income taxes	**1,643**	358
Gain on disposal of property, plant and equipment	**(514)**	(838)
Unrealized loss on derivative financial instruments	**1,428**	312
Other	**6,943**	(1,182)
Change in non-cash working capital and foreign exchange (note 9)	**(85,918)**	(25,081)
Cash Used by Operating Activities	**$ (31,625)**	$ (12,758)
Investing Activities		
Purchase of property, plant and equipment	**(22,797)**	(10,444)
Proceeds on disposal of property, plant and equipment	**978**	1,060
Business acquisition (note 3)	**(8,589)**	–
Cash Used in Investing Activities	**$ (30,408)**	$ (9,384)
Financing Activities		
Repayment of bank indebtedness and long-term debt	**(25,000)**	(10,000)
Repayment of long term debt finance cost	**(78)**	(2,597)
Repayment of lease liabilities	**(7,805)**	(4,709)
Repurchase of shares – Normal Course Issuer Bids (note 12)	**(7,038)**	–
Proceeds from stock options exercised (note 12)	**80**	–
Cash Used in Financing Activities	**$ (39,841)**	$ (17,306)
Effect of Foreign Exchange on Cash and Cash Equivalents	**(107)**	780
Net decrease in Cash and Cash Equivalents	**(101,981)**	(38,668)
Cash and Cash Equivalents – Beginning of Period	**263,990**	124,449
Cash and Cash Equivalents – End of Period	**$ 162,009**	$ 85,781
Cash	**160,312**	84,655
Cash Equivalents	**1,697**	1,126
Total Cash and Cash Equivalents	**$ 162,009**	$ 85,781
Supplemental Cash Flow Information		
Interest paid	**$ 1,271**	$ 1,654
Interest received	**$ 1,095**	$ 10
Income taxes paid	**$ 1,462**	$ 1,185

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 four 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

Basis of Presentation

a) Statement of Compliance

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, 2022 ("Annual Consolidated Financial Statements").

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-month period ended March 31, 2023 were authorized for issue by the Company's Board of Directors on May 11, 2023.

b) 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. Except for the critical judgment described below, 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.

Business Acquisitions

Significant judgements and assumptions are made in determining the purchase price allocation for acquired company. Management has exercised professional judgement in determining the total consideration paid in an acquisition, including any contingent consideration, and in determining the assets and liabilities that should be part of the purchase price accounting. Management has also exercised judgement in identifying intangible assets and in choosing the appropriate valuation models and techniques to determine their fair values. Management has also exercised professional judgement in characterizing the composition of any residual goodwill and its allocation to CGUs benefiting from the goodwill.

c) Accounting policies

Except for as described below, the condensed interim consolidated financial statements are based on accounting policies consistent with those described in note 2 to our Annual Consolidated Financial Statements:

Business Acquisitions

Business combinations are accounted for using the acquisition method of accounting. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Acquisition transaction costs and any restructuring costs are charged to the consolidated statements of income in the period in which they are incurred.

For an acquisition achieved in stages, the acquisition date fair value of an acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the aggregate consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

2 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)		**March 31, 2023**		December 31, 2022
Loans and Receivables, Measured at Amortized Cost				
Cash and cash equivalents	**$**	**162,009**	$	263,990
Accounts receivable		**254,888**		223,779
Contract assets		**64,386**		43,792
Loans receivable		**484**		518
Deposit guarantee		**168**		166
Contract liabilities		**252,124**		243,924
Income tax receivable		**4,229**		7,714
Fair Value through Profit or Loss				
Derivative financial instruments – assets	**$**	**88**	$	1,441
Derivative financial instruments – liabilities		**75**		–
Financial Liabilities, Measured at Amortized Cost				
Accounts payable	**$**	**111,025**	$	99,667
Lease liabilities		**62,401**		59,439
Income tax payable		**12,716**		6,692
Long-term debt (note 11)		**194,000**		219,000

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 different 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 following table presents the fair value of financial assets and liabilities in the fair value hierarchy as at March 31, 2023:

(in thousands of Canadian dollars)		**Fair Value**		**Level 1**		**Level 2**		**Level 3**
Assets								
Derivative financial instruments		**88**		**–**		**88**		**–**
	$	**88**	**$**	**–**	**$**	**88**	**$**	**–**
Liabilities								
Long-term debt	**$**	**205,208**	**$**	**–**	**$**	**205,208**	**$**	**–**
Derivative financial instruments		**75**		**–**		**75**		**–**
	$	**205,283**	**$**	**–**	**$**	**205,283**	**$**	**–**

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

Total long-term debt is comprised of the amounts drawn on Credit Facility of $44 million and Senior Notes, unsecured of $150 million. The Senior Notes, unsecured have a fair market value of $161.2 million which is higher than the carrying amount as the fixed interest rate is higher than the market rate of interest for this grade of Senior Note as at March 31, 2023. The Credit Facility is subject to a variable interest rate and therefore the carrying amount is approximately equal to the fair market value.

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 March 31, 2023, 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 three-month period ended March 31, 2023 by approximately $13.2 million, nil, and $0.8 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 $53.0 million, $25.3 million, and $27.7 million, respectively, as at March 31, 2023.

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.

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 forward contracts, the average contractual exchange rates and the settlement of these contracts as at December 31:

(in thousands, except weighted average rate amounts)	**March 31, 2023**	December 31, 2022
US dollars sold for Euros		
Less than one year	**US$12,053**	US$12,053
Weighted average rate	**0.92**	0.99
Canadian dollars sold for British pounds		
Less than one year	**CA$9,177**	Can$8,728
Weighted average rate	**0.60**	0.64

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

As at March 31, 2023, the Company had notional amounts of $25.5 million of foreign exchange forward contracts outstanding (December 31, 2022 – $25.1 million) with the net unrealized gain from all foreign exchange forward contracts being nil (December 31, 2022 – $1.4 million net unrealized gain).

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at March 31, 2023:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Total
Standard letters of credit for performance, bid and surety bonds (note 11)	$ 69,207	$ –	$ 69,207
Long-term debt (note 11)	–	44,000	44,000
	$ 69,207	$ 44,000	$ 113,207

As at March 31, 2023, the Company estimates that a 100 - basis point increase (decrease) in short-term interest rates, with all other variables held constant, would result in an increase (decrease) of approximately $0.4 million to annual finance costs.

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 March 31, 2023, the Company had cash and cash equivalents totalling $162.0 million (December 31, 2022 – $264.0 million) and had unutilized lines of credit available to use of $435.7 million (December 31, 2022 – $416.2 million) subject to covenant restrictions.

3 Acquisitions

On March 1, 2023, the Company completed the acquisition of assets of Triton Stormwater Solutions ("Triton") (the "acquisition") for a total purchase price of $14.6 million (US$ 10.8 million). Triton is a provider of highly engineered, lightweight, composite materials-based underground infiltration chamber products, used primarily within stormwater management solutions. The product line is being consolidated into the Xerxes business unit, which is reported as part of the Composite Systems segment. For the month of March 2023, Triton generated approximately $0.8 milion (US$0.6 million) in revenue.

Management determined that the assets and processes comprised a business and therefore accounted for the transaction as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at fair value. The purchase price allocation is preliminary and is based on management's best estimates of the fair values of the assets acquired and liabilities assumed of Triton as at March 1, 2023, which maybe be subject to adjustment given the timing of the transaction and the complexity involved in the determination of the fair value of the contingent consideration as part of the purchase price.

The following table summarizes the preliminary allocation of the purchase price and estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

(in thousands of Canadian dollars)		
Consideration transferred		
Cash	$	8,589
Fair value of contingent consideration		6,021
Total purchase price		14,610
Net assets acquired at fair value		
Inventory	$	1,255
Property, plant and equipment		3,738
Intangible assets		5,790
Accounts payables		(348)
Total identifiable net assets at fair value	**$**	**10,435**
Goodwill [(a)]		4,175
	$	**14,610**

(a) The balance of goodwill represents the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. Goodwill is expected to be deductible for tax purposes. The goodwill acquired represents the acquired human capital and the benefits the Company expects to earn from the acquisition due to expected synergies and other intangible assets that do not meet the criteria for separation as identifiable intangible assets.

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 March 31, 2023, 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 three reportable operating segments remain unchanged from what has been reported on note 8 of the Annual Consolidated Financial Statements.

Segment

The following table sets forth information by segment for the three months ended March 31:

			2023			
(in thousands of Canadian dollars)	**Composite Systems**	**Automotive and Industrial**	**Pipeline and Pipe Services**	**Financial and Corporate**	**Eliminations and Adjustment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	**132,549**	**93,459**	**138,397**	**–**	**–**	**364,405**
Inter-Segment	**–**	**–**	**–**	**–**	**–**	**–**
Total Revenue	**132,549**	**93,459**	**138,397**	**–**	**–**	**364,405**
Income (loss) from Operations	**20,722**	**17,865**	**4,703**	**(7,660)**	**–**	**35,630**
Additions to property, plant and equipment, net of disposals	**4,844**	**2,241**	**18,789**	**377**	**–**	**26,251**
As at March 31, 2023						
Goodwill	**146,244**	**17,377**	**57,179**	**–**	**–**	**220,800**
Total assets	**571,833**	**191,205**	**592,120**	**267,732**	**(38,721)**	**1,584,169**
Total liabilities	**169,298**	**58,632**	**424,220**	**204,949**	**4,211**	**861,310**

	2022					
(in thousands of Canadian dollars)	Composite Systems [a]	Automotive and Industrial	Pipeline and Pipe Services [b]	Financial and Corporate	Eliminations and Adjustments	Total
	$	$	$	$	$	$
Revenue						
External	105,753	78,137	83,904	–	–	267,794
Inter-Segment	660	82	164	–	(906)	–
Total Revenue	106,413	78,219	84,068	–	(906)	267,794
Income (loss) from Operations	6,874	14,887	(16,180)	(4,247)	–	1,334
Additions to property, plant and equipment, net of disposals	2,351	1,577	6,089	325	–	10,342
As at December 31, 2022						
Goodwill	142,060	17,071	57,901	–	–	217,032
Total assets	536,010	174,236	568,837	316,509	(46,502)	1,549,090
Total liabilities	150,769	66,817	402,143	226,220	3,488	849,437

(a) The Composite Systems segment results include OAM which was sold on November 14, 2022.
(b) The PPS segment results include Lake Superior Consulting and Socotherm Argentina which were sold on September 1, 2022 and December 2, 2022 respectively.

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	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
North America	**$ 132,116**	$ 105,795
EMEA[a]	**404**	606
Asia Pacific	**29**	12
Total revenue	**$ 132,549**	$ 106,413

(a) Refers to the Europe, Middle East, and Africa

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

	Three Months Ended	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
North America	**$ 65,885**	$ 53,952
EMEA	**23,571**	20,351
Asia Pacific	**4,003**	3,916
Total revenue	**$ 93,459**	$ 78,219

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

	Three Months Ended	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
North America	**$ 36,918**	$ 47,443
Latin America	**40,130**	7,844
EMEA	**33,142**	22,026
Asia Pacific	**28,207**	6,755
Total revenue	**$ 138,397**	$ 84,068

5 Finance Costs

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

(in thousands of Canadian dollars)	Three Months Ended March 31,	
	2023	2022
Interest income	**$ (1,097)**	$ (24)
Interest expense on long-term debt	**4,189**	4,325
Interest expense (income), other	**1,116**	(588)
Interest expense on lease liabilities	**936**	632
Finance Costs – net	**$ 5,144**	$ 4,345

6 Income Taxes

The following table sets forth a reconciliation of the Company's effective income tax rate for the three months ended March 31:

(in thousands of Canadian dollars)	**2023**	2022
Expected income tax expense (recovery) based on statutory rate	**7,348**	(1,187)
Tax rate differential on earnings of foreign subsidiaries	**(49)**	778
Benefit of previously unrecognized tax losses	**(3,733)**	(1,826)
Deferred tax not recognized	**1,029**	3,890
Adjustment to prior year provisions	**–**	(402)
Non-deductible amounts	**583**	550
Withholding taxes	**180**	117
Argentina hyperinflation adjustment	**–**	897
Foreign exchange impact on non-monetary assets	**(760)**	(338)
Movement in uncertain tax positions	**520**	–
State tax and other	**139**	(242)
Income tax expense	**5,257**	2,237

7 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 March 31,	
	2023	2022[(a)]
Net income (loss) (attributable to shareholders of the Company) for the period	**$ 25,239**	$ (6,942)
Weighted average number of shares outstanding – basic (000s)	**70,175**	70,491
Basic EPS	**$ 0.36**	$ (0.10)
Net income (loss) (attributable to shareholders of the Company) for the period	**$ 25,239**	$ (6,942)
Weighted average number of shares outstanding – diluted (000s)	**70,743**	70,491
Diluted EPS	**$ 0.36**	$ (0.10)

(a) All potentially dilutive instruments are anti-dilutive in the three months ended March 31, 2022 and therefore are not included in the calculation of EPS.

8 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 Unit ("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 March 31,	
	2023	2022
Stock option expense	**$ 163**	$ 297
VGP (recovery) expense	**(31)**	57
DSU (recovery) expense	**(533)**	386
RSU expense	**491**	452
SARs (recovery) expense	**(154)**	120
PIP (recovery) expense	**(29)**	17
SPSP (recovery) expense	**(509)**	1,356
Total share-based and other incentive-based compensation (recovery) expense	**$ (602)**	$ 2,685

	Three Months Ended March 31, 2023							
	Stock Options without Tandem Share Appreciation Rights ("SARs")		Stock Options with Tandem Share Appreciation Rights		Restricted Share Units ("RSU") and Performance Share Units ("PSU")		Deferred Stock Units ("DSU")	
	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	**1,486,551**	**$ 18.41**	**700,661**	**$ 6.60**	**683,238**	**$ 11.16**	**675,433**	**$ 14.90**
Granted	**–**	**–**	**–**	**–**	**127,349**	**13.73**	**27,700**	**12.22**
Exercised	**–**	**–**	**(11,517)**	**6.92**	**(111,970)**	**12.97**	**–**	**–**
Cancelled/Forfeited	**–**	**–**	**–**	**–**	**(732)**	**8.62**	**–**	**–**
Expired	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance Outstanding – End of Period	**1,486,551**	**$ 18.41**	**689,144**	**$ 6.59**	**697,885**	**$ 11.34**	**703,133**	**$ 14.79**
Exercisable	**1,028,925**	**$ 22.85**	**384,587**	**$ 6.50**	**196,919**	**$ 17.25**	**–**	**$ –**

(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.

There were no stock options granted during the three-month period ended March 31, 2023 under the 2001 Employee Plan (three-month period ended March 31, 2022 – 65,819 stock options granted with the total fair value of $0.2 million). The fair value of stock options was calculated using the Black-Scholes pricing model with the following assumptions:

	Three Months Ended March 31,	
	2023	2022
Weighted average share price	**$ –**	$ 4.91
Weighted average exercise price	**$ –**	$ 4.91
Weighted average expected life of options	**–**	6.25
Weighted average expected stock price volatility	**–**	68.8%
Weighted average expected dividend yield	**–**	0.00%
Weighted average risk-free interest rate	**–**	1.67%

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 three-month period ended March 31, 2023, included in selling, general and administrative expenses, was $0.2 million (three-month period ended March 31, 2022 – $0.3 million).

The mark-to-market liability for the stock options with SARs as at March 31, 2023 is $1.4 million (December 31, 2022 – $1.6 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 March 31, 2023 is $8.7 million (December 31, 2022 – $9.3 million), all of which is included in current other liabilities on the condensed interim consolidated balance sheet.

The VGP liability as at March 31, 2023 is $0.2 million (December 31, 2022 – $0.5 million).

The SPSP liability as at March 31, 2023 is $7.3 million (December 31, 2022 – $22.3 million).

9 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 three months ended:

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Accounts receivable	**$ (31,109)**	$ (19,670)
Inventories	**(26,681)**	(21,858)
Prepaid expenses	**(24,343)**	(1,831)
Contract assets	**(20,594)**	7,690
Contract liabilities	**8,200**	2,797
Accounts payable, accrued liabilities, income taxes, and other liabilities	**10,600**	16,117
Foreign exchange losses and other	**(1,991)**	(8,326)
Total change in non-cash working capital	**$ (85,918)**	$ (25,081)

10 Contract Balances

Contract assets represent costs incurred and recorded margins on service contracts in the amount of $64.4 million and $43.8 million as at March 31, 2023 and December 31, 2022, 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)		**March 31, 2023**		December 31, 2022
Composite Systems	**$**	**9,922**	$	8,087
Automotive and Industrial		**2,456**		2,774
Pipeline and Pipe Services		**239,746**		233,063
	$	**252,124**	$	243,924
Current	**$**	**239,300**	$	192,093
Non-current		**12,824**		51,831
Total Contract Liabilities	**$**	**252,124**	$	243,924

11 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)		**March 31, 2023**		December 31, 2022
Credit facility	**$**	**44,000**	$	69,000
Senior Notes, unsecured		**150,000**		150,000
Deferred transaction costs		**(7,636)**		(8,168)
Total Long-term Debt	**$**	**186,364**	$	210,832

The Company was in full compliance with financial covenants as at March 31, 2023.

Credit Facilities

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

(in thousands of Canadian dollars)		**March 31, 2023**		December 31, 2022
Borrowings on Credit Facility	**$**	**44,000**	$	69,000
Standard letters of credit for financial guarantees, performance and bid bonds		**69,207**		64,445
Total utilized credit facilities	**$**	**113,207**	$	133,445
Total available credit facilities[(a)]		**548,900**		549,598
Unutilized Credit Facilities[(b)]	**$**	**435,693**	$	416,153

(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 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 this private placement offering to repay amounts outstanding under its existing syndicated Credit Facility. The Notes are subject to customary terms, conditions and covenants.

12 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. In the first three months of 2023, the Company repurchased 626,000 shares for a total amount of $7.0 million (net of $0.6 million par value adjustment and accrued re-purchase). These shares had an average carrying value of $10.28 for a total amount of $6.4 million. On March 31, 2023, the Company initiated the application of an automatic repurchase plan ("ASPP") applicable between April 1 and May 16, 2023, which represents a potential maximum obligation of $9.3 million. The Company has booked this obligation and the corresponding reduction in share capital.

The following table sets forth the changes in the Company's shares for the periods indicated.

(all dollar amounts in thousands of Canadian dollars)

Number of shares		
Balance – December 31, 2022		70,258,163
Issued on exercise of stock options		11,517
Issued on exercise of RSUs		111,970
Purchase – NCIB		(626,000)
Balance – March 31, 2023		**69,755,650**
Stated value		
Balance – December 31, 2022	$	707,400
Issued – stock options		80
Compensation cost on exercised RSUs		1,524
Purchase - NCIB		(6,434)
Share repurchase – ASPP [(a)]		5,100
Balance – March 31, 2023	**$**	**707,670**

(a) Amount includes the reversal of $14.4 million accrual as at December 31, 2022, partially offset by the new ASPP accrual of $9.3 million as at March 31, 2023.