Shawcor Ltd. dba Mattr Infratech

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

June 30, 2023

Shawcor Ltd. dba Mattr Infratech

Condensed Interim Consolidated Statements of Income (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenue				
Sale of products	**$ 236,205**	$ 203,078	**$ 459,130**	$ 376,401
Rendering of services	**164,427**	103,940	**305,907**	198,411
	400,632	307,018	**765,037**	574,812
Cost of Goods Sold and Services Rendered	**272,721**	220,931	**524,058**	415,882
Gross Profit	**127,911**	86,087	**240,979**	158,930
Selling, general and administrative expenses	**80,190**	53,683	**135,676**	107,500
Research and development expenses	**2,410**	2,462	**4,861**	4,512
Foreign exchange gains	**(3,165)**	(1,506)	**(2,894)**	(4,542)
Depreciation and amortization	**20,030**	17,483	**39,260**	34,955
Gain on sale of land and other	**–**	(43,017)	**–**	(43,017)
Impairment	**–**	20,269	**–**	20,269
Restructuring costs and other, net	**–**	2,996	**–**	4,202
Income from Operations	**28,446**	33,717	**64,076**	35,051
Loss from sale of operating unit and subsidiary (note 4)	**(3,738)**	–	**(3,738)**	–
Finance costs, net (note 6)	**(5,528)**	(6,062)	**(10,672)**	(10,407)
Net monetary loss	**–**	(1,509)	**–**	(3,377)
Income before Income Taxes	**19,180**	26,146	**49,666**	21,267
Income tax expense (note 7)	**6,158**	6,199	**11,415**	8,436
Net Income	**$ 13,022**	$ 19,947	**$ 38,251**	$ 12,831
Net Income Attributable to:				
Shareholders of the Company	**$ 13,053**	$ 20,352	**$ 38,292**	$ 13,410
Non-controlling interests	**(31)**	(405)	**(41)**	(579)
Net Income	**$ 13,022**	$ 19,947	**$ 38,251**	$ 12,831
Earnings per Share ("EPS") (note 8)				
Basic	**$ 0.19**	$ 0.29	**$ 0.55**	$ 0.19
Diluted	**$ 0.19**	$ 0.29	**$ 0.54**	$ 0.19
Weighted Average Number of Shares Outstanding (000s) (note 8)				
Basic	**69,592**	70,504	**69,882**	70,497
Diluted	**70,168**	70,564	**70,421**	70,558

Shawcor Ltd. dba Mattr Infratech

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

(in thousands of Canadian dollars)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net Income	**$ 13,022**	$ 19,947	**$ 38,251**	$ 12,831
Other Comprehensive (Loss) Income to be Reclassified to Net Income (Loss) in Subsequent Periods				
Exchange differences on translation of foreign operations	**(13,560)**	2,011	**(13,705)**	(7,729)
Net Other Comprehensive (Loss) Income to be Reclassified to Net Income (Loss) in Subsequent Periods	**(13,560)**	2,011	**(13,705)**	(7,729)
Other Comprehensive Income (Loss) not to be Reclassified to Net Income (Loss) in Subsequent Periods				
Actuarial gain on defined benefit plans	**14**	130	**26**	117
Income tax expense	**(6)**	(36)	**(19)**	(28)
Net Other Comprehensive Income not to be Reclassified to Net Income (Loss) in Subsequent Periods	**8**	94	**7**	89
Other Comprehensive (Loss) Income, Net of Income Tax	**(13,552)**	2,105	**(13,698)**	(7,640)
Total Comprehensive (Loss) Income	**$ (530)**	$ 22,052	**$ 24,553**	$ 5,191
Comprehensive (Loss) Income Attributable to:				
Shareholders of the Company	**$ (494)**	$ 22,550	**$ 24,484**	$ 5,813
Non-controlling interests	**(36)**	(498)	**69**	(622)
Total Comprehensive (Loss) Income	**$ (530)**	$ 22,052	**$ 24,553**	$ 5,191

Shawcor Ltd. dba Mattr Infratech

Condensed Interim Consolidated Balance Sheet (Unaudited)

(in thousands of Canadian dollars)		June 30, 2023		December 31, 2022
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**124,534**	$	263,990
Accounts receivable		**263,466**		223,779
Contract assets (note 11)		**83,354**		43,792
Income taxes receivable		**4,850**		7,714
Inventory		**242,987**		181,964
Prepaid expenses		**36,934**		17,669
Derivative financial instruments (note 2)		**9**		1,441
Total current assets		**756,134**		740,349
Non-current Assets				
Property, plant and equipment		**363,276**		297,101
Right-of-use assets		**52,704**		50,286
Intangible assets		**167,608**		170,824
Deferred income tax assets		**74,641**		61,224
Goodwill		**218,844**		217,032
Other assets		**12,710**		12,274
Total non-current assets		**889,783**		808,741
TOTAL ASSETS	**$**	**1,645,917**	$	1,549,090
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**285,177**	$	237,397
Provisions		**21,843**		15,813
Income taxes payable		**22,665**		6,692
Contract liabilities (note 11)		**262,247**		192,093
Lease liabilities		**27,883**		25,804
Other liabilities		**35,269**		28,326
Total current liabilities		**655,084**		506,125
Non-current Liabilities				
Long-term debt (note 12)		**181,969**		210,832
Lease liabilities		**33,678**		33,635
Provisions		**13,267**		14,132
Contract liabilities (note 11)		**9,886**		51,831
Employee future benefits		**9,713**		9,550
Deferred income tax liabilities		**24,672**		16,151
Other liabilities		**10,536**		7,181
Total non-current liabilities		**283,721**		343,312
Total liabilities		**938,805**		849,437
Equity				
Share capital (note 13)		**695,976**		707,400
Contributed surplus		**22,938**		25,717
Retained deficit		**(125,211)**		(161,212)
Non-controlling interests		**(554)**		275
Accumulated other comprehensive income		**113,963**		127,473
Total equity		**707,112**		699,653
TOTAL LIABILITIES AND EQUITY	**$**	**1,645,917**	$	1,549,090

Shawcor Ltd. dba Mattr Infratech

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)	–	–	**38,292**	**(41)**	–	**38,251**
Other comprehensive income (loss)	–	–	–	**110**	**(13,808)**	**(13,698)**
Comprehensive Income (Loss)	–	–	**38,292**	**69**	**(13,808)**	**24,553**
Purchase of non-controlling interests	–	–	–	**(898)**	**298**	**(600)**
Issued on exercise of stock options	**1,109**	–	–	–	–	**1,109**
Compensation cost on exercised stock options	**416**	**(416)**	–	–	–	–
Compensation cost on exercised RSUs	**3,547**	**(3,547)**	–	–	–	–
Share-based compensation expense	–	**1,184**	–	–	–	**1,184**
Purchase – NCIB (note 13)	**(10,596)**	–	–	–	–	**(10,596)**
Share repurchase – ASPP (note 13)	**(5,900)**	–	–	–	–	**(5,900)**
Excess of purchase price over stated value of shares	–	–	**(2,291)**	–	–	**(2,291)**
Balance – June 30, 2023	**695,976**	**22,938**	**(125,211)**	**(554)**	**113,963**	**707,112**
Balance – December 31, 2021	720,993	27,914	(130,797)	2,798	21,165	642,073
Net Income (Loss)	–	–	13,410	(579)	–	12,831
Other comprehensive loss	–	–	–	(43)	(7,597)	(7,640)
Comprehensive Income (loss)	–	–	13,410	(622)	(7,597)	5,191
Compensation cost on exercised Restricted Share Units	576	(576)	–	–	–	–
Share-based compensation expense	–	1,277	–	–	–	1,277
Balance – June 30, 2022	721,569	28,615	(117,387)	2,176	13,568	648,541

Shawcor Ltd. dba Mattr Infratech

Condensed Interim Consolidated Cash Flow (Unaudited)

(in thousands of Canadian dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Operating Activities				
Net income	**$ 13,022**	$ 19,947	**$ 38,251**	$ 12,831
Add (deduct) items not affecting cash				
Depreciation and amortization	**20,030**	17,483	**39,260**	34,955
Impairment	**–**	20,269	**–**	20,269
Interest expense on lease liabilities	**1,027**	476	**1,963**	1,108
Share-based compensation and incentive-based compensation (note 9)	**21,963**	2,722	**21,361**	5,407
Deferred income taxes	**(15,850)**	2,668	**(14,207)**	3,026
(Gains) loss on disposal of property, plant and equipment	**(585)**	556	**(1,099)**	(282)
Gains on sale of land and other	**–**	(43,017)	**–**	(43,017)
Unrealized loss on derivative financial instruments	**278**	87	**1,706**	399
Loss from sale of subsidiaries	**3,738**	–	**3,738**	–
Other	**1,399**	(120)	**8,342**	(1,302)
Change in non-cash working capital and foreign exchange (note 10)	**(14,506)**	(29,828)	**(100,424)**	(54,909)
Cash Provided by (Used in) Operating Activities	**$ 30,516**	$ (8,757)	**$ (1,109)**	$ (21,515)
Investing Activities				
Purchase of property, plant and equipment	**(55,624)**	(10,524)	**(78,421)**	(20,968)
Proceeds on disposal of property, plant and equipment	**1,546**	55,355	**2,524**	56,415
Proceeds on sale of operating units and subsidiaries (note 4)	**6,519**	–	**6,519**	–
Business acquisition, net of cash acquired (note 3)	**–**	**–**	**(8,589)**	**–**
Purchase of non-controlling interests	**(600)**	–	**(600)**	–
Cash (Used in) Provided by Investing Activities	**$ (48,159)**	$ 44,831	**$ (78,567)**	$ 35,447
Financing Activities				
Repayment of long-term debt	**(5,000)**	–	**(30,000)**	(10,000)
Repayment of long term debt finance cost	**(10)**	(307)	**(88)**	(2,904)
Repayment of lease liabilities	**(7,808)**	(7,459)	**(15,613)**	(12,168)
Repurchase of shares – Normal Course Issuer Bids (note 13)	**(5,475)**	**–**	**(12,513)**	**–**
Proceeds from stock options exercised (note 13)	**1,029**	**–**	**1,109**	**–**
Cash Used in Financing Activities	**$ (17,264)**	$ (7,766)	**$ (57,105)**	$ (25,072)
Effect of Foreign Exchange on Cash and Cash Equivalents	**(2,568)**	1,746	**(2,675)**	2,526
Net (decrease) increase in Cash and Cash Equivalents	**(37,475)**	30,054	**(139,456)**	(8,614)
Cash and Cash Equivalents – Beginning of Period	**162,009**	85,781	**263,990**	124,449
Cash and Cash Equivalents – End of Period	**$ 124,534**	$ 115,835	**$ 124,534**	$ 115,835
Cash	**124,534**	114,313	**124,534**	114,313
Cash Equivalents	**–**	1,522	**–**	1,522
Total Cash and Cash Equivalents	**$ 124,534**	$ 115,835	**$ 124,534**	$ 115,835
Supplemental Cash Flow Information				
Interest paid	**8,039**	8,101	**9,310**	9,755
Interest received	**739**	32	**1,834**	42
Income taxes paid	**3,500**	2,653	**4,962**	3,838

Shawcor Ltd. Dba Mattr Infratech is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange under ticker symbol MATR. Shawcor Ltd. dba Mattr Infratech, together with its wholly owned subsidiaries (collectively referred to as the "Company" or "Mattr"), is a growth oriented, global material sciences company serving the Infrastructure, Energy, and Transportation markets. The Company operates through a global network of fixed and mobile manufacturing and service facilities within three operating units. These operating units are reported as three business segments, Composite Technologies (previously "Composite Systems"), Connection Technologies (previously "Automotive & Industrial") and Pipeline & Pipe Services enable responsible renewal and enhancement of critical infrastructure while lowering risk and environmental impact. Further information as it pertains to the nature of operations is set out in note 5.

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 and six-month periods ended June 30, 2023 were authorized for issue by the Company's Board of Directors on August 10, 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)		**June 30, 2023**		December 31, 2022
Loans and Receivables, Measured at Amortized Cost				
Cash and cash equivalents	**$**	**124,534**	$	263,990
Accounts receivable		**263,466**		223,779
Contract assets		**83,354**		43,792
Loans receivable		**1,083**		518
Deposit guarantee		**164**		166
Contract liabilities		**272,133**		243,924
Income tax receivable		**4,850**		7,714
Fair Value through Profit or Loss				
Derivative financial instruments – assets	**$**	**9**	$	1,441
Derivative financial instruments – liabilities		**274**		–
Financial Liabilities, Measured at Amortized Cost				
Accounts payable	**$**	**134,459**	$	99,667
Lease liabilities		**61,561**		59,439
Income tax payable		**22,665**		6,692
Long-term debt		**189,000**		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 June 30, 2023:

(in thousands of Canadian dollars)		**Fair Value**		**Level 1**		**Level 2**		**Level 3**
Assets								
Derivative financial instruments		**9**		**–**		**9**		**–**
	$	**9**	**$**	**–**	**$**	**9**	**$**	**–**
Liabilities								
Long-term debt	**$**	**196,707**	**$**	**–**	**$**	**196,707**	**$**	**–**
Derivative financial instruments		**274**		**–**		**274**		**–**
	$	**196,981**	**$**	**–**	**$**	**196,981**	**$**	**–**

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 $39 million and Senior Notes, unsecured of $150 million. The Senior Notes, unsecured have a fair market value of $157.7 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 June 30, 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 June 30, 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 six-month period ended June 30, 2023 by approximately $29.0 million, $2.5 million, and $1.1 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 $55.7 million, $27.9 million, and $27.8 million, respectively, as at June 30, 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)	**June 30, 2023**	December 31, 2022
U.S. dollars sold for Euros		
Less than one year	**U.S.$12,635**	U.S.$12,053
Weighted average rate	**0.90**	0.99
Canadian dollars sold for British pounds		
Less than one year	**Can$3,816**	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 June 30, 2023, the Company had notional amounts of $20.5 million of foreign exchange forward contracts outstanding (December 31, 2022 – $25.1 million) with the net unrealized loss of $0.3 million from all foreign exchange forward contracts (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 June 30, 2023:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Total
Standard letters of credit for performance, bid and surety bonds (note 12)	$ 64,131	$ –	$ 64,131
Long-term debt (note 12)	–	39,000	39,000
	$ 64,131	$ 39,000	$ 103,131

As at June 30, 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.

For the six-month period ended June 30, 2023 and 2022, there was no customer who generated more than 10% of total consolidated revenue. As at June 30, 2023, there was one customer accounted for more than 10% of total consolidated trade accounts receivable (no customer accounted for more than 10% of total consolidated trade accounts receivable as at December 31, 2022).

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 June 30, 2023, the Company had cash and cash equivalents totalling $124.5 million (December 31, 2022 – $264.0 million) and had unutilized lines of credit available to use of $406.8 million (December 31, 2022 – $416.2 million) subject to covenant restrictions.

3 Acqusition

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 Technologies segment. Since March 1, 2023, Triton generated approximately $5.0 million (US$3.7 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 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 Sale of operating units and subsidiaries

On June 1, 2023, the Company sold its Shaw Pipeline Service ("SPS") operating unit for the purchase price of $8.9 million (U.S.$6.5 million) to a group of buyers which included members of SPS management. This sale of SPS operating unit resulted in a loss of $2.3 million. The SPS business reported within the Company's Pipeline and Pipe Services ("PPS") segment, is a provider of non-destructive, ultrasonic and radiographic pipeline girth weld inspection technology and services to the North American onshore and global offshore pipeline markets.

On May 23, 2023, the Company sold its specialty pipe coating business and related assets in Ellon, Scotland ("Ellon"), for the purchase price of $0.5 million (GBP 0.3 million). The sale resulted in a loss of $1.4 million. Ellon reported within the Company's PPS segment and is a provider of field joints and custom coating.

5 Segment Information

Mattr'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 June 30, 2023, the Company had three reportable operating segments: Composite Technologies (previously "Composite Systems"), Connection Technologies (previously "Automotive & Industrial"), and Pipeline and Pipe Services. Inter-segment transactions, if any, among Composite Technologies, Connection Technologies, 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 June 30:

	2023					
(in thousands of Canadian dollars)	**Composite Technologies**	**Connection Technologies**	**Pipeline and Pipe Services[a]**	**Financial and Corporate**	**Eliminations and Adjustments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	**150,381**	**88,691**	**161,560**	**–**	**–**	**400,632**
Total Revenue	**150,381**	**88,691**	**161,560**	**–**	**–**	**400,632**
Income (Loss) from Operations	**25,580**	**17,414**	**2,557**	**(17,105)**	**–**	**28,446**
Additions to property, plant and equipment, net of disposals	**20,842**	**3,855**	**33,446**	**208**	**–**	**58,351**

	2022					
(in thousands of Canadian dollars)	Composite Technologies[b]	Connection Technologies	Pipeline and Pipe Services[c]	Financial and Corporate	Eliminations and Adjustments	Total
	$	$	$	$	$	$
Revenue						
External	134,516	79,349	93,153	–	–	307,018
Inter-Segment	927	–	240	–	(1,167)	–
Total Revenue	135,443	79,349	93,393	–	(1,167)	307,018
Income (Loss) from Operations	9,521	14,832	(22,494)	31,858	–	33,717
Additions to property, plant and equipment, net of disposals	3,029	1,575	4,132	(3,403)	–	5,333

(a) The second quarter 2023 PPS segment results include SPS which was sold on June 1, 2023.
(b) The second quarter 2022 Composite Technologies segment results include OAM which was sold on November 14, 2022.
(c) The second quarter 2022 PPS segment results include Lake Superior Consulting, Socotherm Argentina, and SPS which were sold on September 1, 2022, December 2, 2022, and June 1, 2023, respectively.

The following table sets forth information by segment for the six months ended June 30:

	2023					
(in thousands of Canadian dollars)	**Composite Technologies**	**Connection Technologies**	**Pipeline and Pipe Services[a]**	**Financial and Corporate**	**Eliminations and Adjustments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External	**282,930**	**182,150**	**299,957**	**–**	**–**	**765,037**
Total Revenue	**282,930**	**182,150**	**299,957**	**–**	**–**	**765,037**
Income (loss) from Operations	**46,302**	**35,279**	**7,260**	**(24,765)**	**–**	**64,076**
Additions to property, plant and equipment, net of disposals	**25,686**	**6,096**	**52,235**	**585**	**–**	**84,602**
As at June 30, 2023						
Goodwill	**146,317**	**17,064**	**55,463**	**–**	**–**	**218,844**
Total assets	**602,928**	**200,208**	**609,533**	**269,505**	**(36,257)**	**1,645,917**
Total liabilities	**180,027**	**63,918**	**475,663**	**214,398**	**4,799**	**938,805**

	2022					
(in thousands of Canadian dollars)	Composite Technologies[b]	Connection Technologies	Pipeline and Pipe Services[c]	Financial and Corporate	Eliminations and Adjustments	Total
	$	$	$	$	$	$
Revenue						
External	240,269	157,486	177,057	–	–	574,812
Inter-Segment	1,587	82	404	–	(2,073)	–
Total Revenue	241,856	157,568	177,461	–	(2,073)	574,812
Income (loss) from Operations	16,395	29,719	(38,674)	27,611	–	35,051
Additions to property, plant and equipment, net of disposals	5,380	3,152	10,221	(3,078)	–	15,675
As at June 30, 2022						
Goodwill	142,428	15,901	55,001	–	–	213,330
Total assets	583,019	173,068	354,126	232,468	(50,109)	1,292,572
Total liabilities	156,692	54,876	171,204	258,780	2,479	644,031

(a) The first six months 2023 PPS segment results include SPS which was sold on June 1, 2023.
(b) The first six months 2022 Composite Technologies segment results include OAM which was sold on November 14, 2022.
(c) The first six months 2022 PPS segment results include include Lake Superior Consulting, Socotherm Argentina, and SPS which were sold on September 1, 2022, December 2, 2022, and June 1, 2023, respectively.

Geographical Segment Revenue Information

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

	Three Months Ended		**Six Months Ended**	
(in thousands of Canadian dollars)	**June 30, 2023**	June 30, 2022	**June 30, 2023**	June 30, 2022
North America	**$ 149,750**	$ 135,100	**$ 281,866**	$ 240,895
EMEA[a]	**631**	333	**1,035**	939
Asia Pacific	**–**	10	**29**	22
Total revenue	**$ 150,381**	$ 135,443	**$ 282,930**	$ 241,856

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

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

(in thousands of Canadian dollars)	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
North America	**$ 61,767**	$ 56,172	**$ 127,652**	$ 110,124
EMEA	**22,965**	19,629	**46,536**	39,980
Asia Pacific	**3,959**	3,548	**7,962**	7,464
Total revenue	**$ 88,691**	$ 79,349	**$ 182,150**	$ 157,568

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		Six Months Ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
North America	**$ 28,478**	$ 56,421	**$ 65,396**	$ 103,864
Latin America	**63,256**	9,739	**103,386**	17,583
EMEA	**10,194**	23,410	**43,336**	45,436
Asia Pacific	**59,632**	3,823	**87,839**	10,578
Total revenue	**$ 161,560**	$ 93,393	**$ 299,957**	$ 177,461

6 Finance Costs

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

(in thousands of Canadian dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Interest income	**$ (740)**	$ (150)	**$ (1,837)**	$ (174)
Interest expense on long-term debt	**4,146**	4,689	**8,335**	9,014
Interest expense, other	**1,095**	1,047	**2,211**	459
Interest expense on lease liabilities	**1,027**	476	**1,963**	1,108
Finance Costs – net	**$ 5,528**	$ 6,062	**$ 10,672**	$ 10,407

7 Income Taxes

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

		Six Months Ended June 30,		
		2023		2022
Expected income tax expense based on statutory rate	**$**	**11,970**	$	5,174
Tax rate differential on earnings of foreign subsidiaries		**(81)**		1,100
Benefit of previously unrecognized tax losses		**(10,216)**		(3,755)
Deferred tax not recognized		**931**		7,657
Adjustment to prior year provisions		**(184)**		(607)
Non-deductible amounts		**5,809**		(3,647)
Withholding taxes		**867**		284
Argentina hyperinflation adjustment		**–**		1,557
Foreign exchange impact on non-monetary assets		**1,185**		(314)
Movement in uncertain tax positions		**597**		1,368
State tax and other		**537**		(381)
Income Tax Expense	**$**	**11,415**	$	8,436

8 Earnings 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 June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Net income (attributable to shareholders of the Company) for the period	**$ 13,053**	$ 20,352	**$ 38,292**	$ 13,410
Weighted average number of shares outstanding – basic (000s)	**69,592**	70,504	**69,882**	70,497
Basic EPS	**$ 0.19**	$ 0.29	**$ 0.55**	$ 0.19
Net income (attributable to shareholders of the Company) for the period	**$ 13,053**	$ 20,352	**$ 38,292**	$ 13,410
Weighted average number of shares outstanding – diluted (000s)	**70,168**	70,564	**70,421**	70,558
Diluted EPS	**$ 0.19**	$ 0.29	**$ 0.54**	$ 0.19

9 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 June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Stock option expense	**$ 105**	$ 203	**$ 269**	$ 500
VGP expense (recovery)	**–**	65	**(31)**	122
DSU expense	**5,084**	727	**4,550**	1,112
RSU expense	**424**	325	**915**	777
SARs expense	**1,899**	104	**1,745**	224
PIP (recovery) expense	**(99)**	10	**(128)**	27
SPSP expense	**14,550**	1,288	**14,041**	2,645
Total share-based and other incentive-based compensation expense	**$ 21,963**	$ 2,722	**$ 21,361**	$ 5,407

	Six Months Ended June 30, 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**	**46,424**	**14.81**
Exercised	**(135,113)**	**7.62**	**(11,517)**	**6.92**	**(207,291)**	**16.17**	**–**	**–**
Cancelled/Forfeited	**–**	**–**	**–**	**–**	**(1,153)**	**9.17**	**–**	**–**
Expired	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance Outstanding – End of Period	**1,351,438**	**$ 19.49**	**689,144**	**$ 6.59**	**602,143**	**$ 9.98**	**721,857**	**$ 14.89**
Exercisable	**895,812**	**$ 25.10**	**384,587**	**$ 6.50**	**101,177**	**$ 15.74**	**–**	**$ –**

(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 six-month period ended June 30, 2023 under the 2001 Employee Plan (six-month period ended June 30, 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:

	Six Months Ended June 30,	
	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	**–**	68.79%
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 six-month period ended June 30, 2023, included in selling, general and administrative expenses, was $0.3 million (six-month period ended June 30, 2022 – $0.5 million).

The mark-to-market liability for the stock options with SARs as at June 30, 2023 is $3.3 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 June 30, 2023 is $13.8 million (December 31, 2022 – $9.3 million), all of which is included in current other liabilities on the condensed interim consolidated balance sheet.

The SPSP liability as at June 30, 2023 is $21.4 million (December 31, 2022 – $22.3 million), of which $17.0 million is included in current other liabilities and $4.4 million in non-current other liabilities on the condensed interim consolidated balance sheet.

10 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 and six months ended:

	Three Months Ended		**Six Months Ended**	
(in thousands of Canadian dollars)	**June 30, 2023**	June 30, 2022	**June 30, 2023**	June 30, 2022
Accounts receivable	**$ (17,889)**	$ (26,569)	**$ (48,998)**	$ (46,239)
Inventories	**(35,007)**	(20,905)	**(61,688)**	(42,763)
Prepaid expenses	**4,815**	(552)	**(19,528)**	(2,383)
Contract assets	**(22,813)**	(413)	**(43,407)**	7,277
Contract liabilities	**20,317**	13,314	**28,517**	16,111
Accounts payable and accrued liabilities, income taxes, and other liabilities	**65,546**	8,510	**76,146**	24,627
Foreign exchange losses and other	**(29,475)**	(3,213)	**(31,466)**	(11,539)
Total change in non-cash working capital	**$ (14,506)**	$ (29,828)	**$ (100,424)**	$ (54,909)

11 Contract Balances

Contract assets represent costs incurred and recorded margins on service contracts in the amount of $83.4 million and $43.8 million as at June 30, 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)	**June 30, 2023**	December 31, 2022
Composite Technologies	**$ 9,489**	$ 8,087
Connection Technologies	**1,355**	2,774
Pipeline and Pipe Services	**261,289**	233,063
	$ 272,133	$ 243,924
Current	**$ 262,247**	$ 192,093
Non-current	**9,886**	51,831
Total Contract Liabilities	**$ 272,133**	$ 243,924

12 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)		**June 30, 2023**		December 31, 2022
Credit facility	**$**	**39,000**	$	69,000
Senior Notes, unsecured		**150,000**		150,000
Deferred transaction costs		**(7,031)**		(8,168)
Total Long-term Debt	**$**	**181,969**	$	210,832

The Company was in full compliance with financial covenants as at June 30, 2023.

Credit Facilities

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

(in thousands of Canadian dollars)		**June 30, 2023**		December 31, 2022
Borrowings on Credit Facility	**$**	**39,000**	$	69,000
Standard letters of credit for financial guarantees, performance and bid bonds		**64,131**		64,445
Total utilized credit facilities	**$**	**103,131**	$	133,445
Total available credit facilities[(a)]		**509,947**		549,598
Unutilized Credit Facilities[(b)]	**$**	**406,816**	$	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, 2022, 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. Mattr 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.

13 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. Under this bid, the Company purchased for cancellation a total of $1.52 million common shares.

On June 26, 2023 the Company announced the termination of the existing NCIB and the approval by the Toronto Stock Exchange of the Company's notice of intention to renew its NCIB (the "New Bid") for common shares of the Company. Under the New Bid, the Company may purchase for cancellation up to 3.44 million common shares, representing approximately 10% of the Company's public float as at June 26, 2023 (being 4.96 million common shares), less the 1.52 million common shares purchased under the prior bid. In connection with the commencement of the New Bid, the Company removed the restriction previously limiting the aggregate common share repurchases to a maximum of $25 million.

In the first six months of 2023, the Company repurchased 1,030,700 shares for a total amount of $12.5 million (net of $1.9 million par value adjustment and accrued re-purchase). These shares had an average carrying value of $10.28 for a total amount of $10.6 million. On June 30, 2023, the Company initiated the application of an automatic repurchase plan ("ASPP") applicable between July 4 and August 14, 2023, which represents a potential maximum obligation of $20.3 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		146,630
Issued on exercise of RSUs		207,291
Purchase – NCIB		(1,030,700)
Balance – June 30, 2023		**69,581,384**
Stated value		
Balance – December 31, 2022	$	707,400
Issued – stock options		1,109
Compensation cost on exercised options		416
Compensation cost on exercised RSUs		3,547
Purchase - NCIB		(10,596)
Share repurchase – ASPP [(a)]		(5,900)
Balance – June 30, 2023	**$**	**695,976**

(a) Amount includes new ASPP accrual of $20.3 million as at June 30, 2023, partially offset by the reversal of $14.4 million accrual as at December 31, 2022.