

Message to Shareholders

The past year presented us with a combination of disappointing financial results and unprecedented success at winning new business, which will benefit us in 2012 and 2013. The financial crisis caused a “pause” in the final investment decisions on several major energy projects and delayed revenue in our core pipe coating markets. By year-end, however, our success in winning these significant projects resulted in the Company establishing an all-time record for booked customer orders.

Revenue for 2011 increased 12 percent to \$1.16 billion as the result of the growth achieved in several of our businesses. In the Pipeline and Pipe Services segment, revenue increased 11 percent, however, operating margins were impacted by weak conditions in the large diameter pipe market, especially in Asia Pacific and Latin America where there was virtually no new energy infrastructure activity. This was partially offset by steady project volumes in Europe and the Middle East and strong demand for our small diameter pipe coatings, composite pipe and joint protection products in North America. The Petrochemical and Industrial segment also performed well with a 19 percent increase in revenue during the year.

Despite the growth in revenue, net income attributable to shareholders of the company declined 41 percent to \$56.1 million. The reasons for this included: a much lower volume contribution from our Asia Pacific region’s pipe coating business, a \$10.1 million loss on our investment in Fineglade, low capacity utilization in our pipe coating facilities in Asia Pacific and Latin America and the decision to maintain workforce levels for a significant ramp up in production beginning in 2012.

A record year for new business

While 2011 was an unusually quiet year for the pipe coating industry, ShawCor secured over US\$800 million in major project awards and entered 2012 with a record year-end backlog of \$548 million in booked customer orders. This twelve-month rolling backlog included current portions of US\$170 million in contracts with Chevron Australia Pty. Ltd. to provide pipe coatings and related products and services in connection with the gas supply trunkline and flow lines for the Wheatstone LNG Project off the northwest coast of Australia. We were also successful in winning a US\$400 million contract from Mitsui & Co. Ltd., to provide pipe coatings and related products and services for the gas export pipeline that will serve the massive Ichthys LNG Project, a joint venture between Inpex Corporation and Total E&P. This project will involve advanced coatings for approximately 900 kilometres of 42 inch subsea

pipeline from the offshore central processing facility to the onshore LNG facility at Darwin, Australia.

Extending our lead

Continuous investment in market and technological leadership has been an essential part of our success in winning such contracts. The Simulated Service Vessel (SSV), an integral part of ShawCor’s new Subsea Test Facility which opened in early 2011, has enabled us to exhaustively test and prove the performance of our most advanced coatings prior to deployment. The unique capabilities of the SSV were recognized earlier this year with the receipt of a Spotlight on New Technology Award. The Spotlight on New Technology Program is designed to highlight the newest and most advanced technologies in the oil and gas sector as presented by companies exhibiting at the Offshore Technology Conference in Houston, Texas. Our remarkable Brigden™ portable coating plant, commissioned in the third quarter for Chevron’s Jack/St. Malo Project, is now a proven technology and potential game changer for the completion of remote or tightly scheduled pipeline projects. We also introduced a number of other advanced products, such as Bredero Shaw’s Thermotite® ULTRA™ deepwater insulation system and new high-temperature and cyclic pressure composite pipe products from Flexpipe Systems, that have increased our product differentiation and generated new sources of revenue.

In addition, we continued to invest in strategic capabilities that will strengthen ShawCor’s position in its chosen markets. In the first quarter, Shaw Pipe Protection acquired the former CSI operations of Altus Energy Services in Western Canada. This acquisition enables Shaw Pipe Protection to supply a broad range of customized coating solutions that are complementary to its current range of anticorrosion, insulation and flow efficiency coatings for oil and gas transmission lines and strengthens our position in pipeline rehabilitation markets.

Strategic capital investments in our existing facilities are also important. In 2011, we improved throughput and pipe handling capabilities on the anticorrosion and insulation lines at our

Kabil, Indonesia and Kuantan, Malaysia facilities, added and prepared new yard space in Kabil following the construction of two new berths at its deepwater port and also added a second new berth at the facility in Kuantan. These improvements played an essential role in winning the Wheatstone, Ichthys and Zawtika contracts and position us for continuing success in the Asia Pacific region.

An improving outlook

In an environment of weak economic growth, global energy demand is expected to rise by about one percent over the next year. However, the annual depletion rate for existing reserves is about six to seven percent. To bridge the gap, the energy industry's major producers are extending their search to challenging new frontiers. We are right there with them as a trusted global supplier of the reliable and technologically advanced products and services essential for their success.

While global economic prospects remain uncertain, we are confident that ShawCor is positioned for success in 2012 and beyond. Our backlog has increased by 16 percent since the end of the past year to an all-time record of \$637 million as of February 29, 2012. The largest of these new orders involve energy infrastructure for the long-term supply of LNG to Asian markets where rapid economic growth continues to support increased demand for new energy resources.

The people of ShawCor

As always, our progress has been made possible by the skill and dedication of more than 5,000 employees around the world. We are grateful for their support in building a leading international energy services company. We would also like to thank the Board for its wise counsel over the past year and, in particular, to acknowledge the contribution of retiring Director Murray Mullen and welcome two new members, Derek Blackwood, a Divisional President of global energy services company Wood Group, and Dennis Freeman, a retired partner of KPMG LLP.

Sincerely,



WILLIAM P. BUCKLEY
PRESIDENT AND CHIEF EXECUTIVE OFFICER



VIRGINIA L. SHAW
CHAIR OF THE BOARD

William P. Buckley
President and Chief Executive Officer

Virginia L. Shaw
Chair of the Board

