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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the ShawCor first quarter 2009 financial results conference call. At this time all, participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press the \* followed by the 0 for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded today, May 12th, 2009 at 10:00 a.m. Eastern time.

I will now turn the conference over to Jim McTurnan, Vice-President, Legal. Please go ahead.

JAMES MCTURNAN (Vice President, Legal, ShawCor Ltd.): Thank you, Josée.

Today's conference call includes forward-looking statements that involve estimates, judgements, risks and uncertainties that may cause actual results to differ materially from those projected. The uncertainties include, among other things, economic conditions, levels of drilling and pipeline activity, environmental and regulatory risks, liability claims, exchange rate fluctuations, political risk and raw material prices.

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Further information on risks that could affect the company can be found in ShawCor's 2008 annual report and annual information form, as well as the quarterly reports for the first quarter of 2008. Copies of these reports are available on SEDAR at [sedar.com](http://sedar.com) and may also be found on the company's website at [shawcor.com](http://shawcor.com).

I would now like to turn the call over to Bill Buckley, President and CEO.

WILLIAM BUCKLEY (President and Chief Executive Officer, ShawCor Ltd.): Thank you, Jim, and good morning, everyone.

We released our first quarter results yesterday afternoon, and in spite of the global economic situation the first quarter was again a strong quarter for ShawCor on a year-over-year basis.

Revenue increased 5 per cent over the first quarter of 2008 while earnings per share increased 22 per cent over the prior year.

While both revenue and earnings benefited from the weakness in the Canadian dollar versus the U.S. dollar compared with one year ago, the strong earnings growth is also a result of continuing operating margin improvement in our pipeline and pipe services segments.

In fact, the operating margin in our pipeline segment reached 20 per cent for the first time in our history. Also, the EBITDA margin in our

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pipeline segment reached 25.6 per cent, again, a record level for ShawCor.

Operating margins in our pipeline segment have moved higher as a result of the increased contribution margins in Bredero Shaw, strong revenue growth at our Canusa-CPS division, lower fixed costs and depreciation at several of our divisions; and more generally, the continued improvements in product efficiencies as a result of the efforts taken over the past several years to implement the ShawCor manufacturing system, or SMS, our lean program.

In our petrochemical and industrial segment, the weakness in the electrical and automotive markets have led to a revenue decline of 23 per cent on a year-over-year basis and operating margins dropping to breakeven levels.

To offset this market impact, we have initiated cost-reduction measures including reducing labour and fixed costs in an effort to maintain profitability at lower revenue levels. Further measures will be taken in the second quarter, including the closure of DSG-Canusa's facility in Eastern Europe.

On a more positive note, we expect that DSG-Canusa's newly established manufacturing facility in Suzhou, China will help improve our

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competitiveness in North America and Europe as well as providing greater access to the Asian market.

Looking at the balance of 2009, we're being impacted by the effects of the global economic crisis on our market. However we also have the positive impacts of first, a stronger Asia-Pacific region; second, national oil companies including Pemex and Petrobras, who are increasing expenditures; and third, new business that is coming to us as competitors falter.

I'll elaborate further on this later in the conference. But first let me comment on our annual general meeting, which was held yesterday.

At the meeting we announced that the board of directors of ShawCor had approved a 7.7 % increase in our quarterly dividend to \$0.07 per Class A subordinate voting share and \$0.06364 for a Class B multiple voting share.

In addition, the board of directors also declared a special recognition dividend of \$0.26 per Class A subordinate voting share and \$0.2363 per Class B multiple voting share.

This special recognition dividend recognizes the occurrence of three significant events in the history of ShawCor. First, the 40th anniversary of ShawCor becoming a public company. Second, to recognize ShawCor's

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record earnings reported for 2008. And third, to recognize the company's strong cash position and return some cash to shareholders that is deemed to be in excess of the company's growth needs.

The special recognition dividend provides a tangible reward to ShawCor shareholders and enables them to share in the success of the company.

I'll now ask Gary Love, our CFO, to provide more details on the first quarter financial results. Gary.

GARY LOVE (Vice President, Finance and Chief Financial Officer, ShawCor Ltd.): Yes, thanks, Bill.

I'll start with a brief description of the exchange translation impact. During the first quarter of 2009 we experienced a 22.9 % year-over-year weakening of the Canadian dollar against the U.S. dollar. This was offset somewhat by weakness in other currencies to yield a net favourable revenue impact of \$26.9 million and a favourable operating income impact of \$9.9 million when comparing our first quarter results to the year-ago period.

Note however that the fourth quarter 2008 and first quarter 2009 average Canadian dollar to U.S. dollar exchange rate was basically the same. And thus the favourable translation impact on revenue and

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operating income is only relevant in considering our first quarter results compared with the prior year first quarter 2008 period.

Bill noted the divergent trend in operating margins between our two business segments with the pipeline segment showing strong growth in margins to 20.2% in the quarter while the petrochemical and industrial segment weakened to near breakeven.

In the pipeline segment, we have benefited from our Canusa-CPS division that has been very successful winning project work in the Middle East and Asia. Also helping margins in the quarter was high utilization at several of Bredero Shaw's facilities coupled with improved contribution margins and lower fixed costs, particularly in Bredero's Europe/Africa region.

You should also note the reduction in depreciation expense in the first quarter. During 2008, depreciation increased by \$5.1 million over the prior year as a result of the start-up of additional property, plant and equipment at the new pipe coating facilities in Camrose, Portland, Regina, Ras Al Khaimah and at the remobilized Leith facility.

In the first quarter we reported a reduction in depreciation to \$16.2 million from \$22 million in the fourth quarter as we completed the amortization of certain project-specific capitalized costs.

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Excluding depreciation, the EBITDA performance mirrored the operating income results with strong growth in EBITDA margins in the pipeline segment which improved to 25.6%, up 1.5 percentage points from the fourth quarter and up 5.9 percentage points from a year ago.

The petrochemical and industrial segment EBITDA margins slipped to 4.3% from 11.8% in the fourth quarter and 19.2% a year ago.

Bill noted the measures being taken in the industrial segment businesses to reduce fixed costs. However, returning to the year-ago margin levels will require an improvement in industrial and automotive market conditions in North America and Western Europe.

On a consolidated basis, EBITDA came in at \$66.7 million, down 3% from the fourth quarter as a result of the revenue reduction but up 22% from a year ago.

The first quarter tax provision generates an effective tax rate of 35.4% which, although the same as the year ago first quarter, it's considerably higher than our expected tax rate of 31%. In the first quarter we recorded a \$1.4 million tax reserve for potential exposures in certain foreign jurisdictions.

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Excluding this one-time reserve adjustment and a foreign exchange capital loss that has not been tax benefited, the tax rate in the quarter would have been below 32%.

Cash provided by continuing operations before the movement of working capital was \$50.7 million, or \$0.72%. Working capital increased by 11.9 million in the quarter.

Lower accounts receivable and payables were offsetting. However changes in project-related pre-pays and customer advances as well as a reduction in tax payments resulted in the net increase in working capital.

At \$194 million, current non-cash working capital is sufficient for our expected revenue levels this year; although with strong project activity slated for the next two quarters, we probably won't see a material reduction in working capital until the fourth quarter.

Cash flow used in investing activities in first quarter of \$14 million decreased from the levels seen in the last three quarters of 2008 as the major capacity expansions that we initiated in 2007 and 2008 are now complete.

In the first quarter the more significant capital spending projects included an acquisition of a tubular machining facility in northern Alberta

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that is well positioned to supply the growing activity in the Horn River and Montney resource plays.

We also had an upgrade to the insulation coating line in Malaysia to accommodate the large-diameter requirements of the Gumusut project. We expanded our field service capacity at Flexpipe and finally, we invested in the equipment for DSG-Canusa's new plant in China.

Each of these initiatives has strong market support and will provide a fast payback.

I'll now turn it back to you, Bill, for your concluding remarks.

WILLIAM BUCKLEY: Yes. Thanks, Gary.

I'll now provide more details on our outlook. We secured two major orders in the first quarter, the \$40 million Kumang cluster project in Malaysia and a scope increase to the Trinidad NGC project. These project awards are indicative of the continued strength in our international markets.

In the quarter, our backlog stopped slightly but was still a healthy 402 million as we entered the second quarter. We expect our revenue performance to be strong in the second and third quarters as we execute the Kumang cluster, Gumusut projects in Asia as well as the \$80 million Trinidad project. And I'd note that the Trinidad project is using two of our

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proprietary portable compression coat plants which provide us with a significant competitive advantage on remote, offshore pipeline projects.

For the full year we expect that revenue will be slightly below the record levels achieved in 2008. However we expect our operating margins to meet or exceed the levels achieved in 2008 in response to the several initiatives, including programs to reduce costs and improve efficiencies that we're taking.

Looking beyond the current year, we're targeting our efforts on the active areas of the globe. This includes the Asia-Pacific region where we're targeting the major follow on projects to the successful Pluto project which we recently completed.

These projects include a major LNG project in Papua New Guinea and the next in a series of LNG projects on the northwest shelf of Australia.

On these large and complex projects, there is often no other coater that has the proprietary products, the multiple high-volume facilities and the balance sheet to undertake and complete these projects successfully.

Now at the same time we're taking costs out of the less active regions. For example, in Western Canada we've temporarily shuttered two small-diameter coating facilities in response to the dramatic decline in well completions in this region.

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We're also focusing our activities on the national oil companies such as Pemex and Petrobras, who are increasing their expenditures, in part to stimulate their home economies.

And finally, we are beginning to secure business in new markets such as Angola due to the weakness in competitors in that region.

And with that, I'll turn it back to the operator for questions. Josée?

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the \* followed by the 1 on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you're using a speakerphone before pressing any keys.

Your first question comes from Sarah Hughes, from Cormark Securities. Please go ahead.

SARAH HUGHES: Hi, guys. Bill, I guess I'll just start with a question for you. Just wondering if you can talk about each of your major regions in terms of what you're seeing on bidding activity now and how it compares to bidding activity in the last number of months or last quarter?

WILLIAM BUCKLEY: Sure, Sarah. Starting first with North America, we're still quite active on executing large-diameter projects and we are still

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bidding large-diameter projects, though they tend to be a little smaller in nature than the major projects like Alberta Clipper or Keystone. They're more tie-in lines and shorter lines in the U.S. I'd say bidding activity is down, but it's certainly continuing with, as I say, a series of smaller projects.

In the North Sea region, we have been quite active with projects such as the Skarv and the Gjøa projects which we're just completing. Those are tie-in projects for the Norwegian sector of the North Sea. We expect that we'll continue to have those types of projects continuing and we'll be executing those at our Orkanger facility.

There is one large project that is upcoming in the North Sea that we expect that we'll be bidding on in the latter part of this year and if it goes on schedule, will be awarded in the latter part of this year and that's the Lagan(phon) project.

As we go in to the Middle East, activity remains relatively robust in Saudi Arabia for us. There has been a switch in projects there with more focus being put on projects for natural gas versus oil projects and some of the oil projects have been deferred or delayed and in actual fact, some of the natural gas projects have been brought forward, and that's to provide natural gas to power plants and desalination plants in the Kingdom as they

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continue to work on their internal infrastructure. As well, the price of oil is low.

Asia-Pacific bidding activity is very active and I would say is at the same levels as last year or increased. And we're about ready to quote, put final bids in on three of the major projects in the northwest shelf of Australia, in Papua New Guinea region. These are large projects, as large as or larger than the Pluto project was for us. We put in preliminary bids on them. Final bids are due to go in between now and the end of the year; and I think as we commented at the last quarterly conference call, we would expect, if they stay on schedule, that there'll be two awards prior to yearend. And it is really those projects that we're counting on to give us good revenue strength in 2010.

In South America, Brazil is active. As I mentioned, Petrobras is spending. Our joint venture operation in Brazil is doing quite well. We're actually looking at opportunities to expand within Brazil. Nothing likely in the next quarter, but we're in the planning stages of sort of next expansionary moves in Brazil.

In Mexico, quite active. Mexico is actually doing better this year than it's done in the last four years. Quite active both for land projects and also

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for offshore projects. And we expect that to continue through the balance of this year.

SARAH HUGHES: Okay, great. Thank you. And then just on the pipeline margins, I was bit surprised by the strength given you had some low utilization in a number of regions. But, Gary, you talked about that it was helped by good utilization in other regions. I know Asia-Pacific would have one of those, but just wondering what the other regions were that helped the margins there?

GARY LOVE: Yes, certainly it's a large-diameter story both in Asia-Pacific, also in North America. As Bill mentioned, we're pretty busy in a couple of our large-diameter facilities, one in Canada, one in the U.S.; and so that was a source of strength in the quarter.

Europe was actually pretty strong as well. Our Orkanger facility in Norway, very active. Leith, Scotland, also active in the quarter.

SARAH HUGHES: Okay. And the Pluto contract, was that all completed in the first quarter?

GARY LOVE: Yes.

SARAH HUGHES: Okay.

GARY LOVE: Yes, Pluto is now finished.

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SARAH HUGHES: Okay. And then just on the industrial margins, I know you indicated that you've done some cost cutting. Do you expect that to help your Q2 margins or is it more a second half story?

GARY LOVE: Yes. Before some costs, it'll likely be incurred to effect some of the measures that were taken. I mean, Bill mentioned we're taking a hard look at capacity, particularly in Eastern Europe, so there may be some costs, onetime costs associated with that.

Beyond that and certainly getting into the second half, we would expect that the lower fixed cost structure will help us and we may start to see some of those markets, perhaps not strengthen but at least stabilize, and that will be helpful.

SARAH HUGHES: Okay. And then just depreciation, is Q1 a good run rate or do you expect some more things to come off as you move through the year?

GARY LOVE: Q1 is a good run rate. Q1 is similar to Q3 of 08. Q4 was really the aberration where we had... we obviously had the big spike in revenue on project activity but we had the related depreciation on some of those projects.

So we've stepped down from that to the \$16 million range and that should be, you know, it'll bounce around a bit but that should be a

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sustainable level until we get into 2010 and I think then it's going to drop down.

SARAH HUGHES: Okay. And then just lastly, Flexpipe, I'm wondering if you can give us a bit of indication on what your expectations are on the revenue side for that as we go through the year?

GARY LOVE: Yes. The first quarter was really a difficult quarter revenue wise for Flexpipe and it really is indicative of what's happened in North America, both Canada and the U.S., in terms of the build-up of excess pipe inventory.

I think if you talk to some of the steel distributors, steel pipe distributors, steel pipe manufacturers, they'll tell you the same thing. There has been a glut of steel pipe built up in North America, and that impacted Flexpipe because they, in several cases, were advised by clients that the clients owned pipe and had to use it. They would have preferred to use the Flexpipe product but they owned pipe and they had to use it.

So that was a tough quarter and so we should see some stabilization as we move through the second quarter.

The second quarter is naturally a down quarter for Western Canadian completion activity and this year particularly so. But I think as we get into the second half of the year, we should start to see that market

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stabilize. Some of the inventory should begin to work off and the fundamental value proposition of the Flexpipe product will begin to reassert itself and we'll see the revenues start to move up again.

SARAH HUGHES: Okay, great. Thanks, guys.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the \* followed by the 1. As a reminder, if you're using a speakerphone, please lift the handset before pressing the keys.

Gentlemen, there are no further questions at this time. Please continue.

WILLIAM BUCKLEY: Okay, well, I'd to thank everyone for their participation today and their interest and look forward to talking with you again next quarter. Thank you.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your lines.

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