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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the ShawCor Second 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 star, followed by the zero for Operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Thursday, August 6th, 2009 at 10:00 p.m. Eastern Time.

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

JIM MCTERN (Vice President, Legal, ShawCor Ltd.): Thank you Nadia. Today's conference call includes forward looking statements that involve estimates, judgments, risks and uncertainties that may cause actual results to differ materially from those projected. The uncertainties included among other things, economic conditions, levels of drilling and pipeline activity, environmental and regulatory risks, liability claims, exchange rate fluctuations, political risks and raw material prices. Further information on risk 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 and second quarter of 2009. Copies of these reports are available on SEDAR at www.sedar.com and may also be found on the company's website at www.sharcor.com. I will now turn the call over to Bill Buckley, our President and CEO.

BILL BUCKLEY (President and CEO, ShawCor Ltd.) Thank you Jim and good morning everyone. We released our second quarter results yesterday and these results were quite strong despite the challenges facing the industry and us, in certain markets. In the second quarter our revenue increased 6 percent on year over year basis, our operating margin was up almost 8 percentage points and our diluted earnings per share increased 96 percent, both of these on a year over year basis.

While both revenue and earnings benefitted from the weakness in the Canadian dollar versus the US dollar compared with one year ago the strong earnings growth is also a result of the exceptionally strong margins in our Pipeline and Pipe services segment. At 20.7 percent, the pipeline operating margin reached a new level for the company.

As well the EBITDA margin in our Pipeline segment reached 25.8 percent, a slight improvement over the first quarter and again a record level for the company. Several factors have caused our pipeline operating margins to increase over the past three quarters, the strong contribution margins in Bredero Shaw that we noted in the first quarter, were again important in the operating margin result in the second quarter. The gains in contribution margin compared to the first half of 2008 are a result of improvements in production efficiencies, lower manufacturing input costs, strengthened competitive position and the absence of new plant and product startups. In addition we have taken cost out through restructuring in regions where activity has moderated. At Bredero Shaw, this has been the case in Canada and in the Europe, Africa, Russia regions.

During the second quarter, we did see an improvement in revenue and operating margins in our Petrochemical and Industrial segments, compared to the first quarter, however the industrial and automotive markets served by our business units, remain very soft compared with a year ago, as evidenced by the 18 percent revenue decline and operating margins that have been cut in half.

We've undertaken a significant restructuring at DSG Canusa to reduce costs and we're beginning to see some stability coming back into the market. I will provide an update on our outlook for the balance of 2009 and beyond but first I will ask Gary Love, our CFO, to provide you with more detail on our second quarter results. Gary.

GARY LOVE (Chief Financial Officer, ShawCor Ltd.) Thanks Bill. I would like to take a few minutes to elaborate on the significant factors that affected our second quarter operating results. An important and somewhat complex factor is the foreign exchange translation impact. Depending on what the basis for comparison is, foreign exchange had either a positive or negative impact on our second quarter revenue and earnings. Compared with the second quarter of 2008 the Canadian dollar weakened by 16 percent versus the US dollar. With the result that the translation to Canadian dollars of the currencies in which we conduct our foreign operations, created a benefit to revenue of $25 million and a benefit to net income of $3.8 million. However when we compare the second quarter of 2009 with the first quarter of 2009, the Canadian dollar strengthened against the US dollar by 6 percent with a resulting negative impact on revenue of 14 million and a negative effect on net income of 1.3 million. Given that the average Canadian dollar to US dollar translation rate in the second quarter was approximately $0.86 and the spot rate is currently around $0.93 it's reasonable to expect that the exchange translation impact on our third quarter will be modestly negative.

Aside from the exchange movements, the most significant driver of the second quarter operating performance was the large projects in Asia and Trinidad that contributed to the strong revenue and exceptional margin performance in the Pipeline segment. Revenue of US $28 million from Trinidad in the quarter offset the weakness in North American small diameter activity and the reduction in project work at our UK and Norway facilities. The net result was quarterly revenue of 313 million a marginal increase over the first quarter.

Our consolidated operating margin reached 17 percent with the Pipeline segment margin hitting a record level of 20.7 percent and the Petrochemical and Industrial segment margin improving to 7 percent from break even in the first quarter. In the Pipeline segment, the improvement in margin has been driven by high utilization at several key Bredero Shaw facilities including Regina, Paraland (phon) Texas, Rassal Kaimren (phon) in the Emirates and Quanton (phon), Malaysia.

It is encouraging that the margin performance was achieved despite quite low utilization at the North American small diameter plants in Orkanger Norway and at our Kabil facility in Indonesia where we have seen several projects postponed to the third quarter.

Also providing a significant boost to operating margins, in the Pipeline segment, has been the reduction in fixed costs, particularly in

Bredero, Europe, Africa, Russia region, which are down $6.3 million on a year over year basis.

Also I would note that depreciation expense has declined from the first quarter to 15.7 million in the second quarter. This level should prevail in the second half of this year and at that level, represents a reduction of approximately 20 percent below the level we saw in the second half of 2008.

Along with operating margins, the EBITDA performance was very strong in the second quarter with a consolidated EBITDA margin at 22 percent and the Pipeline segment margin reaching a new high of 25.8 percent. This level is up slightly from the first quarter but is over 10 percentage points higher than the second quarter of 2008.

The Petrochemical and Industrial segment EBITDA margin increased to 10.6 percent in the second quarter from 4.3 percent in the first quarter, but is still considerably below the 18.2 percent margin that we reported in the second quarter of 2008.

On a consolidated dollar basis, EBITDA came in at 68.9 million up slightly from the first quarter and over 70 percent higher than the prior year period.

Two negative factors that affected net income in the second quarter were net interest expense and the tax rate. The reduction in cash balances over the past 12 months from the acquisition of Flexpipe and cash that's been dispersed to pay dividends and buy back shares, has resulted in an increase in net interest expense of approximately $700,000 from the prior year period.

In the second quarter we repaid 25 million US of the outstanding senior notes. This debt reduction coupled with our repayment of all bank indebtedness will result in reduced net interest expense in the second half of this year.

Now in terms of the tax rate, the second quarter tax provision resulted in an effective tax rate of 33.4 percent which, while improved from the first quarter rate of 35.4 percent, is still well above our expected tax rate of 31 percent. The higher than expected rate was due to withholding taxes on the repatriation of cash from certain foreign jurisdictions with a 2 percentage point impact on the tax rate in the second quarter.

Cash provided by continuing operations of $58 million was driven by the strong earnings and a 5.6 million reduction in non cash working capital. For the full six months ended June 30, 2009 cash provided by continuing operations of 96.8 million is up 78 percent over the first half of 2008. Cash flow used in investing activities in the second quarter was 10.3 million and for the first six months of this year has decreased to 24.3 million from 157 million in 2008. The 2008 level included both the Flexpipe acquisition and significant facility and capacity related investments. We expect that expenditures on property, plants and equipment in the second half of 2009 will not exceed $25 million.

At this expenditure level it is reasonable to expect that continued strong cash flow from operations will lead to increased cash resources available to fund our growth initiatives. Now I will turn it back to Bill for his concluding remarks.

BILL BUCKLEY: Thank you Gary. The third quarter will be strong as we continue to coat (phon) the $40 million Kumang Cluster project in Malaysia in that we also will have a full quarter coating the annual (phon) project in Trinidad where we have deployed two of our proprietary portable concrete plants. In addition we will commence production of the $35 million Gumusut project at our new installation plant located at our Guantan Malaysia complex.

In the third quarter our Orkanger Norway facility will also go back into production to apply multi layer thermacite insulation on a series of projects for the North Sea and for offshore Angola for which we have received LOI's. These projects will be included in the backlog once purchase orders are received.

Our revenues are expected to decline in the fourth quarter compared to the third quarter due to project timing. Our backlog dropped by approximately 100 million in the second quarter to 302 million at June 30, 2009. We expect that the backlog will increase by year end as we book some of the major project work coming out of the Asia/Pacific region.

Also any modest recovery in North American small diameter activity in the fourth quarter would be incremental to the volume levels suggested by the backlog.

For the full year we expect the revenue will be down slightly from the record level seen in 2008, however the excellent Pipeline segment margins in the first half and our expectation for similar performance in the third quarter, should translate into an improvement in operating margins over the 2008 level, even with a weak fourth quarter.

Large diameter pipeline coating activity in North America is expected to be moderately active with projects to connect into and to provide take away infrastructure for the new shale plays and for the coating of projects previously announced related to the oil sands.

Finally, we continue to experience good order activity from the NOC's including Petrobras, Pemex, Petronas and others, which is providing us with growing revenues in these regions that we expect will continue into 2010. With that, I will turn it back to the operator for questions. Operator.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct a question and answer session. If you have any questions please press star, followed by the one on your touch tone phone. You will hear a tone acknowledging your request. Your question will be polled in the order it is received. Please ensure to lift your hand set if you are using a speakerphone before pressing any key. One moment please for your first question. Your first question comes from Sarah Hughes from Cormark Securities. Please go ahead.

SARAH HUGHES: Hi guys. Just in your MD&A you commented on some delays in the Asia/Pacific market, just wondering if you could elaborate on that and have those delays started back up now in terms of those projects.

GARY LOVE: Sarah, its Gary Love. The reference was to, specific to our Kabil facility where we had I believe it is two or three projects that we have received the pipe, the pipe has been delivered, but we have not had, in the second quarter we had, did not receive the go ahead to commence the work. We expect that work will be done in the second half of the year.

SARAH HUGHES: Okay and then, Bill you talked about just some projects that you are receiving in the North Sea and Angola, just wondering are those fairly large projects or are they smaller in nature?

BILL BUCKLEY: They are thermacite insulation projects so they tend to be, in the range of 30 to 100 kilometres in length, but as you know that is high value coating. The value of these projects ranges between $30 million and $100 million.

SARAH HUGHES: Okay and would you expect them to start this year, in 2009 some time?

BILL BUCKLEY: Yes, as a matter of fact that will start in this quarter, in the third quarter, the Orkanger facility is going back into production and we have LOI's from clients that we have had long term relationships with and sometimes the purchase order lags the LOI and we expect that we'd be in a position to announce these shortly.

SARAH HUGHES: Okay. I'm just wondering if you could comment on how things are going with Flexpipe, if you've seen any improvement from kind of, the results you saw in Q1 and Q2 as you moved through the second quarter.

BILL BUCKLEY: Yes, I would be happy to do that. We have now seen the impact of the glut of inventory of coated steel pipe diminish and we are now beginning to book orders at a stronger pace both in Canada and the United States. The Flexpipe organization has also increased their sales organization and their service organization in the US to move forward in that market at a faster rate than they had originally planned. We expect the second half for Flexpipe to be significantly stronger than the first half.

SARAH HUGHES: Okay. Okay and then just lastly, obviously very surprised and pleased to see your pipeline margins, Gary you mentioned a few plants that have had high utilization in the quarter and I guess my question is the Peerland (phon) facility and the Regina facility, how would we expect utilization in those facilities be going through the year? Do they fall off in Q3, Q4?

GARY LOVE: Yes possibly in Q4, you know we've certainly built the bulk of our expectations for weaker revenue in Q4 and that would be one area. The sort of work that we're looking at in terms of large diameter activity, a couple of big projects, Keystone Excel is certainly a very large project, is probably not going to come into play until 2010.

SARAH HUGHES: Okay and then just lastly, just wondering any impact from the announcement this week in terms of SOCOTHERM filing their pre-insolvency, filing pre-insolvency with the court, just wondering any impact on you that you are seeing on competitive position or acquisition opportunities from that.

BILL BUCKLEY: Nothing specific that we'd like to comment on, but of course with that press release that came out on Monday, this certainly does increase and enhance the competitive position of Bredero Shaw and the Canusa CPS on the major projects that are going to be left over the next six months.

SARAH HUGHES: Okay. Thanks guys.

BILL BUCKLEY: Thanks.

OPERATOR: You're next question comes from Jan Cerny form Tristone Capital, please go ahead.

JOHN SIERNEY: Good morning guys.

BILL BUCKLEY, GARY LOVE: Morning.

JAN CERNY: Just a, kind of a general question with the price of oil now kind of recovering above the $70 and the credit tightness easing, are you guys seeing some of the projects that were delayed or deferred kind of opening up for bidding, what's the bidding environment like right now?

BILL BUCKLEY: Our bidding activity at the moment is quite strong; most of it is related though to large LNG projects and planned projects in the North Sea. The large LNG project's centred primarily in the Asia/Pacific region. Activity in North America that we are seeing is high end infrastructure for the shale play and these typically involve large diameter lines of 50 to 150 kilometers in length and in aggregate, they are fairly significant. That is offsetting the weakness that we have seen in the small diameter area, which is related to the rig count.

We are seeing a little strengthening in the small diameter area, as the inventory glut has been worked off. I'm not sure we could say that we have seen any impact in increased activity due to the oil prices yet, but obviously that is going to have a positive impact on the investor financed E&P companies.

JAN CERNY: All right and finally, do you guys have any updates on the Chevron/Gorgon project in Australia?

BILL BUCKLEY: At this stage, we're moving forward with final bidding activity both on Gorgon and also n the Exxon project in Papua New Guinea. Our understanding and our belief based on you know, what we are being told is that both projects will be, decisions will be taken by the end of this year on both projects, with, assuming they are positive decisions to proceed that, that would then be very important for us in 2010. Probably starting in the second half of 2010 and then carrying on well into 2011 and beyond so, everything appears to be moving forward, but again, nothing determinative yet.

JAN CERNY: I'm just wondering, would you guys have to ramp up your capacity to take on both of these projects if they were awarded by the end of this year?

BILL BUCKLEY: We have sufficient capacity to manage both projects if we were successful in being awarded the full scope of work under both projects at our facilities in the region. One of the things that we did, and noted in the second quarter was an investment related to expanding the port facility at our Kabil plant in Indonesia. That is directly related to our expectation that the volumes will require additional port capacity, so, that is an investment that we have undertaken in anticipation of increased business activity in, in the Southeast Asia region generally but obviously these two big projects are important leading elements of that increased activity. So we've done that investment, in terms of our plant facilities we have sufficient capacity.

JAN CERNY: All right, thanks a lot guys, I'll turn it over.

OPERATOR: Your next question comes from Dana Bender from Thomas Weisel Partners, please go ahead.

DANA BENNER: Good morning guys.

BILL BUCKLEY, GARY LOVE: Morning.

DANA BENNER: I guess I would like to start with your comments on guidance. You, lower backlog, yet reaffirming I guess an expectation of only slightly lower revenues and even or maybe even higher operating margins, presumably that relates to the deferrals that you have seen into Q3 but, is that enough to give you the sense that you hit those types of numbers or are there still other, other projects out there that you think ultimately come to fruition and start to get processed in '09.

GARY LOVE: Dana, its Gary. One thing that, to stress, is the fact that the backlog is a very good indicator, clearly that is why, that is why we publish it and talk about it, but its not a perfect indicator and Bill mentioned in his comments some project activity in the North Sea that we expect we'll be doing in the second half of this year, but for which, we don't have purchase orders yet and thus, its not in our backlog. So you know, things can materialize in terms of project activity that we're, we've been working on for some considerable period of time and just the nature of the clients' processes is such that purchase orders aren't issued until effectively we start the work.

You may recall we had a similar situation in Canada a number of months ago with, for example, the Alberta Clipper project, where we basically got the purchase orders more or less about the same time we started the coating work, so its not atypical. So that is a factor to consider when assessing the backlog as an indicator of near term, and here we are talking about the next couple of quarters, revenue. It's a good indicator but not a perfect indicator. Having said that, what we have, pretty good visibility on, obviously is the third quarter, we've been I think pretty clear in saying it is going to be strong, its going to look a lot like the first two quarters and that is obviously good for us. Fourth quarter not as good visibility, it's going to be weaker and that's what we've indicated today.

On balance when you add up the four quarters, yes revenue will be down from 2008 levels, margins will be at or above 2008 levels.

DANA BENNER: Great. You've outlined some major projects that you continue to try to close, be they the couple we've talked about in the Asia Pacific region, some North Sea stuff, Angola perhaps but, you know I think on prior calls you've talked about a larger suite of major projects to potentially include Brazil, Middle East etc., and I wonder if you could give us, if not a you know more quantitative break down, at least a qualitative outline of how that larger suite of projects may be, may be progressing.

GARY LOVE: Dana, I think the Asia Pacific area is fairly clear. We have in front of us the two major LNG projects which we've talked about and then following on those two projects there are a number, it's a large number, of additional projects which are in varying stages of development and you know, a lot of this information is in the public domain, you can certainly look at Chevron and what they've talked about, what they've indicated in terms of Wheatstone which is another major LNG project which they certainly indicated a lot of, they're putting a lot of money into and its something that the Chevron organization is, has indicated they are committed to. So you can take a look at that one. You can take a look at the Ixsis (phon) project which is a project between the Japanese E&P company Impact and Totall and you can certainly read about their commitment to proceed with Ixsis. On Woodside of course they have Browse and Sunrise so and there is a number of others. So what we are seeing in the Asia Pacific region is very large projects and a succession of these projects that will likely fall into place over a number of years.

Outside of Asia Pacific speaking of say Middle East, there is a lot more uncertainty. The focus of the major producers in the Middle East whether it is Saudi Aramco or the producers in the Emirates, has been on natural gas with you know, the decline in the oil commodity price, you've seen a shift in resources towards developing some of the stranded gas reserves and we think those projects are going ahead.

Saudi Aramco has indicated that they need gas in the kingdom and, so they are putting a fast track on some of their gas projects, Kuran being an example of a large offshore gas field in the Gulf that is going to be developed.

And so, you know, what happens on the big oil projects like Meniffe (phon) for example, it hasn't gone away, it has been in a sense, back burnered, but we think it will come back and we probably think it will, again if the oil price stays in the 70 range and perhaps moves higher, it will come back on track, probably in 2010. So we've talked about that one before, that will be an important project for us.

Brazil, nothing has changed in Brazil. Petrobras are continuing to invest in the infrastructure whether it is drill ships or platform infrastructure for both the Campos and ultimately the Santos basin. That area of activity is continuing, it's going to be very strong for us. We will likely add capacity in that region in the future to keep pace with the development activity, so nothing from our perspective has changed with respect to the very strong outlook for Brazil and its an important market to us, we are well positioned there, we think that is going to be key going forward.

North America is clearly the area of weakness and I'm sure that is not a surprise to you Dana.

DANA BENNER: Right and then I guess with respect to say Russia, North Sea, Central Asia, anything there of note that you think may be coming into focus into '10.

GARY LOVE: I think the North Sea we, Bill mentioned a number of projects that we are going to be running in Orkanger our installation facility in Norway, those are projects both for the North Sea but also for Angola and so there is work that we are going to be doing for the Angolan market. And the Angolan market continues to be a, you know, that's another area of strong development that we think is going to continue to be strong.

One of the big projects that will unfold over several years is the Block 31 development in Angola so that continues to be something we are targeting and we have some optimism that we will secure some business on that project.

DANA BENNER: Just one more question if I may. With your balance sheet in the great shape that it is, perhaps you could outline your strategy for how you deploy the cash over the next say year or two, assuming, I'm sure it builds at a pretty considerable rate.

BILL BUCKLEY: Dana, certainly we have an active file on acquisitions right now and as time passes, I think sellers are getting more acclimatized to pricing at today's reality rather than last years price levels, so I suspect that if you are talking over the next 12 months or so, we will have some activity on that front. We think there is the opportunity to acquire businesses that would fit into the seven platforms that we have right now and bring value to them.

And of course with Flexpipe and the technology it brings and our ability to bring that to the world, we remain quite positive in spite of the short term slump in the market that we are seeing in North America. I bet the outlook for that business will be very positive. So we're actively looking for other businesses that are technology based that we could bring to the global market and I think we will have some announcements in that regards certainly over the next 12 months.

In addition to that, we are looking at geographic expansion opportunities. Your question on outlook for projects, you had said that might impact 2010, if we look beyond 2010 we certainly believe that the markets in Russia, North Russia and then also projects to bring gas to Europe you know whether it is South Stream or Nebukos (phon), it will present opportunities for us beyond the 2010 time period.

The Caspian region is a region that we look at and we see that as a potential target for geographic expansion and of course India and China are targets that we are focused on and doing a lot of work in those countries right now. As you know we did open up our first manufacturing operation in Suzhou China last quarter, so geographic expansion will, is an opportunity for us that we will be moving forward on and our cash resources will help fund that.

In the first half of the year we did not use our MCIB for a number of reasons. We will be in the second half of the year, likely going into the market and buying up at least 400,000 shares to offset dilution from our options program, but we may go beyond that and we are assessing that at an alternative use for our funds as well.

For the projects in the short term, as Gary mentioned, in the next six months, we don't see any large CAPEX requirements to put capacity in place, even to meet the ramp up of projects that we expect to come out of the Asia Pacific region and the North Sea region, but beyond that we will be deploying that capital in support of geographic expansion and we will be deploying cash for acquisition.

DANA BENNER: A very thorough answer, thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press star, followed by the one. As a reminder if you are using a speaker phone, please lift your handset before pressing any key. Mr. Buckley, there are no questions at this time, please continue.

BILL BUCKLEY: Okay, thank you Nadia. I'd like to take this opportunity to thank everyone for their participation in our call today and we look forward to updating you again at the end of the third quarter. Thank you.

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

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