

EVENT: SHAWCOR LTD. Q3 RESULTS CONFERENCE CALL  
TIME: 10H00 E.T.  
REFERENCE: SHAWCOR LTD.-CC-110708  
LENGTH: APPROXIMATELY 28 MINUTES  
DATE: NOVEMBER 07, 2008

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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the ShawCor third quarter 2008 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 \* followed by 0 for operator assistance at any time.

I will now turn the conference over to Jim McTurnan, VP Legal. Please go ahead, sir.

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. 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 crisis.

Further information on risks that could affect the company can be found in ShawCor's 2007 annual report and annual information form, as

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well as the quarterly reports for the first three quarters of 2008. Copies of these reports are available on SEDAR at [sedar.com](http://sedar.com) and may be also be found on the company's website at [shawcor.com](http://shawcor.com).

I will now turn the call over to Bill Buckley.

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

ShawCor's third quarter results were quite strong with record revenue, record operating income and perhaps most important in these times of economic uncertainty, a record backlog.

We have reported strong revenue in the quarter of 357 million, up 35 per cent over the prior year and up 21 per cent over the second quarter of 2008. All of our pipeline segment businesses contributed to the revenue increase. During the third quarter we reached full production volumes on the Pluto project at both Orkanger, Norway and Kuantan, Malaysia plants.

We remobilized our heavyweight coating facility in Leith, Scotland and successfully produced the Badaratskaya Bay project for gas (inaudible) and we reached full output on the Deep Panuke project at a newly mobilized location in Nova Scotia.

Also favourably impacting revenue was the inclusion of 26 million in revenue from the Flexpipe Systems business that was acquired at the end

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of the second quarter. The successful completion of the Flexpipe Systems acquisition and its addition to ShawCor as our seventh operating division will be seen in future years as a very significant strategic development for the company.

In terms of operating income, you'll note from our earnings release that the operating income reached a record level of 50.5 million in the third quarter, an increase of 11 per cent versus the prior year and a very substantial increase of 51 per cent compared with the second quarter of this year.

The increase in operating income was largely driven by the higher revenue. However, when compared with the second quarter of this year, we did report a meaningful improvement in operating margins of almost three percentage points. This margin improvement reflected the completion of the commissioning of two new plants, as well as progress in offsetting some of the operating cost increases that had affected this second quarter. Now looking ahead, we have good potential for further margin improvement.

I'll now ask Gary Love, our CFO, to provide additional details on ShawCor's third quarter financial performance. Gary.

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GARY LOVE (Vice President, Finance and Chief Financial Officer, ShawCor Ltd.): Yes, thanks, Bill. As Bill mentioned, the very strong revenue growth in the third quarter was a result of increased activity in all of our pipeline segment businesses and in all of the global regions in which we operate.

I would note that the revenue growth occurred from underlying organic growth in our business unit and, unlike previous quarters, was largely unaffected by the Canadian dollar to U.S. dollar exchange rate. This is due to the fact that the average translation rate realized in the third quarter was almost identical with the rate in the prior year, third quarter of 2007. And was also only marginally changed from the rate in the second quarter of this year.

On a going-forward basis, the very significant decline in the Canadian dollar relative to the U.S. dollar that has occurred since September 30th will have a beneficial impact on the reported revenue and operating income of our U.S. dollar functional currency business units. Of course, this assumes the Canadian dollar weakness would be sustained throughout the fourth quarter.

We noted in our financial statements that based on the third quarter business mix every 5-per-cent change in the Canadian dollar relative to the

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U.S. dollar impacts our reported revenue by \$12 million and our operating income by \$3 million.

ShawCor's consolidated operating margin improved by 2.8 percentage points from the second quarter but is still some 3 percentage points below the operating margin achieved in the third quarter of 2007. Operating margins continued to be impacted by much higher depreciation expense on a year-over-year basis, as well as higher fixed costs in our pipe-coating operations.

The depreciation in manufacturing fixed cost increases from a year ago totalled \$8 million, or approximately a 2-percentage point impact on pipeline segment operating margins. And this increase is the result of the addition of the new capacity in Camrose, Alberta, Portland, Oregon, and Ras Al Khaimah, as well as the remobilization of the Leith, Scotland facility.

Compared with the second quarter of this year, the pipeline segment operating margin improved from 13.3 per cent to 15.8 per cent as we experienced an improvement in facility utilization and some limited price adjustments to better recover the operating cost inflation that we had experienced in our Middle East and Far Eastern operations.

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Operating margins in the petrochemical and industrial segment businesses at 15.1 per cent were improved from 14.5 per cent in the second quarter of this year despite lower revenue. This was due to effective cost-reduction measures and a more favourable product mix at our ShawFlex business unit.

An important factor worth noting in the third quarter was the impact of the purchase price accounting for the Flexpipe Systems acquisition. As Bill mentioned, Flexpipe contributed approximately \$26 million in revenue in the third quarter, with the net income produced from the Flexpipe business providing an accretive impact to ShawCor's net income and earnings per share.

However, under purchase price accounting requirements, ShawCor did write up the value of Flexpipe's finished product inventory as part of the fair value accounting for the acquisition. The reversal of this inventory write-up in the third quarter had a one-time negative impact on pipeline segment margins of approximately 1 percentage point.

I mentioned the impact that higher depreciation has had, particularly when comparing operating margins in the third quarter with the prior year. This impact is evident when you consider that the pipeline and pipe services segment EBITDA margin in the third quarter was 20.5 per cent, a

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strong improvement over the 17.7 per cent recorded in the second quarter and only 1.9 percentage points below the very high levels that we experienced a year ago.

Accelerated depreciation of equipment connected with some of the pipe-coating capacity additions in both Canada and at Ras Al Khaimah is impacting operating income in 2008, but of course not EBITDA.

For the third quarter of 2008, EBITDA reached a record level of \$67.2 million, or \$0.94 per share. For the nine months ended September 30th this year EBITDA at 168 million, or \$2.35 per share, has increased by over 11 per cent from 2007 levels.

Net income from continuing operations of 32.7 million and diluted earnings per share from continuing operations of \$0.46 per share in the third quarter included tax provision that reflects an effective tax rate of 31.7 per cent. This is a rate well below the Canadian statutory tax rate of 34 per cent as the third quarter benefited from earnings generated in low tax rate jurisdictions such as the Middle East and various Asia Pacific countries.

During the third quarter, cash flow provided by continuing operations before changes in working capital of 61.6 million reached a record level and exceeded the prior year by 30 per cent. Working capital did, however,

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increase by 31.7 million in the third quarter, thus reducing the cash provided by continuing operating activities to 29.9 million.

Most of the reported change in working capital on the statement of cash flows was actually attributable to foreign exchange impacts and changes in future taxes. The actual operating working capital increase in the third quarter was approximately \$10 million and was due to a \$33 million increase in accounts receivable and prepaid expenses, partially offset by a \$20 million net increase in accounts payable and taxes payable.

I should add that in light of the global financial market conditions, we have been carefully reviewing customer credit exposures and the potential for any deterioration in accounts receivable collectibility. Based on our review, we are satisfied that our customer base continues to exhibit strong financial characteristics, given that it consists primarily of global energy companies. Our day sales outstanding in accounts receivable at quarter end of 63 days is high but not beyond the range of our historical experience. We have also reviewed in detail all overdue amounts and are satisfied that the current allowance for doubtful accounts is sufficient.

Finally, on an overall basis, the net non-cash operating working capital at 179 million is in line with historical levels and reasonable in light of the record levels of revenue that we are currently experiencing.

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Cash flow used in investing activities in the third quarter includes capital expenditures for plants and equipment; \$23 million. Major capital expenditures in the quarter related primarily to capacity expansions at our pipe-coating operations in Regina and Camrose, as well as project-related expenditures at our Leith and Orkanger facilities in Europe.

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

WILLIAM BUCKLEY: Thanks, Gary. As we look forward, our record backlog that reached 528 million at the end of the third quarter, up 53 million over the prior quarter gives us good confidence that our fourth quarter revenue will be strong and that we will end 2009 with good momentum.

ShawCor is very well positioned to withstand the likely economic and market challenges that we may see over the next several quarters. Our balance sheet is strong and we have good liquidity. This provides us with the ability to mobilize for large new projects.

In addition, our global energy clients are choosing suppliers with the financial strength to fully meet their project commitments. And I would highlight the \$60 million-plus coating project offshore Trinidad and Tobago where we will be mobilizing two of our CCT portable concrete plants in early 2009 as a recent example.

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We are prepared for a likely short-term decline in energy demand. While certain projects will be delayed or cancelled, ShawCor's global reach and diversification will allow us to focus on those regions and projects globally that will be more active, such as Asia. And as always production cutbacks and the depletion factor will restore market equilibrium.

The long-term fundamentals of this industry, based on supply, demand, depletion, and the need for new technologies remains very attractive to us.

Finally, we believe that the new opportunities are likely to emerge during these challenging times. These include organic growth opportunities as customers seek out suppliers with operational and financial reliability. We also continued to be very active in seeking out complementary acquisitions to support our growth agenda.

And on that note, I'll turn it over 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. The questions will be polled in the order they are received. Please ensure you lift the handset if you're using a

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speakerphone before pressing any keys. One moment please for your first question.

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

SARAH HUGHES: Hi, guys. First question for Bill. Given how much has changed in the world since the end of the quarter I was wondering if you could provide an update on how things have gone through October in terms of bidding activity, what customers are saying and the like.

WILLIAM BUCKLEY: Yes, sure. Basically we haven't seen any major negative impact in terms of bidding activity to date, but we anticipate that there will be some softness going forward and we do anticipate that the fourth quarter will be a very strong quarter.

I guess over the longer term, we think with our strong balance sheet and with our liquidity that we have, we're very well positioned to withstand whatever eventuality presents itself, and we think there'll be opportunities during that period.

But to date, no major impact.

SARAH HUGHES: Right. And then just can you comment on the outlook to the U.S. market? I've noticed that it was down in the quarter,

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was the only region that saw a decline in revenue growth. I'm just wondering what you're seeing in that market?

WILLIAM BUCKLEY: On small diameter we're seeing activity soften in line with drilling activity softening. We're still involved in a number of large-diameter projects, primarily for gas, bringing Rockies gas to the east coast markets. We did finish last year a project in Beaumont, Texas, a concrete project, where we mobilized for that project. On a year-over-year comparison basis, you will see a decline due to that.

SARAH HUGHES: Okay. Okay. And then just lastly if you can talk a little bit on the Flexpipe acquisition, how it's fared to date since the closing, and new revenue expectations. I notice in the quarter revenue was 26 million, which was a bit higher than what I was looking for.

WILLIAM BUCKLEY: Yes, that's correct, Sarah. On the last conference call, we indicated that revenue for Flexpipe this year was going to be in the range of 40 to \$50 million. I guess if we were to give you an update to that, we'd say we're probably going to be at the higher end. We also talked, on the last conference call, of possibly approving capex to support their expanded volume. And I can tell you we've done that and we will be expanding their manufacturing capacity to support the volume levels that we're seeing.

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SARAH HUGHES: And margins in line with previous expectations?

WILLIAM BUCKLEY: Yes.

SARAH HUGHES: On Flexpipe?

WILLIAM BUCKLEY: Yes.

SARAH HUGHES: Right, great, thank you.

OPERATOR: Your next question comes from John Tasdemir, from Tristone Capital. Please go ahead.

JOHN TASDEMIR: Hi, good morning, guys, good quarter. Bill, I thought you had a great point on the financial strength that you guys have and the potential for your customers looking for that in their providers. So I'm wondering, do you have any thoughts on how your competition looks from a financial strength perspective?

WILLIAM BUCKLEY: Well, John, as you know, three of our competitors are public companies and their data is available and you can examine it. We do believe that we're in a comparatively a much stronger position than our competitors.

JOHN TASDEMIR: Okay. Fair enough. Talk to me about... I mean, you guys have a great look at what's going on on the global infrastructure business, right? What pipelines are happening and where... what part of the world are better off than others. I'm wondering if you can kind of, and

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you mentioned Asia, but I wonder if you can, from a big-picture perspective, in your mind, talk about what areas do you think kind of have momentum behind them right now versus which areas might see some slippage. Any help there?

WILLIAM BUCKLEY: John, as we commented, to date we haven't seen any major impact. But as we look forward we expect that the North American industry, because of its structure, will turn quicker and could turn quicker in a downturn.

We expect that the long-term projects that are funded by national governments, involving national oil companies, those are going to continue. We think that energy needs for the emerging economies are going to continue, though perhaps at a lower rate. So what that translates into is perhaps more emphasis on our part on Asia, Asia-Pacific and the Middle East.

JOHN TASDEMIR: Okay. And when I look at the petrochemical and industrial side of the business, and do I just generally think of, you know, kind of North American economic conditions as a driver there?

WILLIAM BUCKLEY: Yes, John, North America and also Europe, because our DSG company has very significant operations in Germany

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and in Poland that serve, as a matter of fact, the automotive and industrial markets over there and those markets are softening.

JOHN TASDEMIR: Yes.

WILLIAM BUCKLEY: And, you know, we would expect that we'll be able to maintain relatively good margins in those businesses but we will see softening revenues as we go forward. I don't think it's going to have a major impact on our business because they represent a small percentage of the total revenues.

JOHN TASDEMIR: Yes, for sure. I just want to model it right. You know, the margins that were in that business of 15 per cent-ish, how did you feel about those margins? Is that kind of a decent margin for you and expect that if there's a deterioration that there's a little bit of downside to that?

WILLIAM BUCKLEY: We consider that to be decent margin levels. Both divisions are cutting costs in areas in response to weakening volumes and I expect that they have some more room to cut costs and will be able to protect themselves on the downside as we go forward.

JOHN TASDEMIR: Okay, and switching gears too again, you know, I imagine, well, I mean, looking at what's happening with steel costs and ultimately raw material costs for some infrastructure projects, I suspect that

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costs will come down. Does that ultimately have an impact on you guys, raw material costs and the potential for...?

GARY LOVE: Well...

JOHN TASDEMIR: Go ahead.

GARY LOVE: John, it's Gary. I guess there's an impact on us in terms of our own procurement of raw materials. And I can say that we will certainly take advantage of any opportunities that we can to move our cost levels down through our procurement programs.

In terms of raw material cost impacts on our clients, I think material cost escalations, particularly steel, has been a real problem for the industry. And I think some relief there will certainly on the margin help maybe move some projects forward that might have otherwise been delayed or deferred. So that has to be positive. I don't think any of us could predict with any certainty what the precise impact will be, but I think on the margin it's got to be positive.

JOHN TASDEMIR: Right. And finally, I guess you guys talked about having... thinking that... where you said today the fourth quarter looks pretty good. And when I look at the pipeline in the pipe segment group, I thought that was a pretty stellar top-line number. Is that really just better utilization and getting your plants on-line and producing, and is that the

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kind of number that's realistic, let's say at least for this fourth quarter, or was there issues in there that help that out?

GARY LOVE: John, as we look at the fourth quarter we could indicate that the fourth quarter revenue is going to be in line with the third quarter number, which means that now we're going to exceed the overall annual revenue guidance that we had given previously.

JOHN TASDEMIR: Right, do you think, not to beat this up, but you think that's ex currency, that revenue number, or...?

GARY LOVE: Yes, that would be X currency. There is some upside on the currency, yes.

JOHN TASDEMIR: Right. Okay. Well, great, guys, that's all I had. Thank you.

OPERATOR: Your next questions comes from Dana Benner, from Thomas Weisel Partners. Please go ahead.

DANA BENNER: Good morning, guys.

WILLIAM BUCKLEY: Good morning.

GARY LOVE: Good morning.

DANA BENNER: You had mentioned along the way here that notwithstanding the progress that you made in Q3 in restoring your margins to some of the levels we had seen, I guess, late last year, earlier

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this year, but I'm just curious what further steps, just beyond executing well on the current record backlog you might have in mind to sort of permanently move those margins higher, as permanent as one can ever get in this business?

WILLIAM BUCKLEY: Beyond execution, Dana, you know, we're looking at leveraging a little more pricing power in areas where we can do that. We think there's some more opportunity there, particularly now when our competitors may be impaired in terms of their ability to mobilize on new projects against us. We also have new products that we'll be bringing out in the first half of 2009, which we think will have a positive impact.

And then one thing that we mentioned last quarter is supplies items. We had escalation of supplies items that were not covered under our escalation clauses. Escalation clauses covered major materials like iron ore and polyethylenes, et cetera. We've now changed our bidding terms and conditions to pick up escalation on supplies items, which may not be as big an issue going forward as it has been, but at least we're doing some work there in our bidding process to make sure that we're covering all of our costs a little better than we have in the past.

DANA BENNER: Right, but the surcharges, I guess part of them relating to fuel prices that went up so sharply in Q2, now it looks like you

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were able to get some of those surcharges through in Q3. Was that a material amount of the margin increase, or was it mostly just better cost absorption of the new plants?

WILLIAM BUCKLEY: It was more of the latter, cost absorption of the new plants, and our push to get better price cost relationship in terms of our bidding showing up a little bit.

DANA BENNER: Right. I think it was maybe six months ago you went through the exercise of breaking down, I think it was the prior 12-month revenue flow in pipeline services. And you made the point that it was something like 95 or 97 per cent of your projects were \$20 million or under, if those numbers are correct. If you look at the current backlog right now, has there been a material change in the mix between the small projects that keep you going and the larger projects that you like to win, to top those up?

WILLIAM BUCKLEY: There hasn't been a material change, Dana, and I guess the reference that we made was in 2007 our revenue number was made up of over 300 projects, of which only three were greater than 20 million. You know, it may be over the next 12 months that there's going to be more larger projects like the Trinidad project, so it could change going forward, but it hasn't changed materially at this time.

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DANA BENNER: Great. And then I guess just finally, coming back to the question that you'll probably get asked for a little while, so I might as well do it as well, just Nord Stream. Any change in the Nord Stream project? Is it moving along? Any colour you can give us on that as to whether there may still be an opportunity for ShawCor? Though you're doing so well everywhere else, and maybe you couldn't even do it now, but just curious to know.

WILLIAM BUCKLEY: There's been no major changes in development there. And you know, there's no opportunity we see at this moment to participate in that project. The only thing I would say, and I think we commented on this the last quarter, is the Badaratskaya Bay project that we completed is 48-inch-diameter pipe, pipe that's coming from the same mill that will supply 25 per cent of the Nord Stream project in the concrete heavy-coat coating that we provided on it is to the same specification as is required for Nord Stream and Gazprom has approved this on that.

So we sit as an approved Gazprom supplier, but there's nothing at this point that would indicate that we're going to participate in that project. But as we mentioned last time, we maintain contact with all the players.

DANA BENNER: Okay, guys, that's all I've got. Thank you.

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WILLIAM BUCKLEY: Thanks.

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.

Mr. McTurnan?

JAMES McTURNAN: Yes?

OPERATOR: There are no further questions at this time. Please continue.

WILLIAM BUCKLEY: Okay, thank you, Josée. I'd like to take this opportunity to thank everyone for calling in today and I'd like to thank you for your questions. We look forward to talking to you again on our next conference call. 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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