

EVENT: SHAWCOR LTD. Q4 RESULTS CONFERENCE CALL
TIME: 10H00 E.T.
REFERENCE: SHAWCOR LTD.-CC-030410
LENGTH: APPROXIMATELY 48 MINUTES
DATE: MARCH 4, 2010

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

OPERATOR: Good morning. My name is Andrea, and I will be your conference operator today. At this time I would like to welcome everyone to the ShawCor Ltd. 2009-Q4 and year-end results conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press * then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

I would now like to turn the call over to our host, Mr. Gary Love, Vice President, Finance and Chief Financial Officer. Please go ahead, sir.

GARY LOVE (Vice President, Finance and Chief Financial Officer, ShawCor Ltd.): Thank you.

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.

Further information on risks that could affect the company can be found in ShawCor's 2008 annual report and annual information form, as

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

well as the quarterly reports for 2009. Copies of these reports are available on SEDAR at www.sedar.com, and may also be found on the company's website.

I'll now turn the call over to Bill Buckley, ShawCor's Chief Executive Officer.

WILLIAM BUCKLEY (Chief Executive Officer, ShawCor Ltd.): Thank you, Gary, and thank you, ladies and gentlemen for participating in this morning's conference call.

Yesterday we released our fourth quarter and full-year 2009 financial results. In the fourth quarter revenue declined 13.8 per cent from the third quarter, primarily due to the fact that we completed the Trinidad projects in the prior quarter. And while we did see a solid pick-up in activity in Europe and Asia-Pacific, North American markets continued to experience the impact of the decline in drilling and well completion activity.

However, in our view the most significant development in the fourth quarter was the re-build of our backlog from 239.9 million at the beginning of the quarter to 410.5 million at the end of the quarter, an increase of 170 million. This increase in the backlog will positively impact revenue in the second half of this year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Included in this backlog increase is the Epic Pipeline Project in Australia with a value of \$42 million U.S., which we secured on November 11th; the PNG LNG Project with a value of US\$185 million, which is up from the original estimate of US\$170 million, which we secured on December 10th. And in addition we booked two orders for coating of the TransCanada Keystone Pipeline. And these are in addition to our regular smaller order flow.

Now as you know 2009 was a challenging year for our industry. During the year we moved quickly both tactically and strategically on a number of initiatives. As a result, our performance on a relative basis was good and we strengthened our position for the future. This is reflected in the fact that our fully diluted earnings per share from continuing operations was \$1.85 in 2009, down only marginally from the record results of \$1.88 per share in 2008. We were able to accomplish this because of our strong competitive position, our global exposure, our focus on innovation, and our improved execution. In addition, while we were adding resources in the active Asia-Pacific region, we restructured to reduce costs in both North America and the EMAR region. We also closed the DSG Canusa plant in Poland while expanding production in our new plant in Suzhou, China, because of its cost advantages.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

As a result of these and other initiatives, we were able to improve operating margins by 2 percentage points in spite of the 2009 market pressures. This allowed us to achieve the relatively strong EPS performance I noted earlier.

Our revenue did drop 14.2 per cent to 1.18 billion in 2009. And the decline would have been much more severe had it not been for our exposure to international markets. Some of these markets, though affected by the downturn, held up much better than markets dependent on North American drilling activity, for example.

Another important element of our financial performance in 2009 was the very strong growth in cash flow provided by continuing operating activities which increased 86 per cent from 154.4 million in 2008 to 287.1 million in 2009. The cash generated in 2009 has increased our cash position to 250 million at year-end and will support both internal growth initiatives such as geographic expansion and new product development, as well as strategic acquisitions. In 2009 ShawCor has further widened its global leadership position.

And I'll now ask Gary Love, our CFO, to provide you with more detail on the third quarter financial results. Gary?

GARY LOVE: Thanks, Bill.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Fourth quarter earnings were \$0.43 per share, down from \$0.48 in the third quarter and \$0.78 per share in the fourth quarter of 2008. Of course the revenue decline, as Bill mentioned, was the main factor impacting results. But we also had some additional factors that I will highlight for you.

To begin with, in our fourth quarter press release, we have provided detail on the sources of revenue by region within each of our two business segments. From this breakdown, you can quickly zero in on a couple of key facts. First, in the pipeline segment, the revenue decrease of 166 million, or 41 per cent from the fourth quarter of 2008, was really due to weakness in the North American markets most exposed to well completion activity, as well as lower project activity in Europe and the Middle East. In contrast, Latin America and Asia-Pacific held up remarkably well with revenue from these regions down only marginally year over year. Also notable is the fact that despite the 41 per cent lower revenue, pipeline segment operating margins at 18.6 per cent were only off 0.3 percentage points from the prior year.

In the petrochemical segment, revenue declined by 21.6 per cent from the prior year with segment operating margins falling from 7.9 per cent to 1.7 per cent. This reduction was mostly due to costs relating to the

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

facility closure in Poland, as well as the impact of lower fixed cost absorption resulting from the revenue decline.

In the fourth quarter exchange rate fluctuations had two distinct impacts on our fourth quarter performance compared with the prior year. First, the 15.5 per cent strengthening of the Canadian dollar versus the U.S. dollar on the translation of foreign operations for Canadian dollar reporting purposes had a negative impact on revenue of \$27 million and a negative impact on operating income of \$6.7 million.

Second, gains and losses from foreign exchange transactions and working capital balances moved from a gain of 5.9 million in the fourth quarter of 2008 to a loss of 1.2 million this quarter. Now this net movement of \$7 million was a major factor in the year-over-year decline in consolidated operating margin.

In the fourth quarter 2009 depreciation at \$15.1 million was largely in line with the levels recorded in the first three quarters of this year but did decline by 7.9 million from the fourth quarter of the prior year. You should recall that fourth quarter 2008 depreciation had been inflated by the amortization of project related expenditures.

Another factor that had a significant impact on net income was the very low effective tax rate in the fourth quarter of 2009. At 16.6 per cent,

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

the tax rate in the quarter was below the rate of 23.8 per cent recorded a year ago and also significantly below the 31.7 per cent rate that we recorded in the third quarter this year.

Given that a significant percentage of the company's income generated in the quarter was sourced from Asia-Pacific, we benefited from the lower tax rates in these jurisdictions. Also tax expense was reduced by the utilization of tax losses that had not previously been recognized, a factor that reduced the effective rate in the quarter by 4 percentage points.

Now Bill mentioned the exceptional cash flow provided by continuing operations. Before changes in working capital, the cash flow in the quarter at just under 35 million was reduced from the prior year, in line with the change in income. However, the change in working capital at a reduction of 96 million was a strong source of cash generation.

Receivables and inventory declined consistent with revenue while deferred revenue grew by \$62 million as a result of customer advance payments primarily relating to the large projects we booked in Asia-Pacific. For all of 2009 cash provided by continuing operations of \$287.1 million increased by 86 per cent over 2008 with the year-over-year movement in non-cash working capital exceeding \$170 million.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

The other significant cash flow change in the fourth quarter, compared with the prior year, was the reduction in capital expenditures, which at \$8.4 million were down from \$27.8 million in the prior year. And for all of 2009 capital expenditures came in at \$34.4 million, again a substantial reduction from 2008 when capital expenditures on property, plant and equipment had been \$90 million.

Bill's now going to provide his final comments regarding our 2010 outlook.

WILLIAM BUCKLEY: Thank you, Gary.

As we look forward, international bidding activity is currently quite active. We clearly have the potential to add to our backlog during the first half of 2010. This in combination with the projects recently added to our backlog should result in both revenue and operating income strengthening in the latter half of the year.

We also expect that the execution improvement efforts through our ShawCor manufacturing system and management programs will continue to contribute margin improvements. These efforts delivered very tangible results to our margins in 2009 and further gains are possible in conjunction with plant utilization increases.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

We have spoken in the past about the importance of innovation and proprietary technology to our performance. We have recently launched our new patented Ultra family of deepwater insulation products and expect to execute our first order for this product later this year. The Ultra system is capable of meeting insulation requirements at greater depths, as well as offering clients significant benefits in both deep and shallower water applications. To support our deepwater leadership position, we are in the process of adding a wharfside double jointing, weld inspection and joint in-fill capability at our Malaysian facility to serve the growing market in this region.

Also staying with growth initiatives, our joint venture in Russia to serve the offshore market in the Yamal Peninsula region is progressing as planned. Initial payments have been received and our concrete weight-coating equipment is currently being shipped to our Arkhangelsk site where our technical and on-site management teams are now assembling.

Finally, we're continuing to pursue several acquisition opportunities while making sure that we protect our shareholders' interests. We have seen a period when, in our opinion, sellers' price expectations have been too high and not matched to the realities of today's marketplace. But we believe as 2010 progresses, price expectations will come into line, which

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

could allow us to complete additional strategic and consolidating acquisitions. We certainly have the financial resources, operational capability and global reach to successfully grow both organically and through acquisitions.

Now with that, I'll turn it back to the operator for questions.

OPERATOR: At this time I would like to remind everyone in order to ask a question, please press * then the number 1 on your telephone keypad. Again, *1 on your telephone keypad.

Your first question comes from the line of Bert Powell with BMO Capital Markets. Your line is open.

BERT POWELL: Thanks. Bill, I just wanted to get a little bit more clarity on the outlook, the guidance. You say in the press release expectations for 2010 not to get back to pre-recession levels. When you make that statement, are you referring to 2008 or are you referring to the period before 2008?

GARY LOVE: Bert, it's Gary Love. If we look at the North American well completion activities, it peaked in 2007... Sorry, in 2006-2007. Our business continued to be strong in 2008 in our small-diameter pipe activity, but it probably did peak in '07. And when we think about North America, obviously we're encouraged that there does appear to be some modest

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

pick-up in drill rig utilization, but in 2010 I don't think it's realistic that we're going to get back to those 2007 levels.

BERT POWELL: Okay. But if I look through the individual segments, the outlook generally sort of indicates that things are, you know, net-net obviously, it sounds like you're a little bit optimistic on the North American market, but uptick in Asia. The indications from segment stuff adding that all up net, it looks like 2010's going to be a flattish year to 2009. Is that an accurate...? I'm just trying to triangulate the two statements, the individuals against the overall statement.

GARY LOVE: Yes, I think the key thrust of our guidance is the pick-up in the second half, which is going to be driven by the pick-up in Asia-Pacific. That is going to give us the lift in the second half. But when we add the whole year up, how it shakes out versus '09, I don't know, but certainly we do see that when the growth occurs it's going to be second half and beyond.

BERT POWELL: Okay. And then in terms of the cost cutting, I mean the margins actually were pretty strong in the context of the revenue decline. I just want to get a sense in terms of cost cutting – because you referenced that in the press release – how much of that is done and that's what's reflected in the fourth quarter numbers or are we... hopefully expect

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

to see more coming in the first quarter? Have we seen the full force of that I guess is the question?

WILLIAM BUCKLEY: That's correct. Just to give you a number, our headcount was reduced in 2009 by 15 per cent, so rather significant when you look at it on that basis. And to your question, the majority of our restructuring costs have been taken. There's some further reorganizations going on in the EMAR region, but most of those will be related to configuring ourselves to get at the business in the new geographic areas where we've not been located before. So restructuring costs are mostly behind us, and any additional costs going forward would probably be related to growth initiatives.

BERT POWELL: Okay. But in terms of the benefit, we should still see the benefits show up in the early part of 2010 from the cost cutting?

WILLIAM BUCKLEY: Yes.

BERT POWELL: Okay, perfect. That's great. Thank you very much.

OPERATOR: Your next question comes from the line of Sarah Hughes with Cormark Securities. Your line is open.

SARAH HUGHES: Hi, guys. Just to start, Bill, just wondering if you can give me a bit of an update on the Australia LNG market, what you see there in terms of contract potentials through 2010 and going into 2011?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

WILLIAM BUCKLEY: Yes, the Papua New Guinea LNG project that we announced, that's an offshore project in the region. Specifically right now we're focused in on the Gladstone area, and there's a total of five projects that have been proposed for that area. It appears that two are progressing, and we would expect that in the first half of the year, that at least one of those will be let, and possibly two of them.

SARAH HUGHES: Right. Okay. And then just on MENA, Middle East region, I've been reading a little bit about here and there about just that the delays that we had seen may be coming to an end and they're seeing a bit more activity in that market. Just wondering what you're seeing in the Middle East market right now?

WILLIAM BUCKLEY: Yes, we're seeing a little pick up in bidding activity. I think that's fair to say. In Saudi Arabia our business is down from the peak. One project that we did secure is the Ras al Zur projects, which happens to be a water project going from a desal plant in Ras al Zur to Riyadh. And that's a project with a total value of about \$60 million. So that's fairly significant, and that is keeping us going in that region while Saudi pulled back on its... particularly its oil related projects and had delayed those. But I did mention bidding activity is picking up. Most of the

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

bidding activity is related to natural gas projects and their efforts to get off oil in the Kingdom.

SARAH HUGHES: And then moving into the U.S. market, just wondering, I know on the small-diameter side it was inventory levels hit you hard in the downturn. I'm just wondering how inventory of steel pipe is now versus previously? And then secondly, just on Flexpipe, just a bit of an update in terms of their penetration into the U.S. market and any potential market share gains or what expectations going into 2010?

WILLIAM BUCKLEY: Right, right. We are seeing in Canada some improvement in the small-diameter market, and the inventory overhang that we had both in Canada and the United States of coated steel pipe has been worked off basically. So we're getting back to a more normal market, and just looking at the sort of daily numbers that we see, it looks like the small-diameter market in Canada is perhaps slightly better than we would have anticipated. And that applies to the U.S. as well.

With respect to Flexpipe, we have established a sales office in Houston. The Canadian sales manager has relocated down there, and we just hired our thirtieth business development and market support person in the U.S. So that is the big focus area for us for growing the Flexpipe business, and that will really come not from market growth, but from share

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

growth as the market converts in the smaller-diameter ranges from coated steel pipe to composite flexible pipes. So we've got a very concentrated sales and business development effort underway with Flexpipe in the U.S. And we'll comment on that as we go through the year.

SARAH HUGHES: And what would you say the market share is of composite pipe now in the U.S.?

WILLIAM BUCKLEY: Our market share in the U.S. is very low. You know, it's in the 1, 2, 3 per cent range. And in Canada, our market share in those size ranges is up above 10 per cent. So there's potential for good growth in the U.S. market.

SARAH HUGHES: Okay. And then just lastly, just thinking about the outlook for the first half of the year, just wondering what big projects you're working on now? I know there's a few that in Europe I think might have finished in Q4, but if you can just highlight a few of the bigger ones that you're working on?

WILLIAM BUCKLEY: Okay. In terms of business acquisition, we're working on the Laggan project. That, we expect, will have a value of about \$80 million. That project is a North Sea project. If we're successful in it, we'll execute it in Leith. We just recently won a smaller project that will be

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

executed in Leith. It's the P12 Project for Stat Oil. That was about \$12 million. Just received that in the last week.

Also in Canada, both in Regina and in Camrose, we're executing portions of the Keystone XL Project and also the Cushing Project. And just back to Australia, in the Gladstone area, there's the Curtis Project that we're working on, which has an expected value of \$70 million, and that's the one that we expect will be let in the first half of this year. And then there's the second project in that region, the Arrow Surat Project with a value of about \$40 million.

So those are the key projects that we expect will be let in the first half of the year that we're working on.

GARY LOVE: Was your question also though related to what we'd be executing?

SARAH HUGHES: Yes. Yes.

GARY LOVE: Okay. There's a number of things that are underway right now in the first quarter. In Canada the biggest project we're working on now is the TransCanada Cushing extension that has just started at our facility in Regina. And that will run through the first half of the year, and then we'll move over to the Keystone XL or the second Keystone Project in the second half of the year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

In Asia-Pacific there's a number of different projects. In Malaysia I think probably the main one we're going to be working on is Kinabalu Project, which is for... I believe that one's for Petronas.

In Europe we have Block 31, an Angolan Project. We're going to be executing that in our Norwegian facility. There's other projects obviously in Mexico and U.S., Canada, et cetera. Those are a few that come to mind.

SARAH HUGHES: Okay. Thanks, guys.

OPERATOR: And your next question comes from the line of Brian Purdy with National Bank. Your line's open.

BRIAN PURDY: Hi, guys. I wanted to ask again about the Asia-Pacific region. Obviously you sound pretty optimistic in your commentary in the press release, and in your comments on the call today. I was wondering do you see in the next year or two that area requiring more manufacturing capacity for pipe coatings, either from yourselves or from the industry as a whole?

WILLIAM BUCKLEY: Our plans indicate that we're going to need to add capacity in our Kuantan, Malaysia facility later this year and have it available for 2011 to meet the needs that are there. We have just completed an upgrade of our facility in Australia in preparation for the Epic pipeline work that we'll be executing in it. And we're also, you know, as I

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

mentioned in my comments, have acquired the land for a double-jointing facility at wharveside in Kuantan so we can supply the deepwater market with double joints that have been moulded up and inspected and have had the joint in-fill systems, which one of our other divisions provides applied in that location. So we will be adding capacity. Specifically this year in Kuantan, the line that we'll be adding in addition to the double jointing line is our three-layer polyethylene line, and that will be ready to run for 2011.

BRIAN PURDY: Okay. Great. And then I noticed in your comments here as well, you talk about, you know, the demand out of the Asia-Pacific region, specifically the China and India economies. Do you see much need for pipe coating work in those regions in terms of distributing the hydrocarbons once they get there?

WILLIAM BUCKLEY: Well, many of the projects that we are executing in Malaysia and Indonesia are for the land distribution systems in the countries in the region. We of course look at the Chinese market. We have participated on major projects in China like the West East Gas Project 2 with our Canusa CPS joint protection business. We continue to look at that market to establish production facilities in country. That will likely happen in the future but will likely happen based on one of our

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

technology products. It could be related to providing coatings for the offshore market in the Bohai Bay region, for instance.

So we are currently active in the region in terms of providing transmission capability and distribution capability in the major countries in the region. And when it comes to China, we have some involvement. We're looking to increase that over time.

BRIAN PURDY: Okay. And then I also wanted to ask, just changing gears a bit, you mentioned this new product line, the Ultra line for deep undersea applications. I was wondering if you could give us a bit more of a description. Is this a concrete style coating or is it something entirely different?

WILLIAM BUCKLEY: No, this is a polymer coating used for deepwater insulation systems when the hydrocarbon comes to the seabed and you need to bring it back to a point at which it can be stripped or treated. It's necessary to keep the hydrocarbon warm, and we've been doing that with glass syntactic polypropylene and polypropylene systems.

Our R&D scientists over the past four years have developed a new polymer compound material which has better insulation values than any of the existing types of systems that are available in the market today that are polypropylene based. And our system can provide better insulation values.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

So for the client, it means that they can have a smaller annular ring of insulation on their pipe to provide the same insulation value. So if the pipe is being laid by a reel vessel, you can get more product on the reel. The insulation values are higher so that we can go into deeper water applications because the product can also withstand the pressures of the deeper water applications and still provide good insulation value.

The product doesn't require glass spheres, which are subject to breakage during the manufacturing process, and also can cause delamination issues over time. So it's a more robust system and can pass the more stringent testing that our clients are requiring on their offshore deep water systems. So a number of advantages, and as systems go deeper, they are going to require a next generation insulation coating material, and Ultra is the answer to those deeper projects that are now on the drawing boards.

BRIAN PURDY: Okay, great. And then finally I just wanted to ask a bit about your strong balance sheet. You mentioned in your comments acquisitions, which sounds like your primary focus at the moment. But I'm just wondering if share buybacks or dividend increases also enter into those plans?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

GARY LOVE: Brian, it's Gary Love. I'll take a stab at that. The company's been pretty consistent with respect to our approach to dividends. We're keen to have dividends grow in line with net income, maintaining a reasonably consistent payout ratio. So that's something that definitely the board will continue to look at.

Share buybacks are again something that the company has done in the past and will continue to do in the future. We did renew our normal course issuer bid in December. We have the opportunity to acquire up to 3 million Class A shares under the normal course issuer bid; so again, that's something we'll be looking at.

But Bill spoke of the, I think the opportunity in 2010 to deploy cash in acquisition, and it's a hard thing to predict with any certainty, but I would suggest that that continues to be our priority.

BRIAN PURDY: Okay. Great. Thank you very much.

OPERATOR: Your next question comes from the line of Dana Benner, with Thomas Weisel Partners. Your line is open.

DANA BENNER: Good morning, guys.

GARY LOVE: Good morning.

DANA BENNER: I wanted to first start with a more mechanical question which relates to tax rates, given the low tax rate in Q4, partially

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

related to the mix of business and given your assessment of strength in Asia-Pacific, how would you guide us in terms of a full-year corporate tax rate this year?

GARY LOVE: Yes, that's something that I think is a very good question and I think there is potential given the mix of business that we could see a downward trend in our effective tax rate as the year unfolds. The tax rates in Asia-Pacific, whether it's in Malaysia, Indonesia, Australia has got rates similar to Canada, but Malaysia and Indonesia have lower rates and Singapore has significantly lower rates.

So there's a mix of jurisdictions there that will come into play in 2010 and particularly in the second half of 2010.

Having said all that, I have trouble moving far off of 30 per cent. You know, I think we should come in under Canadian statutory rates, which in 2010 will be in the 31-per-cent range. So we should come in under that. But until I see it happen, I'd be hesitant to go much below 30.

DANA BENNER: Okay. I guess the second question comes back to the question of acquisitions, which is that with this slow healing of global credit markets and you know, I guess perhaps the slow rise or rebirth of risk capital, I wonder if the competitors that you had who were hit so hard in this period of time, if maybe they gain a bit more strength, which makes

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

your acquisition strategy harder, or are a number of these competitors still so hard up that you think there's a good chance you can consummate a number of things as the year passes?

WILLIAM BUCKLEY: Dana, our major competitor, Socotherm, as you know, it's public information that's going through a pre-insolvency composition proceeding right at the moment. So I think it answers the first part of your question. We don't see much competition from our major traditional in-line competitors for these acquisitions.

Having said that, the biggest issue that we had over the past six months as we've worked through our acquisitions initiatives is the price expectations that the sellers had. And it seemed that the sellers were looking back three years to establish their values and as we looked forward at the markets and the reality of the markets today, our numbers were lower than their expectations. So we only completed a few small acquisitions in the last year.

Having said that, it does appear that price expectations are becoming more rational and I think for that reason, we're confident that we'll be able to close on one or two either strategic or, as I say, consolidating acquisitions within the next 12 months.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

DANA BENNER: That's terrific. And finally, with respect to Flexpipe, you've highlighted the market, the more traditional market or established market of North America and yet, I know that you've looked at a number of international opportunities and trying to integrate this product into your existing operations. Any luck in that, or not luck, but any progress in that respect?

WILLIAM BUCKLEY: Yes, there has been. When we look at the... we did do a global market scan and we found that the South American market is perhaps the next most attractive market for us to attack because in certain of the countries down there, they practice work to U.S. standards, if you like, or use similar methods that's used in the U.S. and Canada.

So what we have done is our Canusa CPS operation has taken on the marketing responsibility for the Flexpipe product in South America. They have ordered materials, product as well as installation tooling and that is on its way to South America right now. The Canusa CPS sales force has been trained on the product. That happened in December and January. So the product will be launched by them this quarter in South America. Focus countries would be of course Brazil and Argentina.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

And we're hopeful that they will be able with their strong position and feet on the ground be able to increase Flexpipe sales in South America, while Flexpipe is focused really this year on increasing sales and increasing share in the U.S. market, as I commented on earlier.

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

OPERATOR: Again, if you'd like to ask a question, please press * then the number 1 on your telephone keypad. Your next question comes from the line of Roger Serin, with T.D. Securities. Your line is open.

ROGER SERIN: Good morning, guys.

GARY LOVE: Good morning.

ROGER SERIN: I'm wondering if you could just give me a couple of details here. On the costs related to the closing of the Poland facility, can you give me a sense of what would have happened to margins if that hadn't occurred? Or, Gary, the other way, you know, what was the rough cost of closing the Poland facility?

GARY LOVE: Yes, I'll just give you the dollar numbers. We incurred restructuring costs in the second quarter of roughly \$1.5 million. Those costs were primarily personnel related. And then in the fourth quarter, we set up a... we took a charge of \$1.5 million related to the future lease obligations of the facility. Now, it is our right and certainly our intent to

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

sublease or otherwise do something with that facility, so we may have an opportunity in the future to recover some of that. But we thought in the fourth quarter that we should set up that lease provision of \$1.5 million.

So you've got about \$3 million in total which not significant in relation to the company but was significant in relation to the petrochemical industrial segment and did have a several percentage point impact on the margins of that segment.

ROGER SERIN: Great, that's why I was asking. You talked a little bit about where you are in market share for the Flexpipe in U.S. and Canada. Bill, could you give a sense of what you think the market size is by country?

WILLIAM BUCKLEY: We tend to look... It's quite large, if you had full conversion and our estimates, when we look at 2, 3 and 4-inch diameter, up to 1,500 psi is that the market will probably convert in the next five years about 50 per cent to composite pipe in that size range.

We're also working on extending the size range of the product and also developing high-temperature versions and also steel cord versions that can work with reduced water and highly cyclic applications. So our product offering is expanding, but basically when we look at the North American market, it's approximately a \$1 billion market in total and with our

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

product additions, we're able to access more of that number as we go forward.

And our assumption of us peaking out at a 50-per-cent conversion rate I think over time will probably be seen as being low.

GARY LOVE: I would add to that, Roger, I think the split, it's one market in effect, but the split between Canada and the U.S. is probably 35 per cent Canada, 65 per cent U.S. or maybe 40-60, somewhere in that zone.

ROGER SERIN: Okay, perfect. Just a couple of other things. In the capex for 2010, you know, you had some specific things. I'm not sure quite the timing of some of your Australia builds. Could you give us some sort of sense of capex, either in absolute sense or relative to 09?

GARY LOVE: Well, the 09 capex is... you know, could be viewed and should be viewed as I think a reasonable run rate for a kind of a maintenance capex span. And that's not to say that all the 34 million was maintenance capex in 2009. That's not the case at all. But you know, we've typically... we've said in the past that maintenance capex, you know, is probably going to run in the range of 30 to maximum 40 million per year.

Capital spending over and above that is driven by growth. And Bill spoke of some of the geographic expansion opportunities that we're

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

looking at. Those could impact capital spending in 2010 if we were to proceed with the construction of a new three-layer line in Kwanton, for example. We would do so because we've secured business in the region and I think the most likely business that might prompt such an investment would be those eastern Australia large-diameter trunk lines to support the LNG based on coal seam gas.

So, you know, it's going to be driven by growth, it's going to be driven by securing business, baseline 30, 40 million and depending on how things fall into place, could be significantly higher than that.

ROGER SERIN: Okay, but with what you're talking about in terms of activity levels, you're more in the 2006-2007 capital spend range than you are anything else?

GARY LOVE: Well, in 2007 and 2008, we were at the 90 million range. And, you know, that is at the very high end of our expectations.

ROGER SERIN: That was the colour I was looking for.

GARY LOVE: Yes.

ROGER SERIN: And just one last question as it relates to business opportunities, you talk about pipeline projects by region. You gave a little bit of colour on, I think on the call earlier, but do you see much going on in

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

North America other than the Trans-Canada work that you're talking about?

WILLIAM BUCKLEY: Yes, there's some additional large-diameter take-away capacity work that's going to be coming up, and that's largely related to the new shale plays where there's not infrastructure. So we expect that will probably continue. We expect that will continue through 2010 and into 2011. And those projects are in the engineering phase and pre-bid phase now. So that I think is what will carry us forward into 2010.

GARY LOVE: The other area certainly where there's good potential for pick-up in activity is Gulf of Mexico. You know, I think you're well aware of a lot of the deeper water developments in the Gulf of Mexico and those are going to start to come into play by 2010. Jack-St.-Malo is probably the first of a number.

ROGER SERIN: Okay. I appreciate it. Good to see the backlog grow. Thanks very much.

OPERATOR: Again, if you'd like to ask a question, please press * then the number 1 on your telephone keypad. Your next question comes from the line of Paul Dickin, with McMaster University. Your line is open.

PAUL DICKIN: Hi, guys.

GARY LOVE: Hello.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

PAUL DICKIN: You mentioned that you had lost approximately 27 million in foreign exchange rate fluctuations. What I wanted to know is are there any initiatives or are there any plans to minimize these risks in future?

GARY LOVE: The \$27 million exchange impact is the translation effect, when we take our primarily U.S. dollar foreign operation financial results and translate them into Canadian dollars for reporting purposes only. It's a translation loss and it has not been our policy to hedge translation exposures. We're ultimately in the business of hedging cash flows and of having both exchange effective and tax effective strategies to move cash flows from our various foreign operations back to Canada.

But along the way, we incur these fluctuations which are driven off of the fact that we generate results in U.S. dollars and other currencies but we report to our shareholders in Canadian dollars.

So to answer your question directly, no, we won't be hedging translation exposures but we do hedge cash flows.

PAUL DICKIN: Right. Thanks for the clarification.

OPERATOR: Again, if you'd like to ask a question, please press * then the number 1 on your telephone keypad. Your next question comes

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

from the line of Laurent Von Redden, with Hockey Capital. Your line is open.

LAURENT VON REDDEN: I'm looking for a little clarification in terms of I guess one of the earlier calls, or callers. I guess they were trying to get a better sense for how we should look at the earnings for 2010 versus 2009. I know you are looking for it to ramp throughout the year. But should we be looking at 2010 EBIT or earnings to be better than 2009, or do you think they're going to roughly the same?

GARY LOVE: It's Gary Love. As you know, we don't provide earnings guidance. So you've asked a very specific question relating to earnings guidance, and so I'm going to take a pass on it.

What we have signalled, because I think it's very important for people to understand, in the fourth quarter we did see a rebuild in the backlog. But that rebuild in the backlog, and the backlog is a very good indicator for the company. It's historically been a pretty reliable indicator of near-term performance. It is a bit unusual this time around that the build in the backlog is really going to signal something happening not in the next six months but beyond six months, and that's why we've gone to pains here to talk about the second half.

But in terms of earning guidance, that's as much as we can provide.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

OPERATOR: Again, if you'd like to ask a question, please press * then the number 1 on your telephone keypad. Again, if you'd like to ask a question, please press * then the number 1 on your telephone keypad.

There are no further questions at this time. I turn the call back to yourself, Mr. Buckley.

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

OPERATOR: This concludes today's conference call. You may disconnect.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »