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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the ShawCor fourth quarter and fiscal 2005 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 * 0 for operator assistance at any time.

Conducting the conference call will be Bill Buckley, President and Chief Executive Officer; as well as Alan Thomas, Vice-President, Finance, and Chief Financial Officer; and Jim McTurnan, Vice-President, Legal.

I would now like to turn the call over to Jim McTurnan. Please go ahead.

JIM McTURNAN (Vice-President, Legal, ShawCor Ltd.): Thank you, John.

Today's conference call includes forward-looking statements that involve estimates, judgements, risks and uncertainties that could cause actual results to differ materially from those projected. The uncertainties include, among others, 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 independent ShawCor's 2004 annual report and quarterly reports for 2005, copies of which are available on SEDAR at www.sedar.com and may also be found on the ShawCor website at www.shawcor.com.

I'd now like to turn the call over to Bill Buckley.

WILLIAM BUCKLEY (President and Chief Executive Officer, ShawCor Ltd.): Thank you, Jim. Good morning, everyone, and thank you for joining us this morning.

2005 was a milestone for ShawCor in terms of revenue generation, passing the \$1 billion mark for the first time, and that's not including \$114 million of revenues from discontinued businesses and in spite of a Canadian dollar that continues to appreciate in comparison with the other major currencies that we trade in.

The \$1 billion in revenue represents a 36-per-cent increase over 2004 levels. Net earnings for the year were \$139 million, or \$1.85 per share, including the gain on the sale of the OMSCO division.

Excluding the discontinued operations and the one-time tax loss recovery benefit, earnings for the year from continuing operations were \$0.85 per share, a 63-per-cent improvement over the prior year. We generated EBITDA from continuing operations of \$140 million, or \$1.87 per share, a 30-per-cent increase over last year.

While 2005 represents a significant turnaround from 2004, there is still potential for further operating margin improvement. In 2005, the pipeline segment operating margins rose by 2.5 percentage points but in the petrochemical and industrial segments, margins fell by 3 points as DSG-Canusa had weak earnings in Europe.

I will make some specific comments on our operations and on the outlook for our businesses later in this call, but first, I'll ask Alan to take us through the fourth quarter numbers.

Alan?

ALAN THOMAS (Vice-President, Finance, Chief Financial Officer, ShawCor Ltd.): Thanks, Bill. If anyone on the call doesn't have our fourth quarter press release in front of them, it is available on our website at www.shawcor.com.

As Bill mentioned, ShawCor achieved record revenues in 2005, both for the year and for the quarter. Before going into the details, I should point out that with the sale of OMSCO in September and the final closure of the Mobile pipe-coating facility in December, we have treated both of those businesses as discontinued in our fourth quarter financial statements. That is to say, we have removed the revenues and expenses, cash flows and the individual asset and liability balances from the financial statements of the continuing businesses and shown them separately as one-line items. We have also restated all of the prior quarterly and annual statements to exclude the discontinued businesses.

When we talk about revenue and operating income from continuing businesses, those numbers exclude both the Mobile and the OMSCO results. Note 11 to our yearend financial statements does give a little more detail on the results of those discontinued businesses.

With that as background, revenue for the quarter totalled \$292 million, 22 per cent better than the third quarter and 28 per cent ahead of the fourth quarter

of last year, led by increased activity levels in most of the pipe-coating plants. In particular, activity levels in Malaysia, the North Sea, our temporary site in Ghana and the North American small diameter plants.

In the other businesses, the inspection businesses, Guardian and Shaw Pipe Protection, both had strong quarters while a lull in large-project work reduced CANUSA-CPS's revenues compared to both the third quarter and last year. In the petrochemical and industrial division, a mixed story – ShawFlex's custom wire and cable business is booming but DSG's European automotive business is somewhat soft and sales in that segment in total, while 5 per cent ahead of last year, were 5 per cent behind third quarter levels.

We saw a similar improvement in operating profits, \$31.7 million for the quarter, 35 per cent ahead of the third quarter and a 12-per-cent improvement over the fourth quarter of last year. Again, performance by the Bredero Shaw operations more than offset some of the lower results in the other divisions. Canusa-CPS struggled with some short-term increases in raw material and outsourcing costs and DSG-Canusa's European automotive business continues to feel pricing pressures.

In Bredero Shaw, the Far East region had a good quarter despite very little production from the Indonesian plant where they successfully completed the shutdown of the Batu Ampar plant and the start-up of the new plant on Batam Island. In the European and African region, both plants in the North Sea were busy and new senior managers in Norway and the U.K. have already begun to produce improved operating results.

The West Africa gas project in Ghana is on schedule and on budget but except for some ongoing load out, there was little activity in Nigeria.

In North America, all of the small-diameter plants were very busy with operating profits up more than 60 per cent from prior year's level on the back of much improved U.S. and Mexican results.

In the pipeline segment, operating earnings as a percentage of sales was 13.2 per cent, up nicely from third quarter levels, with improvements in Bredero Shaw's North American and Far East sectors more than offsetting reductions in the joint protection business. Compared to the first quarter of this year and the fourth quarter of last year, the Bredero Shaw operating margins improved by 1.5 and 0.5 point respectively but these gains were offset by the slowdowns in the other businesses.

The same is true for the consolidated margin comparison, overall a 2-percentage point improvement over the third quarter but still below first and prior fourth quarter levels due to the reduced results from the other businesses, a negative foreign exchange impact and a much lower equity earnings from our Saudi Arabia joint venture in the quarter as they're now only getting their plant up and running after the capacity expansion that they went through in 2005.

Depreciation from continuing operations for the quarter was \$9.8 million, \$43.7 million for the year, which is about a fairly normal run rate going forward. Exchange rates and a higher one-time project and yearend accounting adjustments in 2004 accounts for the difference between the fourth quarter this year and the fourth quarter last year. EBITDA for the quarter was \$42.5 million,

up 6 per cent from fourth quarter 04 levels but \$10 million ahead of third quarter 05 levels.

With the OMSCO sale proceeds full invested for the quarter, net interest was actually positive by \$300,000 in the quarter. Income taxes of \$11.2 million in the quarter represented a 35-per-cent overall tax rate, again above what we should expect on an ongoing basis.

We had a recovery of minority interest of \$952,000. This is our Indonesian operation which, after interest expense lost money in the quarter due to the shutdown and moving costs of the new plant, leaving us from continuing operations net income for the quarter of \$21.8 million, or \$0.30 a share compared to \$12.3 million, or \$0.16 a share in the fourth quarter of last year.

Loss from the discontinued operations for the quarter is hopefully the remaining Mobile clean-up costs for the quarter. As part of the discontinued treatment for the Mobile site, we have now been able to provide for the present value of the expected occupancy costs of that property through to the end of the leases, so we don't expect to see much in the way of Mobile-related costs going forward in 2006.

Looking quickly at the full year, as Bill mentioned, revenues from continuing operations of just over \$1 billion, five of the six divisions recorded increased year-over-year revenues with Canusa and ShawFlex reaching record levels. In absolute dollars, most of the increase came from Bredero Shaw with more than a 50-per-cent increase despite a 7-per-cent lower U.S. dollar.

The full year's production at the Farsund plant, lots of activity in West Africa and strong North American small diameter sales account for the increase over last year. EBITDA for the year, \$140 million, a 30-per-cent increase over 2004. Consolidated EBITDA margin for the year was down half a per cent due to the lower net corporate costs last year towards bonus by some one-time items.

By segment, pipeline and pipe services margins were up slightly; petrochemical and industrial segment margins were down three points. Operating income from continuing operations of \$95.4 million is a 42-per-cent increase over the prior year, again with much improved results from Bredero Shaw, Canusa, Guardian and ShawFlex. Our consolidated operating margin before equity earnings was 9.4 per cent of sales in 2004 compared to 8.6 per cent in the previous year. Our equity earnings from Saudi for the year were \$3.3 million, only 65 per cent of prior year's levels.

As I mentioned, they went through a major plant renovation expansion last year. That plant is back up and currently very active.

Interest expense reflects the annual cost of the 5.1-per-cent long-term notes reduced by the interest earned on our increased cash balances. Income tax expense of \$10 million has been reduced by the \$18.4 million reduction, about \$0.25 a share in taxes booked in the third quarter in relation to the recognition of the OMSCO sale of previously unbooked tax losses.

Income from discontinued operations is the operating earnings and gain on sale of the OMSCO division totalling \$62.9 million after booked taxes of \$26.7 million, offset by losses from the Mobile operation of \$6.8 million for net earnings

from discontinued operations of \$56 million, or \$0.75 a share. Overall in net earnings, as Bill mentioned, \$138.8 million, or \$1.85 a share.

Looking at cash flows, cash from operations, from continuing operations for the year before working capital changes was \$128 million, a \$58 million or more than 80-per-cent increase over the prior year. Net working capital increased by \$49 million, a reflection of the 36-per-cent increase in sales during the year. Capital spending totalled \$36 million. Including the completion of the new plant in Indonesia, we did spend over \$2 million in site development in our new Onne Nigeria site and \$2 million in machine capacity expansions here, in Canada in the ShawFlex and Canusa-CPS businesses.

The balance of the capex is what I would describe as regular or maintenance capital, incremental capacity expansion, efficiency improvements and so forth.

Proceeds of the OMSCO sale after expenses and a working capital adjustment in the fourth quarter added another \$129.6 million. In the OMSCO sale agreement, we froze the working capital as of June 30 and in the subsequent three months, we did too good of job of collecting accounts receivable resulting in a \$6 million repayment to VNM in October when we finalized the closing statements.

In addition to the normal dividend payments, we also purchased 1.1 million Class A shares under our normal course issuer bid in December at an average price of just under \$14 for a total cost of \$15.1 million.

So overall, our cash resources have increased by \$146 million in the year, leaving us with a very strong balance sheet, cash of \$200 million, no net debt and a gross debt-to-capital ratio of 0.14 to 1.

With that, I'll turn it back to Bill.

WILLIAM BUCKLEY: Thank you, Alan.

As I indicated, we have achieved a significant turnaround in 2005 and further improvement programs are under way. Operationally, we've had many successes. In Norway by yearend, we had completed 94 per cent of the coating for the longest underwater pipeline in the world, the Langeled pipeline, meeting all production, quality and safety targets.

In Malaysia, we coated more than 50 per cent of the Sakhalin Island transmission pipeline. We have successfully closed the Mobile operation again on budget and having satisfied all of our customers despite the previous operational difficulties.

One of our customers still has a few hundred joints of coated pipe in our yard as they lay schedule was delayed due to the disruption from last fall's hurricane. However, all of our coating work is completed.

We successfully mobilized two portable concrete coating plants in Tema, Ghana for the West Africa gas project and this project is not nearing completion.

In Nigeria, we are completing the EGGG project at our Onne facility. We have collected all overdue receivables. We are in negotiations on outstanding variation orders. We did have to evacuate our small Warri facility last week during the uprisings but we expect to be back in production shortly.

Production has just begun at our new plant in Kabil, Indonesia. This plant is in a secure industrial park with excellent deep-water access and replaces our smaller and less productive Batu Ampar facility.

We also set up a new coating plant in Mexico and moved our deep-water insulation line from Mobile to Pearland, Texas, where we have completed our first contract from this location. We are currently constructing a new deep-water insulation line adjacent to the V&M seamless pipe mill in Belo Horizonte, Brazil, in partnership with a local pipe coater and we will be coating our first contract early next quarter. This gives us access to a very active South American market that previously belonged solely to our competitor.

We added production capacity at both Canusa-CPS and ShawFlex during the year. Our Guardian inspection business continues to grow in response to increased drilling activity in Western Canada and through expansion both in Canada and in Mexico. Guardian also added another major new client late last year as a result of the benefits provided by their web-based pipe tracking system.

At Shaw Pipeline Service, we have introduced the next-generation hybrid ultrasonic girth weld inspection unit which is now being phased into our offshore lay contractors and maintain Shaw Pipeline's leadership position. DSG-Canusa continues to make inroads in the North American automotive market and is addressing the fourth quarter performance weakness in Europe.

Our bidding activity in the global pipe-coating market is as busy as we have ever seen it and it's getting busier. Yesterday, we announced the award of the KOC crude export facilities project in Kuwait, a U.S. \$44 million large-

diameter project which we will coat during the last half of the year at our Ras Al Khaimah plant in the Emirates.

In the Far East, we have begun to bid packages for the 5,300-kilometre Papua, New Guinea to Australia project. Bidding activity is also active in North America and we're pursuing several new projects currently in the planning phase in the North Sea and Baltic regions.

We continue to anticipate capacity tightness by 2008 and we anticipate improving margins as we move towards that timeframe.

Looking at 2006, we expect the first quarter to be strong but with the completion of the Ormen Lange and B to B projects, we expect some dampening in the second half of the year.

The backlogs for the Middle and Far East plants, including the KOC contract, is at record highs but the other regions are working to add to their backlogs. We're in final discussions for some of those large-diameter work in North America. Total backlog ended the year at \$357 million, \$16 million below the Q3 number.

We have a strong balance sheet that provides not only a competitive advantage but provides us with the ready capital to take advantage of some of the consolidations, new plant mobilization and other investment opportunities that we see in our markets over the next few years.

In closing, we're working hard to grow our business and to improve our operating margins to achieve our dual targets, the 15-per-cent return on equity and a 15-per-cent growth in earnings over the cycle.

I'd now like to turn the floor over to the operator for questions. John?

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'll hear a tone acknowledging this request. Please ensure you lift the handset if you're using a speakerphone before pressing any keys. One moment, please, for your first question. And, ladies and gentlemen, if there are any 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 any keys.

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

WILLIAM BUCKLEY: Okay, well, thank you very much for calling in and we'll talk to you at the end of next quarter. Thank you.

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