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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the ShawCor Q2-2007 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 the 0 for operator assistance at any time.

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

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

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 2006 annual report and annual information form, as well as the quarterly reports for the first two quarters of 2007. Copies of these are available on SEDAR at sedar.com and may also be found on the Company's website at shawcor.com.

I'll now turn the call over to Bill Buckley, President and CEO.

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

We're obviously pleased with the very strong results recorded in the second quarter and I'll take a few minutes to highlight the key factors that led to the record operating income generated in the quarter.

First, compared with the first quarter of this year, both revenue and operating income were up sharply, with revenue increasing 25 per cent and operating income up 68 per cent. You should recall that during our first quarter conference call in May we noted that revenue had been held back by weakness in Europe and project delays in the Far East. In the second quarter we saw significant improvements in both regions with the Far East benefiting from three major projects: the Talisman-Bunga Orkid project and the Medgas project that were executed in our Malaysia facility; and the Woodside Angels project at our Kabil, Indonesia facility.

In Europe our large diameter plants remained largely inactive but we saw a strong gain from the first quarter as we executed the Tyrihans deep water insulation project at our Orkanger, Norway facility.

These projects, coupled with increases in the United States from the Rockies Express project at our new facility in Portland, Oregon and the BP Shenzi deep water insulation project in Pearland, Texas led to strong revenue gains versus the first quarter.

While the revenue was up significantly over the first quarter of this year, compared with the second quarter a year ago the revenue gain was modest. However, the increase in operating income, which reached a record level of 47 million is impressive, both in comparison for the first quarter and the prior year. And this is due to the strong margins achieved in all of our operating divisions.

In the petrochemical and industrial segment the operating margin, at 17 per cent, was maintained at a level consistent with the past two quarters but several percentage points higher than levels seen in recent years.

In the pipeline segment the operating margin. at 19.4 per cent. was almost four points higher than a year ago. Several factors explain the improvement.

First, we continue to benefit from improved utilization of facilities, and this was most evident in the Far East and at our North American large diameter pipe coating plants.

Second, we benefited from a favourable mix of projects, with several of the larger projects in the second quarter reflecting the improved project pricing that has emerged in certain regions. Of course, it's important to note that project mix can be quite variable from quarter to quarter and thus margins will move up or down with the changes in project type and region.

Finally, we continue to see improvements in project execution, particularly on new projects that are benefiting from the positive impact of the ShawCor manufacturing system, our operations improvement program initiated recently.

Now before describing our current operational focus and outlook, I'll ask our CFO, Gary Love to expand on some of the financial aspects of the second quarter. Gary.

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

As noted in our press release, the record operating income of \$47 million in the second quarter carried through to net income of 30.3 million or earnings per share of \$0.41 fully diluted. This was an improvement of 32 per cent over the first quarter and an improvement of 21 per cent over the second quarter of 2006. The strong net income coupled with the impact of share buy-backs under our Normal Course

Issuer Bid also had the effect of raising our return on shareholders equity above the 20 per cent level.

Now with the growth in our operating income and depreciation steady at about a $10 million per quarter level, EBITDA for the second quarter also reached a new record level of 57 million or $0.77 per share.

The EBITDA margin at 20.6 per cent was more than three percentage points higher than the level achieved for all of 2006.

On a segmented basis the EBITDA margin in the petrochemical and industrial segment was steady at 20.3 per cent while the EBITDA margin in the pipeline segment jumped to 22.9 per cent, up from 19 per cent one year ago.

Now one of the only negative factors in our reported second-quarter results was the increase in our effective tax rate. You should recall that the effective tax rate in our first quarter had been significantly below the expected level due to the realization of the benefit of previously unrecognized tax losses in the U.S.A. along with a gain from the revaluation of future taxes on our balance sheet.

Now in the second quarter our effective tax rate was 37.8 per cent which is considerable higher than our expected rate. With Canadian tax rates of 34 per cent and a portion of our income earned in jurisdictions with lower tax rates, ShawCor should expect a tax rate in the low 30 per cent range. However, if we incur losses in jurisdictions where we cannot utilize the benefits then our overall tax rate increases.

This was the case in the second quarter where we had losses, primarily in Nigeria that were not tax affected. Also, we increased tax reserves to cover some potential tax audit issues.

Turning to the cash flow results from the quarter, cash provided by continuing operations for the second quarter 2007, before working capital changes, at 41.2 million or $0.56 per share, was consistent with the increase in EBITDA and thus was up 21 per cent over the prior year. Working capital did continue to build as we recorded a 10 million increase in working capital in the second quarter and a 20 million increase through the first half of 2007. Most of the increase in working capital in the first half has been due to lower trade payables and an 11 million reduction in taxes payable as a result of increased tax instalment payments.

In the second quarter, cash flow from operations continue to more than cover our cash used in investing activities. These investing activities included capital expenditures on plant and equipment of close to 24 million, up from 13 million in the prior year, and also the acquisition of X-

Tek Limited, a U.K.-based developer of real-time radiography technology, which we acquired for 2.6 million in the second quarter.

In terms of new facility-related capital expenditures, the major projects in the second quarter were the new facility in Camrose, Alberta, and the upgrade and capacity expansion at our facility in the United Arab Emirates. Both of these projects will be completed by the end of this year.

During the first quarter we announced that our quarterly dividend would be increased by 28 per cent over the 2006 level to an annualized $0.23 per share on our Class A shares. At the board meeting yesterday the board approved the continuation of our dividend at this level.

Furthermore, with the Company's strong cash flow and cash resources, we did move aggressively in the second quarter to more fully utilize our Normal Course Issuer Bid, under which ShawCor can repurchase up to 5.25 million shares prior to November 30, 2007.

As a result, we utilized 66.1 million in cash on hand to buy back shares from the second quarter. Year-to-date we have acquired approximately 2.5 million shares at an average share price of $30.23 per share.

While this activity has reduced our cash balances, we did end the second quarter with over 222 million in cash on hand or the equivalent of $3.10 per outstanding share.

On that note I'll turn it back to you, Bill.

WILLIAM BUCKLEY: Thanks, Gary. At this time and for the next 12 months the most critical element of our operational focus is managing the capacity expansions that are currently under way in our global pipe coating business. We've nearly completed the construction of our new plant in Camrose, Alberta. Already on that new site we have seen the start-up of a double-jointing operation and have loaded and unloaded rail cars from the new rail siding.

By the end of September we will commission the new installation and extrusion line that is required to commence work providing high temperature insulation coating for a major news oil sands project.

And by the end of this year the second large diameter fusion bond epoxy line will be commissioned.

Later this year we will commence the program to increase our pipe coating capacity at our Regina facility. This facility, located adjacent to the IPSCO pipe mill, will be expanded to match the expected increase in pipe output as a result of the new large-diameter projects commencing in the second half of 2008 and extending through 2010.

In the U.S. we've completed the commissioning of the Portland, Oregon facility and have expanded our large diameter capacity in Pearland, Texas. We are now developing the engineering plans to enhance our deep water insulation capability by adding Syntactic Polypropylene to our current Syntactic Polyurethane capability. The expected new cycle of deep water project activity in the Gulf of Mexico indicates the need for this increased capability and capacity.

Turning the Middle East, we are about to commission a second of two new internal coating plans in Saudi Arabia and are working towards a fourth quarter launch for our expansion in Ras al Khaimah. With the Ras al Khaimah we are targeting to launch the new plant with two major projects that will be executed in 2008 and will generate in excess of $50 million in revenue.

Finally, I should mention that while we have not commenced the capital spending, we are in the midst of completing the front-end engineering work for the substantial effort that will be undertaken to upgrade our plants in Leith, Scotland and Farsund, Norway and we are planning for a potential new plant mobilization required to launch the major North and Baltic Sea projects that are expected for 2008 and beyond.

Our outlook for the second half of 2007 and subsequent years remains consistent with what we've indicated during the last two conference calls. That is, we expect 2007 revenue to end the year broadly in line with the prior year with net income enhanced by growth in our operating margins.

Our revenue backlog, at 377 million, is up 10 million from the start of the year but more importantly has increased by 22 per cent from the level one year ago. For 2008 the most important drivers of our revenue growth will be the commencement of production on the new Nord Stream and GNE projects in Northern Europe and the full utilization of the new capacity that we're developing in North America and the Middle East.

In Europe, we're currently bidding the Nord Stream project and expect to receive a request for quotation on the GNE project later this year once it receives approval.

If the projects proceed on the planned timelines, and if we are successful in securing major portions of each of them, then we should see a strong growth trend emerge in the second half of 2008 that will be sustained through 2010.

And I'd now like to turn the floor over to the operator for questions. Maria.

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

Your first question comes from John Tasdemir from Tristone Capital. Please go ahead.

JOHN TASDEMIR: Yes, good morning, guys. Great quarter. A couple of things. First, on the margins, particularly for your pipeline and pipeline service business, you did a great job of explaining why there was the improvement with better utilization and project execution. And you also talked about a favourable project mix and that's one that's always a bit difficult for us to figure out. So I guess what I'm asking you is, as we look into the third and the fourth quarter of this year, is the product mix similar to what you saw in the second quarter? In other words, can we expect those type of margins to be maintained?

WILLIAM BUCKLEY: Generally, we're seeing an improving trend in our margins, and as I commented, it tends to be a little bit lumpy and that does depend on mix, not only of project type but also project location and competitive environment.

And I think in the second quarter we had a couple of particularly attractive projects. And I think over the next several quarters the trend will be continuing to improve but I think the stars are aligned very favourably in the second quarter for us.

JOHN TASDEMIR: Got you. That makes sense. And also, I mean, you guys are adding – obviously there's a lot of demand out there – so you guys are adding capacity and as we look into 2008 do you have the sense that the demand is going to be there enough so that you have some more pricing flexibility or pricing power?

WILLIAM BUCKLEY: Yes, I guess we take it by region. In North America the demand driver on the large diameter side has really been the new oil pipelines for takeaway capacity for the oil sands. And there we have, you know, some pretty good visibility with projects scheduled to be executed in our plants through 2008 and into 2009.

In the Middle East we have... we alluded to the fact that there's a couple of projects that we're working on that we don't have awards on yet, so they're not ready to be press released, but we're quite confident that we'll be strong in that region. And in the Far East, just based on our bidding of backlog currently we expect that we will be fully utilized in 2008.

And I'd say generally there is improving margins as the market gets tight and as capacity tightens up and we're seeing that pretty well across the board. Some clients are making pre-emptive moves to establish frame agreements with us to protect themselves and I think that's worked to their advantage in certain cases but there is also a spot market out there as well and that's where you see most of the price cost improvement.

JOHN TASDEMIR: I see. And then finally, I think you might have mentioned it, I just didn't catch it, but when would you anticipate having... you know, making an announcement or having some definitive answer on the Northern Europe contracts?

WILLIAM BUCKLEY: The announcement should be made, if they stay on schedule, before the end of the year and quite likely that could be in the early part of the fourth quarter.

JOHN TASDEMIR: Okay, that's all I had, guys. Thanks a lot.

WILLIAM BUCKLEY: Thank you.

GARY LOVE: Thanks.

OPERATOR: Your next question comes from Dana Benner from Westwind Partners. Please go ahead.

DANA BENNER: Thanks. Good morning, guys.

WILLIAM BUCKLEY: Good morning.

DANA BENNER: I wonder if you could maybe handicap what you think the probability of success of gaining substantial portions of those major contracts that you just spoke of? You know, we know that you guys are dominant players in the market but nevertheless bidding dynamics are still somewhat unpredictable so maybe just handicap your changes, you think?

WILLIAM BUCKLEY: Okay, you've kind of framed it up pretty well in your question. I will say though, in the North Sea region we have our large plant in Farsund, Norway and it is the most automated large diameter facility in the world. It can handle the diameters that will be required on both the Statoil project and the Nord Stream project. It has the capability to do that and it's demonstrated that it can handle projects of this type. It does internal coating, flow efficient coating, external anti-corrosion coating and concrete weight coating.

So I think it has a good track record and it exists and it's there.

We also have back-up capability in our facility in Leith, Scotland and that facility was used on the Langeled project which was the 42 and 44 inch gas pipeline that's now bringing gas from Norway across to the U.K. So that facility exists and it has demonstrated capability.

I think our competitors have facilities that are logistically further removed from the region and would be in the position of either using those facilities or else commissioning new facilities in the region.

Having said that, we don't take anything for granted but we expect that we'll be participating in these projects.

DANA BENNER: I guess the other question is related to margins in my mind. The Holy Grail for you in pipeline and pipe services has been 20 per cent and you're right there, close to that. I wonder if you think you can ultimately expand beyond that? You've made progress to this point. Do you start to move the goal post a little?

WILLIAM BUCKLEY: Dana, I think a couple of things are going to happen as we go forward and if our plan unfolds as we expect it to. We're going to see full utilization in virtually all of our large diameter facilities around the world and that's going to help the margins.

And today, you know, we're doing the front-end engineering work in the North Sea but four Farsund facility in Norway and our Leith facility in

Scotland are very underutilized. So that will change and that will have a positive impact on margins.

I think we'll get a little bit more out of pricing power as we go forward and if capacity gets to be a premier in the marketplace, which we expect that it will.

And then third, we're doing a lot of work on what we call the ShawCor Manufacturing System, or SMS, and that's really taking the best practices that are common in the electronics industry or automotive parts industry and applying those to our pipe coating facilities. And that program's being driven by our Vice-President, Operations and there's productivity improvement engineers that have been hired and are in place in most of our facilities now and we're beginning to see the positive impacts of that program. And there's more there to come as that program gets full implemented.

So those are the three major factors that I think will allow us to improve the margins further going forward.

Having said that, I would put in a proviso that things will tend to move around a little bit quarter-to-quarter but I think the backdrop will be a generally improving trend in margins.

DANA BENNER: So presumably then we should be looking at 08 as the time period over which you can start to affect some of these changes. And do you have new goal posts that you would be comfortable talking about? If 20 per cent was the old one, could you get to 25 or is that simply too high?

WILLIAM BUCKLEY: We certainly do have internal metrics and internal targets and in 2008 we won't see the full year benefit. But you know, if the major projects in the North Sea do begin to be commissioned in the last half of 08 then we should see us hitting that running rate in 08 and see it impacting the numbers on a full-year basis in 2009.

DANA BENNER: Right. Can you, I guess, also address just the question of margins in petrochemical? They've come up to a very healthy level and what do you think the prospects are in that space?

WILLIAM BUCKLEY: The industrial market that we serve with our ShawFlex business and our DSG-Canusa business – and both those businesses use technologies that come out of our labs that are developed for the pipe coating and joint protection businesses – but the outlook in the marketplace for those businesses for the next few quarters is strong. The industrial markets are strong. The backlogs are strong. Their order rates are strong. So I think we'll continue to see good results from them over the next several quarters.

DANA BENNER: So are those margins then that you think that you could ultimately expand beyond this or do you think that these are at... how much further can you take it amidst that kind of order flow?

WILLIAM BUCKLEY: Yes, I think there's a little bit there. I don't think you're going to see, you know, the situation that you have in pipe coating where you have two major plants that are basically operating at very low levels of activity that are going to go to full capacity in the last half of 2008. We don't have a situation like that. So I don't think we're going to see as much movement as we're going to see on the pipeline side.

DANA BENNER: Okay, that's terrific. Thanks a lot, guys.

WILLIAM BUCKLEY: Thank you.

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

Your next question comes from David Sachs, from Hocky Capital. Please go ahead.

DAVID SACHS: Yes, could you just quantify the loss experience in Nigeria that you had in the second quarter?

WILLIAM BUCKLEY: The Nigeria losses are running, at least in the second quarter, were in the $2 to $3 million range.

DAVID SACHS: Okay and then just looking back, maybe the last cycle in pipe in Europe, how big an incremental revenue opportunity and are margins better in Europe in general when that plant is sold? That given how efficient this facility is?

WILLIAM BUCKLEY: The size of the project, the GNE project, the Statoil project, will probably have a coating value in excess of $250 million. The Nord Stream project, which consists of two lines, 48-inch diameter, will probably have a coating value in excess of 600 million euros.

These are large projects. They're competitively bid and the margins on these projects should be consistent with our average margin.

DAVID SACHS: Okay and what's the baseline today if I were to look at Q2 in Europe? What were your facilities running at in terms of capacity utilization or what approximate revenues might they have been booking?

WILLIAM BUCKLEY: We have one facility in Orkanger, Norway which is focused on deep water insulation products and that facility is running at or near capacity at the moment, and will be for the next several quarters.

But our two large diameter plants, the one in Farsund, Norway has been running at very low levels of activity for the last four or five quarters, since the end of the Langeled project, which finished up in the first quarter of 2006. And in Leith, Scotland, that's where our other large diameter facility is, that facility has also been operating at very low levels of activity.

Also on the Leith site we do have a facility that does deepwater insulation project work. That's been relatively active. And we have a custom coating facility located in the general area and that's been active.

DAVID SACHS: And what's the approximate annual capability of Norway and Scotland on the large diameter side if they were running full out? Is that incremental 100 million, 200 million, 300 million? I just don't have a sense of the scope or size of those assets?

WILLIAM BUCKLEY: If they're running full out we could add somewhere in excess of 200 million a year in additional capacity.

DAVID SACHS: With margins that would be attractive, similar to your company average, or maybe better?

WILLIAM BUCKLEY: Yes. Yes. Sort of a... at margins that would probably be consistent with the company average.

DAVID SACHS: Great. Thank you very much.

WILLIAM BUCKLEY: Thank you.

OPERATOR: Mr. McTurnan, there are no further questions at this time. Please continue.

JIM McTURNAN: I don't think we have anything further on this end. Bill?

WILLIAM BUCKLEY: Okay, well, thank you very much. I would like to thank everyone for listening in today and thank you for your questions. And we'll talk to you again at the end of the third quarter.

Thank you.

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

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