

EVENT: SHAWCOR LTD. Q2 RESULTS CONFERENCE CALL  
TIME: 10H00 E.T.  
REFERENCE: SHAWCOR LTD.-CC-080708  
LENGTH: APPROXIMATELY 44 MINUTES  
DATE: AUGUST 7, 2008

---

"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, ladies and gentlemen. Thank you for standing by. Welcome to the ShawCor second quarter 2008 financial results. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press \* followed by 0 for operator assistance at any time.

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

JAMES McTURNAN (Vice President, Legal, ShawCor Ltd.): Thank you, Eric. 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, level of drilling and pipeline activity, environmental and regulatory risks, liability claims, exchange rate fluctuations, political risk and raw material pricing.

Further information on risks that could affect the Company can be found in ShawCor's 2007 annual report and annual information form, as well as the first and second quarter reports for 2008. Copies of these

---

"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. »

reports are available on SEDAR at [sedar.com](http://sedar.com) and may also be found on the Company's website at [shawcor.com](http://shawcor.com).

I will now turn the call over to Bill Buckley.

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

ShawCor's second quarter was very active with a number of key strategic initiatives completed successfully. Revenues were up moderately, but perhaps more indicative is the very strong trend in new project bookings during Q2 as we announced that we had won several new projects in the quarter resulting in a backlog increase of \$62 million to \$475.6 million, or up 15 per cent.

Operating margins, however, declined in the quarter as we had the unusual combination of two new plants ramping up production and being qualified and a major new product line undergoing commissioning trials consuming the capacity of one facility.

Although this is positive for the future, it did negatively impact the quarter. In addition, in some countries, we faced unanticipated government mandated diesel fuel increases and other supplies inflation which are being reflected in new bids but did negatively impact us in the quarter.

---

"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. »

I'd like to take a few minutes to comment on each of these developments. To begin, I would highlight the most significant development in the quarter as the completion of the Flexpipe Systems acquisition. At a total cost of \$133.7 million, ShawCor has acquired a company that has developed a proprietary flexible composite pipe technology that has been successfully commercialized and is now generating annual revenue of approximately \$80 million with operating margins that are highly accretive to ShawCor's pipeline segment.

The adoption of flexible composite pipe by E&P operators is in its early stages as these clients are realizing the significant installed cost and scheduled benefits offered by Flexpipe Systems spoolable composite pipes. The market is large and we expect that Flexpipe Systems will be a strong source of growth for ShawCor in the years ahead.

The second significant strategic development for ShawCor was the action taken to increase our participation in Indonesia, coupled with a reduction in our net investment in Nigeria. In the quarter, we successfully completed a transactions purchase, an additional 20 per cent of our Indonesian subsidiary, bringing our ownership up to 95 per cent in this active region and we announced a transaction to sell our Nigerian subsidiary to a local Nigerian company.

---

"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. »

A third strategic development in the quarter was the settlement of the Mobile, Alabama lawsuit. While this development relates to a business that we discontinued in 2005, it does remove the risk of a new jury trial, insures that there will be proper site remediation and put this issue behind us.

Also in the area of strategic development, I would highlight the major contract awards for the Alberta Clipper, Vega, Baydaratskaya Bay and Gumusut projects that were announced in the quarter and which contributed to our announced backlog increase, and I'll comment further on each of these projects shortly.

I'd like to take a few minutes to speak to the financial results and then I'll ask Gary Love to offer some further details.

As I noted earlier, revenue growth continued in the second quarter versus the prior year with growth of 7 per cent and also increased marginally on a quarter-over-quarter basis. The main source of revenue strength in the second quarter was in our Far East pipe-coating operations where we saw strong activity in Malaysia, Indonesia and Australia with key projects including a large project for Petronas in Turkmenistan and a project for the Chinese national offshore oil company.

---

"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. »

Also favourably affecting revenue was the ramp up in volume on the Qatar gas project at our new plant in Ras Al Khaimah in the Middle East. Areas of revenue softness in the second quarter included a short-term slowdown in large-diameter pipe coating in Canada and the United States and reduction of volumes at our deep-water insulation facility in Norway as it prepares to launch the Pluto project.

We expect that both of these areas of weakness will improve in the second half of 2008 with the commencement of the Deep Panuke, the Trans-Canada North Central and the Enbridge Alberta Clipper Projects in Canada and with the Pluto and Vega projects in Orkanger, Norway.

In terms of financial performance in the second quarter, the operating margins are of course disappointing when compared with the margins achieved in the second quarter of 2007. Factors impacting margins on a year-over-year basis include the impact of the stronger Canadian dollar, the increase in depreciation associated with the new pipe-coating facilities in Camrose and Ras Al Khaimah that were launched in the first quarter, the effect of the new product launch costs and the impact of inflation, particularly in the Far East and Middle East, where we've seen an escalation in certain of our operating costs that we believe will be recoverable in future quarters through price 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. »

To elaborate on these points, I'll now ask Gary Love, our CFO, to provide additional details on ShawCor's second quarter financial performance.

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

We noted earlier the fact that revenue grew approximately 7 per cent on a year-over-year basis to reach 295 million. As Bill noted, we did see strong growth in the Middle East and Far East regions, offset somewhat by weakness in North America and Europe.

In addition, I should note two other factors affecting revenue. The first is the impact of material cost increases that we have passed through to customers. This factor boosted reported revenue by approximately \$14 million in the second quarter but did have a dilutive effect on operating margins. A second key factor is the impact of the 8-per-cent appreciation of the Canadian dollar versus the U.S. dollar on a year-over-year basis. This factor had the effect of reducing recorded revenue by \$13 million.

Bill noted the key factors that reduced consolidated operating margins from 17 per cent a year ago to 11.3 per cent in the second quarter of 2008. And I would like to take a few minutes to quantify each of these factors.

---

"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 begin with the aforementioned Canadian dollar appreciation reduced operating income by 2.4 million. This, coupled with the increased material costs, which resulted in higher revenue but no increase in operating income, had the combined effect of lowering our operating margins by 1.6 percentage points.

In terms of operational impacts, manufacturing fixed costs and depreciation in our pipeline segment increased by \$7.4 million on a year-over-year basis. This was the result of the addition of new capacity in Camrose, Alberta, Portland, Oregon, and Ras Al Khaimah. This caused a corresponding reduction in operating margins of 2.5 percentage points.

In addition to the capacity that we have added, we have also been very aggressive in new product introductions and this activity has had a short-term negative effect on operating margins. The launch costs associated with the development of the production capability for the new deep-water insulation coating that will be used for the Pluto project reduced operating margins by a full percentage point.

The final key factor impacting the pipeline segment margins was the incurrence of significant operating cost increases due to the acceleration in general cost inflation and also certain government controlled costs such as diesel fuel, particularly at our operations in the Middle East and Far East.

---

"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 estimate that these cost increases reduced operating income by \$4 million, or margin impact of 1.4 percentage points. Now positively affecting margins in the pipeline segment was the gain on the sale of the net assets of our Nigerian operation of \$1.1 million.

Operating margins in the Petrochemical and Industrial segment businesses decreased from 17 per cent in 2007 to 14.5 per cent in the second quarter of 2008 and these margins were affected by the appreciation of the Canadian dollar, increased material costs for polymers and copper wire, and the impact of lower throughput at the Shawflex business unit.

A final item to note in our operating income is the fact that financial and corporate costs increased by \$1.1 million year over year as a result of costs that were incurred and expensed in connection with a potential acquisition that we were not able to complete.

EBITDA for the second quarter of 2008 of 46.5 million, or \$0.65 per share reflects the reduction in operating income versus the prior year. This was somewhat offset though by the increase in depreciation that I noted earlier. On a segment basis, the Pipeline and Pipe Services EBITDA margin in the second quarter was 17.7 per cent while the Petrochemical and Industrial segment EBITDA margin came in at 18.2 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. »

Bill noted the strategic initiative completed in the quarter to eliminate any further risk associated with the Dirt lawsuit in Mobile, Alabama. As a result of the out-of-court settlement reached with the plaintiff, we have reduced the legal provision to equal the amount that was distributed in July as our share of the settlement and as a result have recorded an after-tax gain for discontinued operations of \$10.6 million, or \$0.15 per share.

Net income from continuing operations of 22.2 million and diluted earnings per share from continuing operations of \$0.31 per share in the second quarter include a tax provision that reflects an effective tax rate of 31.3 per cent. This is compared with much higher tax rates in both the second quarter of 2007 and the first quarter of this year. These prior quarters had been impacted by losses for which tax benefits were not recognized. The current quarter featured no such losses and furthermore, we did see the benefit to our effective tax rate of earnings generated in low tax rate jurisdictions such as the Middle East and Far East.

One area of notable strength in the second quarter results was the cash flow provided by continuing operations which at 74.3 million compared very favourably with prior quarters. During the second quarter, we did as expected generate 31.4 million in cash flow through a reduction in working capital. The timing issues that had affected both accounts

---

"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. »

receivable and accounts payable in prior quarters were broadly normalized in the second quarter, thus contributing to the working capital reduction.

I should note though that we did continue to build up inventory and this factor was directly attributable to the preparations that were under way at the end of the second quarter for major projects such as Pluto, Deep Panuke, and Baydaratskaya Bay, these projects to be produced in the third quarter.

At the end of the second quarter, net non-cash operating working capital at 173.2 million is in line with historical levels relative to our revenue expectations for the second half of this year.

The other key factor affecting cash flow in the quarter was the Flexpipe Systems acquisition and the capital expenditures relating to pipe-coating capacity expansion in Texas and Western Canada.

With respect to Flexpipe Systems, we have disclosed our preliminary purchase accounting allocation with goodwill and other intangible asset recognition of 44 million and \$59 million respectively. We expect to finalize the purchase allocation by yearend.

I will now turn it back to Bill for his comments.

WILLIAM BUCKLEY: Thanks, Gary.

---

"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 many respects, the first half of 2008 has been characterized by several growth initiatives that while costly in the short term will be beneficial going forward. Examples in this regard include the launching of new capacity and new products in Canada, the Middle East and in our deep-water insulation business. Our sales order backlog is strong at 475 million, an increase of 26 per cent on a year-over-year basis. This strong backlog is a result of the many new projects secured that we've announced in recent months but also by the continued build-up in our very large number of smaller projects that form the backbone of our revenue base.

Projects such as Pluto, Gumusut and Vega will allow us to expand our leadership position in deep-water offshore insulation coating. The Baydaratskaya Bay project, which we are undertaking for Gazprom, is now in production at our newly remobilized concrete coating plant in Leith, Scotland. Upon completion of the Baydaratskaya Bay project, Leith will continue to operate at a high level of utilization with the Gjøa and scarve(ph) projects.

In Western Canada, we've launched production on the Alberta Clipper Project at our newly-expanded large-diameter coating facility in Regina. Based on the current backlog, we're now confident that sales

---

"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 in 2008 will be strong in the range of 12 to 15 per cent. Continued strong bidding activity globally would appear to indicate the potential for strong growth continuing in 2009 and beyond.

In addition, we expect that the recently acquired Flexpipe Systems business will contribute to our second half results. Beyond 2008 we expect the relatively low level of market penetration for flexible composite pipe, coupled with the inherent advantages to the E&P clients, will result in Flexpipe Systems providing a significant contribution to ShawCor's future growth.

And on that note, I would now like to turn the floor over to the operator for questions. Eric?

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press \* 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 your handset if you're using a speakerphone before pressing any keys. One moment, please, for your first question.

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

---

"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. »

SARAH HUGHES: Hi, guys. Just on utilization of the new facilities you put on onstream the last couple quarters, can you talk a bit about how we should expect to see the rising utilization in these facilities through the next couple quarters?

WILLIAM BUCKLEY: Sure. Sarah, looking at Canada first, if we look at our Regina facility, it's currently running the Alberta Clipper project and it's running at two-shift run rate. So it's basically operating near capacity and it's at that level now.

SARAH HUGHES: Okay.

WILLIAM BUCKLEY: In Camrose, we're running the North-central project at the moment and as we go forward there's going to be project changeovers, but we would expect that the two Camrose facilities, as we go into 2009, will be ramping up to full production.

At Ras Al Khaimah, that facility is now running at full capacity. And as you may recall, we took two projects at relatively low margins to justify the conversion of that plant to three-layer polyethylene coating. We're bidding now on projects to load that facility in 2009 and beyond and we would expect to see the margins as we get into 2009 improving at Ras Al Khaimah and the revenues continuing at the full capacity level.

---

"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. »

SARAH HUGHES: Okay, so I would expect in the next, you know, through 08 Camrose and Ras Al Khaimah will remain somewhat low, but Regina should be stronger than in the second quarter?

WILLIAM BUCKLEY: That's correct. Regina is strong and will be strong for the balance of the year. Ras Al Khaimah though will also be strong from a revenue point of view for the balance of the year. The change we'll see as we go into 2009 is the margins improving in Ras Al Khaimah.

SARAH HUGHES: Okay, and then the higher costs you're seeing in the Far East, do you expect to be able to recoup all of it, or based on your experience, only a portion of it?

WILLIAM BUCKLEY: No, we'll be able to recoup all of it. The only issue there is there will be a lag as we clear out projects that have been priced with, you know, assumptions on diesel fuel prices, as a for instance, that are now low. And you know as we've commented before, our base business is made up in 2007 of over 300 projects. So within a quarter or so, we should be able to have worked out most of that cost drag. And then we can get full recovery of those supplies cost increase.

---

"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. »

SARAH HUGHES: Okay, and then just lastly, on the Flexpipe acquisition, can you talk a little bit about kind of the growth strategy over 2008 and 2009 for this division?

WILLIAM BUCKLEY: Yes, sure. The focus will be primarily on Canada and the United States. The total available market is in and around \$1 billion in Canada and the United States for composite flexible pipe in the two-, three- and four-inch diameters, up to 1,500 PSI service rating.

The thrust of Flexpipe Systems over the next few years will be to convert the marketplace from using steel pipe coated in 30-foot to 50-foot lengths that needs to be welded together, to convert them over to using one- to two-kilometre lengths of spoolable flexible pipe which offers 30 to 50 per cent installed cost savings.

That conversion process is well under way in Canada and is in its initial stages in the United States. So we would expect a rather high ramp-up in volume over the next five years and that business will end up being a revenue producer for us in the hundreds, several hundreds of millions of dollars by that time.

SARAH HUGHES: And what about capacity? You're looking to increase your capacity?

---

"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, we are. Between now and 2013, capacity additions are in our plan. We'll probably be doing some of that in Canada. We'll likely be doing some of it close to the U.S. market in the U.S.

SARAH HUGHES: But in the near term, in the next year, would you expect any capacity expansions?

WILLIAM BUCKLEY: The first capacity expansion will probably be within a one-year period to support the rate of growth that Flexpipe currently has, yes.

SARAH HUGHES: Great, thank you.

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

JOHN TASDEMIR: Good morning, guys.

WILLIAM BUCKLEY: Good morning.

GARY LOVE: Good morning.

JOHN TASDEMIR: Thanks for the detail on the cost issues. One thing that I think we're going to have a bit of struggle with is trying to figure out the timing of an improvement in those margins. You know, a couple of the things you said was you mentioned new product costs you 1 per cent. You kind of went through a list of stuff. Because you went to that amount of

---

"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. »

detail, can you talk about what changes in the third and the fourth quarter to start to improve those margins and can you be specific about margin percentages?

WILLIAM BUCKLEY: Yes.

GARY LOVE: John, yes, certain elements of the margin deterioration in the second quarter, we can look at and say well, those elements are broadly speaking behind us. And then other elements by definition are going to take some time to work through. If we kind of take them maybe in three pieces, the absorption of the fixed cost increases we would expect to phase in over the second half of the year. We certainly are encouraged by the fact that we're now in full production in Regina on the Alberta Clipper project and we'll be utilizing that facility to a significant extent.

The Ras Al Khaimah facility which was ramping up through the first half of the year is basically now operating and probably for the last month or so, it's been operating at full capacity.

Bill did comment though that there, it's going to take some time really to see a significant uplift in margins that's going to occur with new projects beyond the two that we're currently working on. So that could be more of a 2009 situation.

---

"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 launch costs associated with some of the new projects, those are behind us. Leith is now fully remobilized, in production. The Pluto projects is in production in three of our plants around the world. So that would be behind us.

Bill I think commented on the inflation. Those are going to be recoverable, those cost increases, through price increases and that will take time to really fully realize probably through the second half of the year.

JOHN TASDEMIR: Okay, so kind of steadily ramping back up to margins that you've seen historically, or better. Also, on the top line side, so you talked about 10 to 12 per cent I guess top line growth from 07 to 08 and I guess that assumes, we'll call it \$40 million worth of Flexpipe contribution if they're running \$80 million a year. And I guess they closed, that deal closed in the last quarter. So we'll get a full impact in the September quarter, roughly \$20 million. Is that reasonable?

GARY LOVE: Just to clarify, John, a couple of things. First of all, the guidance we've provided on revenue in terms of 08 versus 07 is 12 to 15 per cent year over year and we specifically noted that that did not include the impact of Flexpipe. So in other words...

JOHN TASDEMIR: Okay, good.

---

"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: ... what we tried to do there was we tried to delineate, if you want, the organic growth and sort of speaking in terms of year-over-year 12 to 15 per cent. And quite frankly, that's a little bit stronger than the guidance we would have provided at the end of the first quarter. At the end of the first quarter, we had spoken in terms of 10 to 15 per cent. So we're now... you know, we're feeling a little better I suppose you can say about the second half and thus the total 2008 picture.

In terms of Flexpipe, which would be incremental to that 12- to 15-per-cent growth, yes, 40 million to 50 million in terms of second half contribution would be a reasonable expectation.

JOHN TASDEMIR: Okay, good. Yes, that clears it up. I thought... I realized you kind of increased your range and I thought maybe that was because you included Flexpipe, but I'm glad to see that it's not the case. Okay, well, that's all I had for now, guys. Thank you.

WILLIAM BUCKLEY: Thanks.

OPERATOR: Your next question comes from Arthur Winston, from Pilot Advisors. Please go ahead.

ARTHUR WINSTON: If we look at the 400 and some million dollars of backlog, how much of it is under-priced in relation to your old margins because of the increasing costs in a fashion that you have minimal ability

---

"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 raise up the price to recapture it, so it's going to turn out to be a less desirable contract than you usually have?

GARY LOVE: You know, I think it's a difficult question to answer because the backlog of course is constantly revolving. Our backlog is a 12-month forward projection of contracted orders, i.e. what we will produce in the next 12 months. And it's a rolling number and it's constantly being replenished with new business as old business is executed and completed. So it's a fairly fresh number, if that's what you're asking. It is, that backlog is built up over the last number of months. And the pricing environment around the world varies from region to region and our ability to price product at varying levels of margin obviously varies from region to region.

But I think we would say in general that we're comfortable with the backlog and the margins that are baked into that backlog. We think that there's potential for further improvement as we move forward.

ARTHUR WINSTON: Basically, you would say that a good... most of the backlog has the margins in it you think given the cost increases that you're shooting for. It's only a relatively small portion that's under-priced, and you're not going to recapture is what you're thinking?

GARY LOVE: Yes. Again, you know, it's difficult to be really precise on that point, but in a qualitative sense, we obviously experienced the cost

---

"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. »

increase, we have experienced cost increases as the first half of the year has gone along and we're constantly adjusting our pricing models, if you will, to reflect what we're experiencing on the cost side. So generally, we're comfortable with the margins going forward I guess is the best way of characterizing it.

ARTHUR WINSTON: I'm curious about one thing. How come, you know, you didn't make your announcement when you figured out that the margins were so low so that people, you know, wouldn't buy your stock so high? And, you know, the stock's 29 now. What was the thinking not to tell anybody and keep this a secret?

GARY LOVE: Well, as a matter of policy, we have never provided earnings guidance.

ARTHUR WINSTON: Not guidance but just say that hey, things aren't so terrific right now in terms of profits, even though it's going to be great over the next 18 months.

GARY LOVE: Yes, I think if you look at what we spoke of in the first quarter, you know, certainly some of the impacts that we experienced in the second quarter we talked about in the first quarter. The absorption of fixed costs, which frankly is the biggest single item in terms of margin impact, that was discussed at the first quarter and we indicated that that

---

"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. »

would take time for that absorption to be realized. And of course that was still with us in the second quarter.

The emergence of cost inflation, you know, diesel was a particularly stark situation that happened rather abruptly in the second quarter. Other elements of cost inflation have been creeping up and started to accelerate, and we've seen that in terms of labour inflation and certain other supplies – rental equipments costs, things like that – in regions of the world where activity has been extremely buoyant. And the Middle East would certainly fall into that category, as would the Far East.

ARTHUR WINSTON: Thank you very much.

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

DANA BENNER: Thanks. Good morning, guys.

WILLIAM BUCKLEY: Good morning.

GARY LOVE: Good morning.

DANA BENNER: I guess just following up on the margin issue, as you think about rolling forward with your very high backlog levels, you know, is it safe to say that you still have the same margin targets in mind that you've had for quite a number of years as you've sort of shuffled your asset portfolio, optimised, closed, etcetera, etcetera? Is there any change

---

"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. »

at all to those types of targets that have driven the types of decisions that you've made over the last two to three years? You know, are those old targets still realistic?

WILLIAM BUCKLEY: Yes, Dana, I think, you know, the second quarter was disappointing. I think it was also, we had an unusual combination of events. The plant commissionings are going to be behind us, the new product commissionings are going to be behind us. The unforecasted rise in supplies materials like diesel we're now pricing in so we're going to get those behind us.

And as we look forward, we continue to see the opportunity to improve margins in the future and it's really for the following reasons and I'll go through them just to give you some colour around this. First of all, the markets for our products remain strong, particularly for the large-diameter coating, deep-water products and offshore transmission lines. So globally, we see strength in those markets and we see that continuing.

We're operating now at or near capacity in many of our facilities and this will continue. Third, our competitive position is strong and has been strengthening over the last four of five years, as you have noted. And these three factors continue to provide us with increasing pricing power that we'll take advantage of.

---

"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 in addition, we've developing and introducing higher-margin new products, some of which we've talked about, and we'll be introducing those over the next six and 12 months. And our SMS operational improvement program continues to improve efficiency in our facilities and reduces product cost.

So you know, we're still on track for, you know, as we go forward in the future, continuing to increase our margins and we think the fundamentals are in place for us to do that.

DANA BENNER: So is it safe to say then that the targets that have driven your business decisions remain intact even if, in the last quarter in particular, and I guess maybe a little bit more time overall, but even though these things have maybe come across the bow a little bit and certain things relate to plant start-ups, etcetera, are those targets still intact?

WILLIAM BUCKLEY: Yes, they are.

DANA BENNER: Secondly, you know, I think we all understand your decision not to bid on the Nord Stream project much earlier this year. I wonder if you have any more colour on how that's going and whether there's any chance, you know, maybe that's a ... maybe that's a word you guys don't even like to talk about any more, but you know, is there still a chance that you still start to see some of that work?

---

"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: We continue to maintain contact with the Nord Stream group. You know, I guess one interesting point of colour would be the fact that we now have the Baydaratskaya Bay project. In securing that project, we had to secure Gazprom approval for concrete heavy coat on 48-diameter pipe. The pipe is exactly the same specification as will be used on the Nord Stream project and, as a matter of fact, the pipe is coming to us from a mill in Russia that will be providing 25 per cent of the pipe on the Nord Stream project. So we're now a qualified supplier for the configuration of heavy coat required for Nord Stream.

Having said that, you know, things are progressing with the other supplier on the Nord Stream contract. I think they're progressing probably at a little bit of a slower rate than we would have been running at in our schedule. And you know, we have the capability and the facilities available in the next year or two or three to assist should the Nord Stream group need our assistance.

But you know, today there is absolutely confidence that we'll secure any of the contract but, you know, we're able to do that should they need an additional source.

DANA BENNER: Right. If you look out, notwithstanding the achievement of the record backlog, if you look out the next say six 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. »

and also recognizing that you've taken great pains to explain to the market the vast quantity of small projects that ultimately drive your business, so having said all that, are there still some other fairly interesting larger projects that you're chasing that you think may be in the final throes of being let out?

WILLIAM BUCKLEY: Well, I guess if we kind of look, you know, quickly around the active areas around the world, Dana, in Asia-Pacific the market there is quite strong now and we think it's going to get even stronger. And that's to fulfil the local energy needs of the growing economies in that region, from China through to Vietnam and the other countries in the region.

There are a few major developments in the region. One in specific is the activity on the northwest shelf of Australia which is primarily gas related and primarily LNG related. And the destination market for a lot of that product is China.

There is going to be a series of projects coming. Pluto is the first in the series. We secured all of Pluto, 100 per cent of that project, \$80 million project. There are other follow-on projects coming behind that over the next three and four years that are going to be even larger, significantly larger. We're working on those now. We're working on 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. »

pre-engineering and preliminary bids on those right at the moment with the clients involved.

There's also going to be continued high activity in the offshore market in Indonesia, Malaysia and Thailand. And you know, that will probably be smaller projects but a series of them and we're continuing to book those and we expect that that business will increase as we go forward.

In the Europe and Africa region, you know, the North Sea activity we think is going to moderate but we are using our plants in Leith, Scotland, for instance, to serve the Russian market now. We expect that there'll be more large projects in Russia coming out of the Yamal Peninsula area and the Bering Sea area and we're working on those now. Where those could lead us in terms of new mobilizations, it's too early to say, but there's opportunities in that regard.

In South America, the big activity there is the planned projects in Brazil, and as you know, we're very well positioned in Brazil in the deep-water market, co-located at the major supplier of seamless tube that's used in the deep-water plays in Brazil. We are looking to expand our footprint in Brazil over the next few years and we'll be announcing specifics on that as we go forward. But certainly lots of upside activity there for 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. »

next several years. And, you know, the Petrobras has announced their programs which run for the next eight years.

Mexico, we expect to stay strong. Some additional activity in Venezuela and Colombia, of which we may serve in country or serve from Trinidad and we're working on those opportunities at the moment.

In the Americas, in the U.S., the main story for us will be large-diameter activity for gas transport from the Rockies region to markets in the east. In Canada, we'll continue to be active for the next several years, working on projects to provide the takeaway capacity for the oil sands. And there, it's that incremental 2 million barrels a day that needs takeaway capacity. And you know, we're already under way in coating some of the pipelines that are related to that.

We're also working in the oil sands on the specialized lines that are, you know, particularly insulated lines, high-value coating lines for us that are used to transport the oil sands product to the upgraders and that work is continuing and we see it increasing over the next three to four years.

As you've also noted, Mackenzie and Alaska are back under discussion. Those we think are a little further out, but it's certainly positive to see them back under discussion. It's also very positive to see projects like the gateway project back under discussion. But I think those are a

---

"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. »

little further out than the three- or four-year horizon. But I think that's promising that they are under discussion again.

Additions of significant projects such as the Deep Panuke project that we're just starting now in Sheet Harbour, Nova Scotia will add to our revenues as we go forward and that speaks to the ability of our portable concrete plant technology that we can use to seize on these offshore opportunities in remote locations.

So I think that gives you a little bit of colour on the activity we see around the world that we're currently involved in and some of the areas where we're doing work that will result in projects over the next two to three years.

DANA BENNER: Just a quick follow up. With respect to the higher natural gas prices that we've seen through the first half of this year, notwithstanding the volatility, have you started to see any material increase in demand for smaller-diameter coating or related activity to that?

WILLIAM BUCKLEY: Dana, we haven't yet. You know, generally the drilling activity goes up first. We tend to lag that because we're driven by completions. And I'd have to say at the moment, we haven't seen that yet; but when that comes on, that can have a significant positive impact on

---

"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. »

our operating income. So that's another potential positive that's sitting there waiting for increased completion activity in particularly Canada.

DANA BENNER: Okay, guys. That's all I've got, thanks.

WILLIAM BUCKLEY: Thank you.

OPERATOR: Your next question comes from Arthur Winston, from Pilot Advisors. Please go ahead.

ARTHUR WINSTON: I think you answered it. I was wondering about the United States and Canada and you addressed it. So my question's been answered.

GARY LOVE: Thank you, Arthur.

WILLIAM BUCKLEY: Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press \* followed by the 1. As a reminder, if you're using a speakerphone, please lift the handset before pressing the keys. Your next question comes from Sara Hughes from Cormark Securities.

SARA HUGHES: Hi, just one follow up, quick follow-up question. The 4 million negative impact from inflation, how much of that would have been related to the cost increases you're seeing in the Far East or Middle East?

---

"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: Yes, that was almost entirely attributable to those two regions. It's a combination, I think the largest single element was the utilities cost. We, in a number of our plants, we produce the power that we use to drive our plants with diesel generators. So utility costs are actually a significant cost item in pipe coating. So that was the largest single item.

The additional items would be some short-term rental. We will rent equipment on a short-term basis. There's been tremendous escalation in just the last few months in respect of those costs. And then I think I also spoke about acceleration in contract labour costs. So we've seen that as well.

SARA HUGHES: Great. Thank you.

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

WILLIAM BUCKLEY: I would like to thank everyone for calling in today and for your questions, and we look forward to talking to you again on our next conference call. Thank you.

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

\*\*\*\*\*

---

"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. »