

EVENT: SHAWCOR LTD. - ANNUAL GENERAL MEETING
WEBCAST
TIME: 16H30 E.T.
REFERENCE: CNW GROUP - TORONTO
LENGTH: APPROXIMATELY 36 MINUTES
DATE: MAY 05, 2005

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LESLIE E. SHAW (Chairman of the Board, ShawCor Ltd.): Thank you, everyone. Is this mike on? Thank you, everyone. If you'll allow me, I'd like to bring this meeting to order. At the head table here, I have Geoff Hyland, Chief Executive Officer, and Bill Sheridan, Secretary of the corporation. As we did last year, we are webcasting this annual meeting of the shareholders and I'm delighted to welcome all those that are listening in from their offices or their homes and I ask anyone that wants to make a comment to use the mikes provided on the floor here, so they're up the aisle here, so that everyone will understand and the people at home will know.

With your approval, I shall ask Bill Sheridan, the Secretary of the corporation, to act as secretary of the meeting and the representative of CIBC Mellon Trust Company to act as scrutineers.

A notice of the meeting, together with the form of proxy and the management circular for 1904 (sic) and the annual report has been made available to all shareholders and we have additional copies. Should anyone need a copy, raise your hand and we'll see that you get them. I think they all were delivered.

The Secretary, I asked the Secretary to keep a copy of the notice and the proof of meeting with the records of this meeting. I understand

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that there is a quorum present. The scrutineers' report is now ready and I ask Bill Sheridan to read the scrutineers' report.

W. J. V. SHERIDAN (Secretary): The scrutineers' report, we are pleased to report that there are 104 shareholders holding 37,851,674 Class "A" subordinate voting shares represented in person or by proxy at this meeting. This represents 61.7 per cent of the issued and outstanding Class "A" shares. We are pleased to report that there are 13,011,864 Class "B" multiple-voting shares represented in person or by proxy at the meeting. This represents 94.7 per cent of issued and outstanding Class "B" multiple-voting shares.

LESLIE E. SHAW: Thank you, Bill.

I now declare that this meeting is regularly called and properly constituted to transact the business of the meeting.

I would ask the Secretary to table the minutes of last year's meeting of April 30th, 2004. Thank you, Bill.

The next item of business is the presentation of the annual report to directors and financial statements of the auditors. With your approval, we shall dispense with the reading of the audit report, which is available to all shareholders in the annual report.

I will now proceed with the election of directors. I declare the

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meeting open for nominations. I think Mr. Solomon has a recommendation for director.

MR. SOLOMON: I would like to nominate the following: Geoffrey Hyland, Murray Mullen, Jack Murphy, Jack Petch, Robert Ritchie, Paul Robinson, Leslie Shaw, Virginia Shaw, William Sheridan, Zoltan Simo, Charlene Valiquette, Don Vaughn as directors of the corporation to hold office until the next annual meeting of shareholders or until their successors are elected or appointed subject to the provisions of the corporation's by-laws.

LESLIE E. SHAW: Are there any further nominations? If there are no further nominations, I declare the nominations closed and Mr. McTurnon (phon) will provide a motion in this regard.

JIM McTURNON: Thank you, Les. I move that the persons nominated as directors be elected as directors of the corporation to hold office until the next annual meeting of shareholders or until their successors are elected or appointed subject to the provisions of the corporation's by-laws.

LESLIE E. SHAW: Thank you, Jim.

Mr. Reynolds will. Thank you, Ernie. All in favour of the elected nominees, please signify with the raising of your right hand. Thank you.

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Carried.

I shall ask the elected directors to stand. Did I hear somebody? Oh, I guess that was an echo. I shall ask the directors to stand to be recognized when I call their name. First, we all know Geoff Hyland. He's been here for, I don't know, Geoff. How long have you been up at this table?

GEOFFREY HYLAND (Chief Executive Officer, ShawCor Ltd.):
Eighteen.

LESLIE E. SHAW: Eighteen years?

GEOFFREY HYLAND: Yes.

LESLIE E. SHAW: Good gosh! Murray Mullen. Murray, would you stand? Jack Murphy. Thank you, Jack. Jack Petch.

Rob Ritchie is not with us today. He called and he had to change his annual meeting, and so he's having his annual meeting in Calgary, CPR. His Chairman of his Finance Committee is with Lavallin and they tried to get in here and we had them headed off, so they're over at the stock exchange. So Rob's not with us today and he apologizes and extends his regards.

Paul Robinson. Thank you, Paul. Myself. Virginia Shaw. Thank you, Virginia. Bill Sheridan is our Secretary. Zoltan Simo. Thank you,

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Zoltan. Charlene Valiquette. Thank you, Charlene. And Don Vaughn. Thank you, Don.

We are delighted to have two new directors in the persons of Charlene Valiquette and Jack Petch. Charlene comes to us with an extensive career in finance and Jack is known around town as kind of a legal beagle and we're delighted to have them on the board. Thank you.

The next item on the business is appointment of auditors, and I believe Mrs. Brown has a motion in this regard.

YVONNE BROWN: Mr. Chairman, I move that Ernst & Young, LLP, be appointed auditor of the corporation until the next annual meeting and that the board of directors be authorized to fix the remuneration of the auditor.

LESLIE E. SHAW: Thank you, Yvonne. Helen Thomas?

HELEN THOMAS: Mr. Chairman, I second the motion.

LESLIE E. SHAW: Thank you, Helen. You have heard the motion. All in favour, please signify by raising your right hand. Contrary, if any. Thank you. The motion is carried.

This comes to a critical time of the meeting for me. They say that this is the Chairman's remarks, after the Chairman's remarks, and as you know, we announced that Geoff Hyland would be stepping down on June

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the 30th after 37 years with the company. I tried to talk Geoff into staying another years so he could join the 40-year club, but he said 10 years was enough. And I don't know whether he's talking about me or the business or what, but we've had a lot of fun.

Geoff, let me give you a little history. Geoff came to us from Union Carbide and Union Carbide, by the way back in the 60s was a big, rolling, growing company and as the story goes, and I checked it out, Geoff went to his boss, Eric Baker, who's another Montrealer, and he says, "Eric, how does a young fellow make any money?" And Eric says, "You quit."

So Geoff was selling plastic to Shaw Flexible Tubes and we had just put a new company together in 66 and this was in 67, and we were using crosslink polymer. We were the only people in the country using crosslink polymer and Geoff got the idea that we knew something.

So he ambled across and he was hired in Shaw Flexible Tubes by Al Corlette (phon). Now, here is Geoff coming from a multi-million dollar company and back in 69 our total revenue was \$12 million and Geoff went through many different stages. He was with Flexible Tubes and then we put him with Canusa and then we put him with the pipe group and then we hid him in the corporate offices and all down the line. Every place he went, he excelled, has done a great job.

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I think one of Geoff's greatest admirers was my father and he said, you know, I like Geoff. He knows how to make a deal, he knows when to strike a deal and when he strikes a deal, he shuts up and gets on to the next one so that Geoff had a fellow in his corner.

You know our revenues have increased, as you see in the annual report, to 863 million and we think we can do a little better than that. As a shareholder, we have had compounded growth and exceeded 12 per cent every year. The company operates in 25 countries and grew from 340 employees to 5,250 employees as of today.

Geoff was instrumental in attracting and training and generating and using new talent, retaining them and growing the company over these years. At a time like this, it's unusual to look back and see all the things, the wins we've made and the blunders we've surpassed. But you know, 37 years, when you're having fun (inaudible).

I am pleased to mention that Geoff has agreed to stay on and provide us with advice and his experience to Bill Buckley who will be following him. This allows us to continue the bond that we've had and the relations that we've made.

I'd like to have Heather, where is Heather? Would you stand up, Heather? Geoff, how about you standing up?

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Some people said I have had more problems with Geoff leaving. Well, I don't know what (inaudible) so that without anything further from me, we'll ask Geoff to address the meeting and answer your questions.

GEOFFREY HYLAND: Well, thanks very much, Les, and good afternoon, ladies and gentlemen and fellow shareholders.

As Les said earlier, this is the 18th year that I've had the opportunity to address the shareholders and the first time was a long way back, back in May of 1988, soon after I became President and CEO, or COO, I should say. So it's basically with mixed feelings that I get a chance to talk to you for the last time.

So looking back, I went back and looked at what I said and what was happening in the company at that time and I talked certainly about the results of 1987 and revenues in 1987 were 88 million and we made a profit of about 3.4 million. At that time, about three quarters of our revenues came from sales inside of Canada. In that particular year, we were augmenting and growing our business with recent acquisition of Guardian Inspection.

1987 marked the beginning of a significant growth phase for Shaw Industries at the time and it was really in a cyclical rebound. We are obviously, as you know, a cyclical business and that rebound was after the

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oil price shock of 1986 and that shock was on the downside. The price of oil just collapsed and our business went south with it.

In my remarks that year, I actually went on to predict without a safe haven clause that we would hit the \$100 million mark in 1988. As it turned out, 1988 saw revenues hit \$120 million, generating almost double the profit of prior year, about 6.2 million.

Anyway, so much for history. We've talked a little bit about that. I would like to talk about ShawCor today and the market it's in and what's happening going forward.

The company did complete a very challenging year in 2004. Revenues reached 863 million, as Les said, which happened to be a record, but that was totally marred by the fact that we had to make some pretty tough decisions with our Mobile facility and with that, we ended up with a significant loss this past year.

We did make those decisions. We closed the facility down. We made a number of personnel decisions and changes in the corporation and I'm very pleased to say the last two quarters, we've seen some very substantial turnaround in the numbers.

First quarter results were released earlier this afternoon and in case you didn't catch them, I'll just go through them quickly. Revenue in the

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quarter hit 284 million, generated net income of 17.8 million, or \$0.24 a share. We still have some residual in that number, some residual costs from the finalization of Mobile and the finalization of the shutdown there, and if we take those out, just for comparison purposes, profits were about \$0.28 a share, which as I say, is a nice recovery from the quarters last year.

What I normally do is talk about the trends facing our business and our market position and what we're doing to really take the company to greater heights. But traditionally, before I get into that, I do like to introduce our management that's here and I want to certainly make no exception today. And first and foremost, I'd ask maybe Bill Buckley, wherever he is, to stand up. Thanks, Bill.

Bill will be taking over as President and Chief Executive Officer on June 30th. Bill is an 11-year veteran with ShawCor. He has been instrumental in developing the divisions of ShawCor to the point where they are leading businesses globally in many of the markets that they serve.

Bill has been our Executive Vice-President and Chief Operating Officer for the last four years, so he's had lots of experience. And that included a brief stint, as brief as he could make it, as President of Bredero

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Shaw. Bill has a strong operating background, excellent management skills, making him eminently qualified to take over the leadership of this company.

The next one I'd like to introduce is John Tikkanen. John, can you stand up for a second? John recently took over from Bill as President of Bredero Shaw and I don't think he's been home since, actually.

John will be heading up Bredero Shaw from the Division offices in Houston. John has been a long-time employee in the pipe coating business before he was President of Bredero Shaw. He came from Shaw Pipe Protection in Calgary, joined us some 24 years ago as a rookie in the sales and marketing.

When we put the joint venture together in 1966, or 1996, I should say, John went and became an important member of the team and for the last seven years, he's gained extensive experience with stints in the U.K., watching over the North Sea operations, in the Far East with our operations there, and laterally in Houston as our Senior Vice-President of the Americas before becoming President of ShawCor.

So together with his enthusiasm and knowledge, I know he will be a great leader, a great President of Bredero Shaw.

So rounding out the executive group, we have with us some of the

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stalwarts, Alan Thomas, our VP and CFO is right here; Bob Steele, again a long-term player. Bob is our VP, Technology and we're working him quite extensively these days. Peter Langdon, Vice-President of HR, who has been with us for a number of years. Jim McTurnon, Vice-President, Legal. He comes from the Bredero Shaw side and is keeping us on track up here.

In Toronto, Gary Graham, who has been with us for many years. Gary came in late last night. He did wake up. That's good. Gary came in at four o'clock this morning from a trip from the U.K. and he came straight into the office and he looked a little bit draggy this morning, so I'm glad to see you made it, Gary.

We also have the guys that really run the business and make the money. We've got Ron Dunn, VP and GM of Canusa CPS. Thanks, Ron. Ernie Reynolds, doing double duty, Vice-President and General Manager of both of our petrochemical and industrial businesses, ShawFlex and DSG Canusa.

And we have Nick Curtis, Senior Vice-President, Strategic Marketing, for Bredero Shaw. Again Nick has been with us for a number of years and we brought him out of the Canusa Division to bolster the marketing in Bredero Shaw.

And finally, I would like to make special note of a veteran of

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ShawCor, Brian Conroy. There he is over there. Brian officially retired on December 31st of this past year but will be continuing to be associated with the company. Brian's career at ShawCor has spanned more than 30 years, mainly in a financial and laterally through the 90s in particular as our CFO and again Brian was critical to those years when we did a lot of growth and development and especially the years that we put the joint venture together and that knowledge and experience is not going to be lost because he's going to stick around on a part-time basis to help out with the new regime and we would certainly appreciate that.

Anyway, last year, in my remarks, I discussed several trends that were impacting our business, out of which sort of signal the very strong investment period for the pipeline industry. And really since then, most trends haven't changed. All they've done is really reinforced the events and the strengthening in our business.

I'll just go through them briefly, just to summarize. We see the trend to a much stronger drilling activity. That's continued this year. Drilling on average is up about 10 per cent year over year. And the drilling activity is really in response, particularly in North America, to the need to be able to just maintain the production. All this drilling that's taking place in North America isn't adding a lot to our reserves. It's basically just keeping up with

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the production we've got.

So any growth that we need in reserves, particularly in natural gas, are going to have to come from developing new fields and new sources, and that's of course where the pipeline should come in; but to bring gas down from the Arctic, whether it's Mackenzie, whether it's Alaska, we're going to have to build pipeline.

New sources of gas for North America include LNG and we're going to have to build some pipelines to tie that into the existing infrastructure.

But speaking of LNG specifically, it's a bit counterintuitive. LNG is liquefied natural gas, which is transported, liquefied and transported and shipped and so where the pipelines come in. In fact, last year, about 15 per cent of the revenues of Bredero Shaw came from LNG related projects and a lot of the LNG is produced from gas that otherwise would not be economic to produce.

So in other words, when they go and develop a field, it needs the complete infrastructure put in, all the gathering systems, all the development systems and then many of these fields are offshore; so they have to build a transmission line typically to get the gas being produced in the field to the shore facilities where the liquefaction plant is and this drives a lot of new infrastructure for pipeline business. And as I said, 15 per cent

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of Bredero Shaw's revenues last year were from these types of projects.

Another important trend and something you're seeing more and more of in the newspapers these days is the issue with respect to well depletion and declining supply and nowhere is this more apparent than what's happening in the North Sea today. Now particularly in the U.K. sector of the North Sea it's been producing for 35 odd years but production levels are on a decline, a fairly steep decline now, and so the U.K., in order to just maintain supplies, they have to go out and purchase natural gas from other sources.

That's what's driving the big project we're doing currently in Norway, the big, long 1,200-kilometre project. And it's really to supply gas from their Ormen Lange field to the U.K. In addition to that, we've been awarded another project which we announce last quarter, the B2B project as we call it, which is going to bring gas from the continent to the U.K.

Another important trend which I discussed last year and is in the paper every time you pick it up, and that's the rapid economic growth that's taking place in places like India and China with huge populations and other parts of the developing world.

Their demand for energy is growing at a terrific rate. China alone last year accounted for about a third of all the growth in oil demand and the

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impact they have on the supply side is very significant. That's why we're seeing oil prices upwards of \$50 a barrel today.

So this really is a signal, the high price is a signal to drive more supply and that supply is coming from a lot of the traditional producing areas in and around the Middle East and again, these fields that are developing now will require significant infrastructure and pipelines.

Canada is a bit of a special case. Canada has, as everybody knows, heavy oil, tar sands, but only recently has the International Energy Agency and the IMF recognized that resource. In fact, when you look at the proven reserves attributed to Canada now, we're second to Saudi Arabia as having the largest reserves in the world.

And again, as you all know, there's been tremendous amounts of capital planned and under way to expand the facilities up in the heavy oil parts of northern Alberta and they're talking about doubling that capacity over the next decade and again, the current capacity is about 1 million barrels. We've got another million barrels coming on production. That's going to require pipelines and Enbridge and Terrison (phon) and others, including TransCanada, have put together proposals and again, it's going to take significant infrastructure spending to build that capacity.

The outlook that I described in my remarks last year continues to

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unfold, continues to strengthen and underscoring this is the backlog of orders at ShawCor, which is now up to about 482 million.

So as the market's developing as expected, the past year at ShawCor has been a particularly challenging one and one where, as I mentioned, we've made a number of structural and organizational changes implemented.

As indicated in the first quarter results, the impact of those changes clearly are positive. The current priorities for ShawCor, for Bredero Shaw are to focus on continuing profitability improvement at Bredero Shaw. It's our largest division by far. Complete the closure of Mobile, which is substantially done, and certainly this second quarter will be complete, which is a minor load out of pipe after that.

And we're also, as we're building our marketing capability under Nick and stretching Bob's group in the R&D sector, we want to build a strong leadership position for ShawCor through technology in the pipeline sector and those programs are well under way.

So based on the results of the last couple of quarters and the run rate that we're at now, if we can stay at that run rate, we're certainly going to exceed the \$1 billion-mark this year. That's assuming we keep at the current run rate.

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And I thought that was sort of a fitting milestone because when I first came here, we hit the \$100 million mark.

At ShawCor, succession planning is an important part of the process. The growth plans for the company do require continuous development of people. We do require the talent to lead these companies. And so the plan for my succession has been in the works for some time and now that we've got Mobile behind us, Bredero Shaw well under way, the fact that Bill Buckley has been in the Chief Operating Officer role for four years, he's had more than enough experience there. It was a good time to make the change and I certainly look forward to Bill taking the company to the next phase.

So on that note, I am pleased to announce that the board today considered and approved an increase in our semi-annual dividend of \$0.045 for the "A" shares and just over \$0.04, \$0.0409 for the "B" shares, which represents about 11-per-cent increase, the first one we've had in some time, but I think underscores the confidence that we have going forward.

The success of ShawCor has been in no small part due to the skill and dedication, as Les said, of more than 5,000 employees that we have around the world, but I would particularly like to thank those who worked

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directly for me and supported me over the years and their solid contribution really, really made our collective success.

So with that, I'd like to close my remarks and open up the meeting for questions. Since we're webcasting, if you have a question, I ask you to come to the mikes so that people listening on the Internet can hear the question and not just get confused by my answer. So are there any questions?

QUESTION: Geoff, what's your prognosis for the price of oil over say the next five years?

GEOFFREY HYLAND: Boy, oh, boy! If I knew that, I would have bypassed after Union Carbide, I would have bypassed Shaw and gone right straight to the trading desk.

You know, I guess when I look at sort of the basic economics, what the price of oil is telling us is that we have a tight supply situation and until that supply situation does improve, we're going to continue to see a high price on the basic commodity of energy, which is oil.

There's been a lot of commentary about us reaching the peak in production and all that sort of thing. I don't know if that is correct or not, but I do see a tremendous increase in the demand for oil and energy generally with the growing economies that I talked about.

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When you look back to 1965, we've not quite doubled the population of the world and so you've got that growth in the population, then you've got growth in the economies that are taking more oil per person. So I don't see a demand diminishing any time soon, so if I was a betting person, I would think we're going to see a high price for the commodity for some period of time to come.

Any other questions? Going once, going twice, the next questions go to Bill. Okay, thank you very much.

LESLIE E. SHAW: Thank you, Geoff. We've got a couple of other people who are having a directors' dinner later this evening in honour of Geoff and Heather and we asked Doug Lilley (phon), would you stand up?

Doug is an old-lasting friend. At one stage, Geoff was moved to Calgary and he knew the only way he could get back to the (inaudible) and hills was if he changed the management team so he appointed Doug and left Calgary as soon as he could. And that was almost within a year.

We've also got Cal Scheff (phon) back here. Cal is a fix-it man. I hate to put you on the spot. How many years, Cal? How many? We tried to get Geoff to the club but he wouldn't go. Thank you, Cal.

It's people like this that you count on, you don't need to worry about the trucks being parked or the gates being locked. They're looked after

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well.

Has any shareholder have any further business or questions they'd like to bring before the meeting? Since there's no further matters, questions or comments, I'll declare that the meeting for 04 year results is terminated. I thank everyone for coming. We've changed the format and we've still got a real good crowd. We ask you to stay. We've got some wine and cheese and finger foods and we love to see you and exchange niceties.

Thank you very much.

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