

THE SHAWCOR DIFFERENCE

# Superior Execution

ShawCor's seven divisions are among the strongest competitors in their markets. Individually and together, they are building a hard-earned reputation for fulfilling the most demanding project requirements on time, on budget and in accordance with the highest standards of quality. In 2011, we continued to raise the bar for superior execution with the most advanced manufacturing process management system in the business.



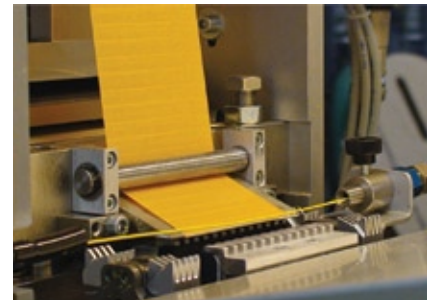


A reputation for superior execution is important in a world of multi-billion dollar energy infrastructure investments where the impact of project delays can be measured in millions of dollars per day. Our customers expect flawless, on time, on budget performance from ShawCor and so do we. It's a commitment that lies at the heart of every ShawCor facility worldwide through the ShawCor Management System (SMS).

First launched in 2006, SMS is an industry-leading continuous improvement program that draws upon the best elements of lean manufacturing, Six Sigma and other world-class manufacturing systems as well as lessons from our own experience over the years. The SMS program combines these elements with a strong corporate culture to drive excellence in ShawCor's manufacturing and business processes.

Today, the performance of each of our manufacturing locations is continuously audited against eight measurable SMS elements that embrace: standardized work, product/service and process launch, product and process engineering, global operations metrics, SMS leadership management, workforce engagement, quality and process control and knowledge sharing.

SMS continued to drive significant cost benefits for ShawCor during 2011. To date, we have achieved more than \$25 million in cumulative annual savings as a result of improved efficiencies, material variance reductions, manufacturing process improvements and standardized launch methodologies for new products. Such improvements also translate into multiple benefits for our customers in the form of lower costs, higher quality and better on-time performance.



DSG-Canusa's DERAY® Autoseal is an automated water blocking solution for use in the assembly of automotive wire harnesses.



## A higher level of assurance

The commitment to superior execution extends beyond our pipe manufacturing processes to a growing range of onsite energy services. Shaw Pipeline Services is the premier global provider of girth weld inspection services that assure the integrity of onshore and marine pipelines. The company continued to build upon its technological leadership in real time radiographic inspection during the past year with the introduction of HDRTR – the industry's first high definition real time radiography inspection solution. Applicable to any welding technique, including submerged arc welding, HDRTR delivers critical assurance on the growing frontiers of energy production.

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In 2011, our worldwide operations achieved a record SMS compliance score of more than 80 percent against a bar that continues to be raised each year. Our progress during the past year has been particularly impressive across all of the ShawCor manufacturing and pipe coating facilities where SMS has been adopted as a central element of the Company's growth strategy. Our Bredero Shaw plant



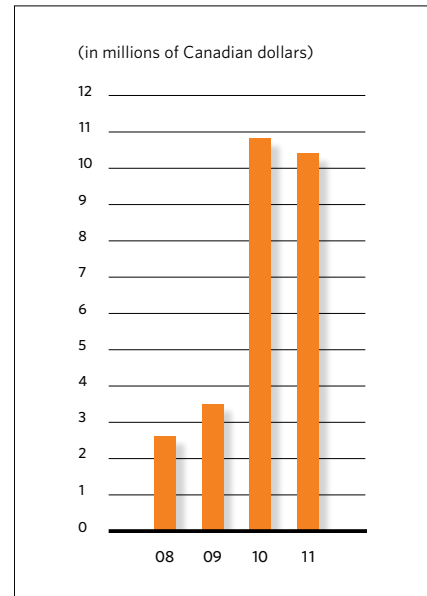
All control systems are built into Brigden's modular design, which eliminates the need for time-consuming installation of lighting, electronics and plumbing on site. As a result, this full-service coating plant can be mobilized and into production in six weeks.

in Ras Al Khaimah (RAK) in the United Arab Emirates achieved the highest year-over-year improvement in the SMS audit, a performance that helped earn ShawCor's 2011 awards for SMS Achievement and SMS Safety Performance. The RAK facility's impressive achievements included a composite SMS compliance score of 87 percent, reduced material usage, reduced changeover times, increased contribution margins and a Total Recordable Case Frequency rate of zero.

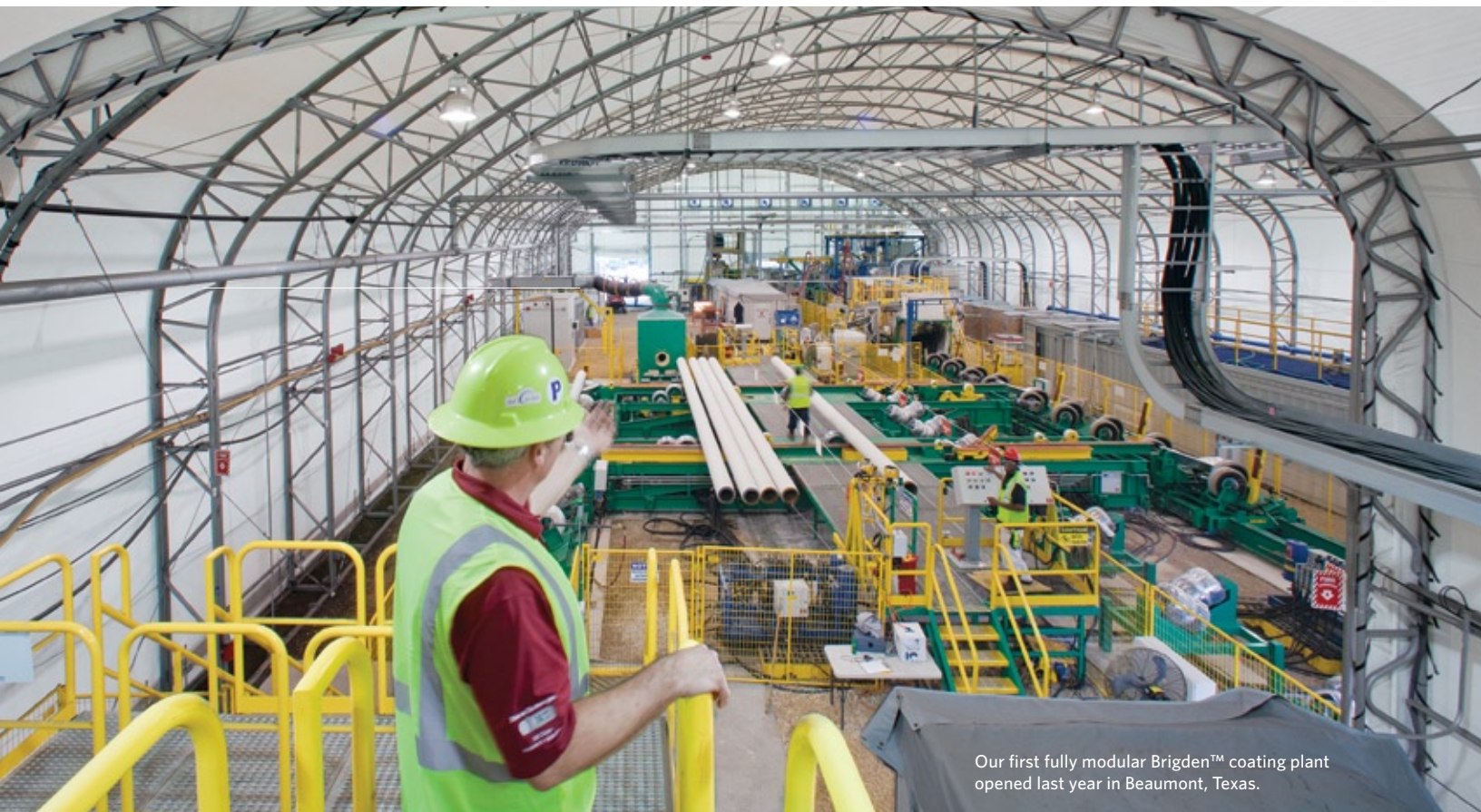
While proud of our progress to date, we see ample opportunity to improve our performance in the years ahead. To achieve our potential, ShawCor's leaders must be able to support, guide and inspire business improvement and possess the knowledge to independently lead SMS initiatives at their respective facilities. In 2010 we introduced the SMS Champion Certification Program, which has now graduated 55 Champions to help make continuous improvement a way of life at ShawCor. This comprehensive program includes over 100 hours of classroom and web-based training, simulations, hands-on applications, online testing and a final assignment on SMS application, personal development and business improvement. With the support of our senior leaders, these graduates have been able to broaden the collective knowledge of their teams, ensuring that we all speak a common language and are able to collaboratively execute meaningful improvements in ShawCor's operating practices and corporate culture.

We also place a high priority on continuing to learn from the experiences and best practices of other industry leaders throughout North America. ShawCor is an active member of the Association for Manufacturing Excellence (AME), North America's premier organization for the exchange of knowledge in organizational excellence through the implementation of techniques such as Lean Tools, Leadership, Lean Product Development, Lean Supply Chain and Lean Accounting. In 2011, the annual AME conference in Dallas, Texas drew more than 2,400 participants

**SMS ANNUAL SAVINGS**



ShawCor's SMS Program has generated more than \$25 million in cumulative annual savings since 2008.



Our first fully modular Brigden™ coating plant opened last year in Beaumont, Texas.

from 37 countries. As in past years, ShawCor's delegation was the largest at the conference with 85 of our people in attendance at both the AME conference and the Company's parallel SMS sessions.

The spirit of continuous improvement unleashed by SMS can also be seen elsewhere in the organization, from the development of new products to the introduction of innovative production technologies. ShawCor has led the industry in the design and construction of portable concrete coating plants to fulfill customer requirements at the most cost effective point in the supply chain. In 2011, we unveiled our most ambitious portable coating facility to date with the opening of our fully modular Brigden™ plant in Beaumont, Texas. The Brigden plant has been designed with the capability to

provide a full range of internal and external anticorrosion and flow assurance pipe coatings and robotic end finishing. Each Brigden plant includes fully integrated raw material storage, maintenance, quality control and testing facilities. These mobile plants can be located anywhere in the world, from nearby pipe mills to the most remote oil and gas fields or strategically located ports serving offshore deepwater plays. As a result, they can provide significant advantages in terms of streamlining project logistics, improving safety and reducing the costs of handling and transporting pipe. A Brigden plant ships in standard ISO containers and takes only six weeks to assemble and be fully operational. Built to comply with the same stringent SMS operating standards as our fixed plants, the Brigden concept was successfully commissioned with

the application of anticorrosion and thermal insulation coatings for Chevron's Jack/St. Malo Project in the Gulf of Mexico.

As the quest for new energy resources becomes more challenging and expensive, ShawCor's reliability as a supplier becomes increasingly important. We are uniquely capable of serving the largest and most technologically demanding projects in the industry with the world's largest pipe coating facilities, complete pipe mill to pipe installation logistics and the financial strength to fund and execute multiple contracts on time and on budget while achieving projected margins and quality standards.