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OPERATOR: Good morning. My name is Stephanie and I will be your conference operator today. At this time I would like to welcome everyone to the ShawCor Ltd. 2011-Q4 and yearend results conference call.

All lines have been placed on mute to avoid any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press \* then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

Gary Love, Chief Financial Officer, you may begin your conference.

GARY LOVE (Chief Financial Officer, ShawCor Ltd.): Thank you, and good morning, and thank you everyone for participating in this morning's conference call.

Unfortunately, Bill Buckley, ShawCor's CEO, is unable to join us today due to a sudden personal matter that he has had to attend to. As a result I will be conducting today's call. And I've asked John Tikkanen, the President of our pipe-coating business, Bredero Shaw, to join me to assist in answering your questions once we commence the Q&A portion of the call.

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Before we begin I would like to take a moment to remind all listeners that today's conference call includes forward-looking statements that involve estimates, judgments, risks and uncertainties that may cause actual results to differ materially from those projected. The complete text of ShawCor's statement on forward-looking information is included in section 5 of the fourth quarter 2011 earnings press release that is available on SEDAR and on the company's website at ShawCor.com.

That said, let me now provide a brief overview of the fourth quarter financial results that we released yesterday.

ShawCor reported net income of \$0.32 per share in the fourth quarter, which was of course a major improvement from the loss of \$0.04 per share that we reported in the third quarter. Compared to 2010, earnings per share were below the \$0.55 per-share level reported a year ago as we continue to experience lower operating margins in the pipeline segment, combined with higher selling, general and administrative expenses. The reduced year-over-year margin performance in the pipeline segment has been the case throughout 2011, and is a key reason for the reduction in earnings for the full year to an EPS of \$0.78 per share, down from \$1.33 per share in 2010.

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For ShawCor, 2011 was a difficult year with disappointing financial performance. However, 2011 was also a year in which we secured the largest volume of new business awards in the company's history. And we ended the year with a record backlog of \$548 million. Virtually all of these awards occurred late in the year or early in 2012. And we thus expect that these contracts will positively impact financial performance beginning in the second half of 2012. We believe that 2011 will ultimately be the cyclical trough for ShawCor, and that much stronger performance will be achieved in 2012 and 2013. I will elaborate on this outlook in a moment.

But first I'll provide you with some of the other key details on the fourth quarter financial results.

Consolidated revenue increased by 17 per cent on a year-over-year basis with the pipeline segment revenue increasing 14 per cent, and the petrochemical and industrial segment revenue higher by 41 per cent. The improvement in pipeline revenue came from North America, up 38 per cent on stronger small diameter pipe coating, and a doubling of revenue from Flexpipe, and from the EMAR region, with revenue up 24 per cent from the execution of the Total Laggan Project at our Leith, Scotland facility. These revenue gains were partially offset by the year-over-year revenue decrease in Asia-Pacific.

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Now although revenue increased overall in the pipeline segment, the mix was not favourable for margins as we saw an increase in lower margin work in EMAR, but a 34-per-cent decline in the higher margin Asia-Pacific revenue. As a result, pipeline segment gross margins were 39 per cent, an improvement from 35 per cent in the third quarter, but still a full percentage point below the fourth quarter of 2010.

In the petrochemical and industrial segment gross margins were very strong at 32 per cent, up from the third quarter's 28 per cent and in line with the prior year.

In addition to gross margins, the other significant factor impacting fourth quarter 2011 results was the \$31.4 million increase in SG&A expenses. To analyze this large swing, we must first normalize the fourth quarter 2010 SG&A. At only \$46 million, the prior year SG&A had included an expense reduction from the reversal of various provisions totalling \$13.6 million. Also in 2010 SG&A had included as a credit some non-recurring miscellaneous income of \$2.5 million. Now adding back these items, the comparable SG&A expense in the fourth quarter of 2010 was \$63 million, which compares with the actual SG&A expense for the fourth quarter of this year of \$78 million. This difference of \$15 million is due to increases in personnel and facility costs as a result of the acquisition of

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CSI, and other growth additions in 2011. And that totalled \$8 million. We also had non-recurring costs in the fourth quarter 2011 of \$7.7 million. Now netting out the one-time costs yields an SG&A expense for the fourth quarter approximately \$70 million, a level that we would expect to prevail on a quarterly basis in 2012.

In addition to the one-time costs in SG&A, we also recorded an impairment of fixed assets of \$5 million in the fourth quarter relating primarily to the planned closure of our coating facility in Australia.

EBITDA margins in the fourth quarter improved over the third quarter, in line with the segment operating margins. The pipeline EBITDA margin in the fourth quarter is 16.7 per cent, up from 8.7 per cent in the third quarter, while the petrochemical industrial segment EBITDA margin came in at a new segment record of 19.7 per cent, a solid improvement over 12.8 per cent in the third quarter and also up from 16.8 per cent a year ago.

Below operating income we have recognized a \$2 million loss from the investment in Socotherm. This was an improvement from the third quarter equity loss of \$3.1 million. As in the first nine months of 2011, the equity loss in Socotherm was primarily due to non-operational expenses

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with positive EBITDA offset by restructuring charges, foreign exchange losses, and interest expense.

During the fourth quarter the company has recorded an effective tax rate of 17 per cent, which is well below the Canadian statutory rate of 27 per cent. This low rate is the result of tax provision reversals following the successful resolution of a tax dispute. This factor, plus the tax benefits from a reorganization of the company's legal structure, account for the full year 2011 tax rate of 19 per cent versus a rate of 26 per cent in 2010.

The improvement in earnings over the preceding third quarter was also reflected in higher cash flow from operating activities, with the fourth quarter generating \$22 million compared with negative \$800,000 in the third quarter. During the fourth quarter working capital increased by \$9.6 million, and that was due to an increase in accounts receivable that was fully in line with the revenue growth, and lower deferred revenue due to the completion of the PNG LNG project.

Cash flow used in investing activities in the fourth quarter was \$26.8 million and consisting of capital expenditures of \$18.6 million, an additional investment in Socotherm of \$2.1 million, and an increase in other long-term assets relating to the financing of a major expansion of port facilities in Kuantan, Malaysia of \$6.1 million.

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Capital expenditures in the fourth quarter were again focused on capacity additions and upgrades in our pipe-coating facilities in Asia-Pacific. These expenditures are being undertaken to prepare the facilities for the unprecedented volumes that they will be producing in the second half of 2012. The other areas of capital expenditures in the quarter were the final investments at the Brigden facility in Texas, and further capacity additions at Flexpipe in Calgary.

I'd now like to take a few minutes to briefly review our outlook on a region-by-region basis before taking your questions.

When we compare financial performance in 2011 versus 2010 our North American operations have been the main area of strength. North American revenue in the pipeline segment increased by 33 per cent over the prior year, and this was the result of strong demand for small diameter pipe coating and flexible composite pipe. This demand growth was a direct outcome of a continent-wide improvement in oil and liquids drilling and completions.

In addition, Flexpipe, our flexible composite pipe business, has continued to gain market share in the U.S. market. In 2011 Flexpipe's revenue more than doubled over the prior year, and the business generated improving margins throughout the year. Flexpipe's market share

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in North America is still modest, and we expect that Flexpipe will continue to produce solid growth in revenue and operating income in 2012 through the continued conversion of steel pipe applications to composite pipe.

The other area in North America where we expect continued growth is offshore in the Gulf of Mexico. Our mobile Brigden facility in Beaumont, Texas reached full production levels in the fourth quarter, and will continue to provide advanced flow assurance insulation coating for Chevron's deepwater Jack/St. Malo Project throughout the first half of 2012. This project is just the first of several that we expect to see in the region over the next few years.

The second area where we saw good revenue growth in 2011 was the EMAR region, which benefited from the execution of the \$93 million Total Laggan Project at our Leith plant in Scotland. This project is now winding down, and although Leith has some additional booked work to complete in the first half of 2012, we expect to demobilize the plant in the second half. At that point we expect to offset most of the falloff in Leith with stronger volumes in our flow assurance facility in Orkanger, Norway, and in particular at our Emirates facility in Ras al Khaimah where we will execute the recently booked \$45 million Barzan Project.

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On balance, EMAR revenues in 2012 will be modestly down from 2011. However, we expect that a more levelled utilization should avoid the start up and ramp down issues that we experienced in Leith in 2011, and that had such a negative effect on EMAR margins.

During 2011 ShawCor's reduction in performance from the prior year has been due to weakness in two areas: Latin America and Asia-Pacific. In both cases the contract awards that we have recently announced are very encouraging for stronger results in the year ahead.

First with Latin America the lack of project activity in Mexico in the first half of 2011, and in Brazil throughout 2011, is now behind us. In Mexico we expect higher activity in each of our plants, and in particular at the concrete coating plant at Coatzacoalcos, which was idle for significant periods during 2011. In Brazil we are now in full production on the \$20 million P55 Riser Project, and expect further work to follow in the second half of 2012.

Also in Latin America, we announced early in 2012 that we have secured a major contract for concrete weight coating for Technip. We are currently mobilizing two of our mobile plants to the location in Trinidad where we previously executed a large project in 2009. We are confident

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that the Technip work in 2012 will be every bit as successful as that previous project had been.

Finally, in Asia-Pacific, we have recently been awarded contracts or hold letters of intent with an aggregate value exceeding \$700 million. These projects include the PTTEP Development Project, the Pearl Energy Ruby Pipeline, the trunk line and flow assurance pipe coating contracts for the Chevron Wheatstone LNG project, and the Ichthys gas export pipeline coating contract.

In the first quarter of 2012 Asia-Pacific revenue will be largely unchanged from the fourth quarter of 2011, while operating margins will be impacted by the costs associated with loading in pipe and ramping up the facilities for the launch of the Wheatstone and Ichthys projects. However, we expect revenue and margin performance to improve once the Wheatstone and Ichthys projects reach full production in the third quarter.

By the fourth quarter the company's facilities in Malaysia and Indonesia are expected to be operating at record volume levels with resulting strong operating margins. This level of activity, based on the booked orders, will be sustained throughout 2013 and well into 2014.

With that I will now turn the call over to Stephanie to take the questions.

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OPERATOR: At this time I would like to remind everyone in order to ask a question, please press \* then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Bert Powell with BMO Capital Markets. Your line is open.

BERT POWELL: Thanks. Gary, you know, the strong conversion in Q4 and so far in Q1, I'm wondering if you can give us your thoughts just in terms of, you know, the \$1.5 billion of orders that you had out. You know, clearly some of that's converted, but what do the prospects look like, you know, on new stuff?

GARY LOVE: Yeah, Bert. The prospects continue to look good. I wouldn't say we're still at the \$1.5 billion level because, as you rightly point out, a lot of that is in the process of being converted into orders. But we're certainly still with a very strong order book, bid book. I don't know if it's... it's north of \$1 billion, not precisely sure exactly what it is. There's some large projects in there.

There's additionally some projects that I'm not sure we've actually bid yet, and might ask John to comment. A couple of things we... I know we've talked about the Woodside Browse Project yet. Do you... John, do you know what the status is on when that might be bid?

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JOHN TIKKANEN (President, Bredero Shaw): Yeah, sure. We have small projects in Q1 and Q2 that we expect to convert. And there are some large projects, as we point out, like Browse and Shtokman and some of these larger projects that are a little further out. And they may be bid, but they may be also expecting some delays, particularly in something like Shtokman.

So we would see still a very large number of projects still out there, but the conversion rate on those is going to be a little further out, but we still expect to see a good growth in our backlog in Q1 and Q2.

GARY LOVE: Yeah. I think, Bert, just to echo that point, the growth in the backlog is essentially given because, you know, we had a record backlog at the end of 2011, the \$548 million. That does not include Ichthys. It does not include the Technip project, and it does not include some additional work that we have under LOI at this moment, and as it becomes contracted then it'll go into the backlog.

So I think we're going to see... and then of course the final factor in the backlog is that our backlog is a 12-month backlog, so as we get into 2012 we'll be picking up those quarters in 2013, which will have a number of that Asian work running at full volume. So there'll be a natural growth in the backlog, certainly as we move through the first half of 2012.

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In terms of some of the work that John referenced, you know, that stuff is now looking to be in that, you know, out 2014-2015 and beyond timeframe, which I think is fine. It's going to fit well with our availability of capacity, and I think offers the prospect for sustaining high levels over a very extended period of time, so. So we actually view the timing on that as, on balance, somewhat positive.

BERT POWELL: Yeah, that was kind of leading into my next question, Gary, and maybe I'll pose it to John, is just in terms of, you know, Gary made comments in his opening remarks that, you know, 2011, you know, likely the trough. Where would you see, based on stuff that you are working, doing engineering, stuff that you would have in your centres of excellence, where do you think we are in the cycle? Are we back after kind of a two-year drought? Are we then, you know, at the beginning of, you know, a five-year cycle, a 10-year cycle? Do you just have a sense of where we are at this point from your vantage point?

JOHN TIKKANEN: Yeah. I would say that we expect to see over the next three years some strong activity levels through '12, '13 and '14. Beyond that I'm really not sure I'm able to make an educated guess. But the engineering we're seeing... we see that the large diameter lay capacity of offshore contractors is being booked through '13 and into '14 now. And

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so I think we're in a strong cycle for the next three years. Beyond that it's difficult to make a call.

BERT POWELL: Okay.

GARY LOVE: Yeah. The precision around that, you know, sort of looking out beyond '14, '15, obviously we don't have a lot of precision. You know, at that point I personally, you know, sort of take a more of a macro view and look at the things that drive our business, you know, the underlying trends that drive our business. The growth in deep-water offshore. You know, that's not a two-, three-year cycle. That's a long term, that's a 15-, 20-year cycle. When you think about the investments that are going to go into Brazil, obviously, to West Africa, to emerging deep-water developments in Asia-Pacific. Asia-Pacific's never been a deep-water province. You know, three, four years out from now you're going to start to see a lot of deep water activity in Asia-Pac.

So those are macro trends that we look at, and trying to understand, you know, how do the cyclical blips compare to the kind of long-term driver?

You know, another long-term driver is LNG. Certainly LNG's a big part of the short term or near term cyclical strength that we're going to see. But it's not just a couple of projects in Australia. It's going to be a

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succession of projects over a very long period of time as emerging economies, you know, develop the ability to bring LNG in to drive their economic growth. So that's a long-term trend, which, you know, is going to ebb and flow. But that's one of the things that we look at for that, to try to answer your question.

BERT POWELL: Perfect. Okay. Thank you for the colour.

GARY LOVE: Yeah. Thanks.

OPERATOR: Your next question comes from Sarah Hughes from Cormark Securities. Your line is open.

SARAH HUGHES: Hi, Gary. Just a few questions. First of all the impact on margins as we go into Q1 in Asia as you ramp up costs, do you expect this to be significant or, you know, fairly moderate? I'm just trying to get a sense of...

GARY LOVE: Yeah, I would suggest that the impact will be fairly moderate. I think we may see a little retrenchment from where we were in the fourth quarter, not dramatic. But we may slip a bit. There's a line – and the point there, just want to make it clear to people that there's a tremendous amount of activity going on to prepare for the wall of work as John and his team describe it. And I think... maybe I think I'll ask John just

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to comment on what are we doing right now in Malaysia and Indonesia to get ready for these un-precedent volumes?

JOHN TIKKANEN: Yeah, we've been investing a lot over the last few years in Asia. We've upgraded our plants. We've upgraded their capacity and the throughout capability. We've upgraded ports and quays and load out facilities. It's critical you're able to get efficient turnaround on vessels unloading pipe and then loading again to feed the contractor. And so it's been a long-term program to do that. So we are still in the middle of that.

And we see the potential for even additional capacity, particularly in the flow assurance business. We have some projects that are on the horizon that if required we will add a second flow assurance plant in Asia, and that would be commenced probably in the second part of 2012. So between preparing our plants, preparing our workforce and training, and the infrastructure in terms of ports, we're spending a lot of time and effort to make sure that we are able to start quickly in Q3.

GARY LOVE: Yeah. We'll be adding a lot of employees, particularly at the Kabil, Indonesia facility. And that'll be, you know, in the sort of first quarter-second quarter. I think you're adding...

JOHN TIKKANEN: Three hundred people.

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GARY LOVE: Yeah, 300 people. That's a large, large group of people to absorb. So that's the point, Sarah, on the first quarter. You know, I think the quarter will be okay, but it may slip a bit from where we were in the fourth quarter in Asia-Pac. And then it's really going to ramp from there.

SARAH HUGHES: Okay. And then in your remarks and in your MD&A on the Asia-Pacific region you talk just about all the... just because it's such strong bookings you're going to have a good back half of 2012, and strong activity level continuing through 2013 and well into 2014. Is this based on kind of the... this comment in terms of 2014 based on the orders you have booked? Because I thought as the Chevron Wheatstone comes off in the back half of 2013 then, you know, you could see just some activity levels moderate going into 2014.

GARY LOVE: Yeah. Well the timing of the projects, there will be... probably Wheatstone will be done. Wheatstone I think will be done in 2013. But Ichthys will likely extend. And there is a very significant element to the Ichthys project that has not been booked yet. And that's the flow lines. And the flow lines will sort of lag behind the gas export line. So we've secured the contract for the gas export line. We have obviously bid the

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flow lines. So once we have some better clarity on the flow lines then we'll know more precisely how things will look in 2014.

But certainly I think the work that we're doing, some of it is in fact going to extend into 2014, the booked orders we have in hand today.

SARAH HUGHES: Right. And the flow lines you potentially expect to hear in the coming months, is that a good timeline?

GARY LOVE: Weeks.

SARAH HUGHES: Weeks? Okay.

GARY LOVE: Yeah.

SARAH HUGHES: Okay. And then you talk again in your MD&A in the U.S. market about this U.S. tubular services initiative.

GARY LOVE: Hmm-mmm. Yeah.

SARAH HUGHES: And opening some new office. Can you just chat a little bit about that in terms of the opportunity in, you know, offices and growth potential there?

GARY LOVE: Well we were able to successfully open an operation in the Marcellus. And that was Guardian. Guardian is our business unit that does the OCTG drill... drill pipe, casing, tubulars. It does inspection. It does pipe refurbishment, rethreading, and other related machining for our

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customers. And very successful business in Canada. Very successful business in Mexico.

We've never up until now seen an opportunity to expand that business model into the U.S. market. And a couple of things changed. One thing that changed is one of our major Canadian customers made a very large acquisition in the United States. And has expressed an interest in getting a similar service to what we offer them in Canada down in the U.S. market where they now have a very large presence. So that's been one factor.

Some of the Canadian E&P's that we do lots of business with in Canada are now operating in the shale plays, and they've also been sort of a pull factor for us. So with that we were able to successfully start up an operation in the Marcellus. That is also well positioned to serve the Utica as the Utica starts to develop.

What we're focused on now is Texas and getting a presence in that region. And then I think the third area will be somewhere in the Williston. But I think those are the priorities for... And the model will be to set up sort of a large service centre from which we can offer a range of services, including mobile services to those OCTG clients that we have.

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SARAH HUGHES: And then just quickly lastly, Flexpipe. Would you be able to tell us what your revenue was in 2011 for this?

GARY LOVE: Yeah. It was in the \$100 million range. It was... as I pointed out, it was double the prior year. And, you know, Flexpipe continues... I mean, even just in the first couple of months of 2012 they continue to exceed previous levels. They're doing extremely well.

SARAH HUGHES: Right. That's it for me. Thank you.

GARY LOVE: Thanks, Sarah.

OPERATOR: Your next question comes from Scott Treadwell with TD Securities. Your line is open.

SCOTT TREADWELL: Thanks. Morning, Gary. I just wanted to maybe jump onto the Socotherm story for a minute. I know you made another investment there, but it sounds like you said there's positive EBITDA coming out of Socotherm. As a shareholder there do you get any colour, has the backlog for Socotherm kind of grown just directionally in line with what you've seen internally for you guys? Any kind of intel that Socotherm gives you, you know, more or less confidence in any of your regions?

GARY LOVE: I have... you know, as a shareholder, obviously we are certainly aware of their backlog evolution, and it's very encouraging.

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They have... Socotherm... certainly the issue that Socotherm experienced in 2011, and we as a shareholder in reporting a \$10 million equity loss also experienced. That issue... that performance was really driven primarily by the fact that they started the year having just emerged from bankruptcy with a backlog of zero dollars. And I think Socotherm ended the year with a backlog comparable to how we would calculate a backlog in at least the \$100 million range, and probably somewhat greater than that.

And their backlog is very strong in particularly two areas. It's strong in Brazil. And that shouldn't be a surprise. The Socotherm location with Tenaris, at the Tenaris mill location, that's an incredibly valuable relationship they have with Tenaris and position they have with Tenaris. And that is going to be an extremely strong area for many, many years to come. So that's really I think first and foremost where they're seeing a lot of backlog strength.

Another area where they're seeing backlog strength is actually in the Gulf of Mexico. And it's no different than our Bredero Shaw operation. I think both companies are confident that that's going to be a strong market going forward, and both companies have succeeded in booking good business in that market.

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SCOTT TREADWELL: Okay. And then to turn to Asia for a second, I know in 2011 you certainly suffered, I'm sure as did many people, from the issues that Asia had in terms of trying to deliver pipe and all of that stuff. It seems like productivity and PMI indexes are raising in Asia. There seems to be a general increase in industrial activity. Are there any concerns at this point that if Asia gets too hot it could impact suppliers' ability to deliver pipe to what looks like to be a very core operation for your cash flow in the next say two years?

GARY LOVE: John, maybe you could talk a little bit about the pipe supply because it's a multi-source supply. So maybe you could...

JOHN TIKKANEN: Yeah. The projects we're seeing have pipe sourced from a variety of places that... the very large Impex project, for example, about 70 per cent of that pipe is actually coming from Europe. And it will, of course, not be affected by activity in Asia. So that takes a tremendous amount of pressure off the Japanese and Asian pipe suppliers.

The majority of the other projects are coming from either Japanese supply or European or South American supply. So I think it's evenly distributed, and we don't expect to see any major problems with that at all.

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SCOTT TREADWELL: Okay. And has there been a change to the supply mix over the last year just as a result of what happened in Asia or is it just... that was a sort of one-time black swan thing that really impacted 2011?

JOHN TIKKANEN: Yeah, it's hard to say that... if it's long term we're seeing in '12. But we're seeing a tremendous amount of activity, and it's more than I think just the... you know, one region can handle in terms of these large projects. So I think you need to draw on some of the world supply. So that it's expected, I guess, to get some European pipe on some of this. And the problems they had with the tsunami slowed things down. So I think it was a combination of events.

And going forward, we expect to see, you know, a more balanced approach, but still primarily Asian-sourced pipe.

SCOTT TREADWELL: Okay. And then I guess at a corporate level, Gary, I'm just wondering is there any sort of colour... you made some mention on acquisitions and growing. If you were looking over the next, say two years, what would be... I don't know if preferred is the right word, but how you see ShawCor, you know, in terms of either bolting on additional product lines or getting into new markets? At this point does the market look like you need to kind of buy your way in or are there some

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markets where ShawCor can just kind of hang out their shingle and get to work?

GARY LOVE: Well, you know what, I'm going to ask John to speak to that because it's a combination of organic and M&A. And ultimately it's driven by a product and service strategy. So we've got the President of Bredero Shaw here. So let him talk specifically about what he sees in the pipe coating space in terms of growth.

JOHN TIKKANEN: Sure. Yeah, we see, as Gary described earlier, a pretty positive macro environment over the next few years. And for us we really see four areas that provide good opportunities for our company. One is the trend toward growth in the non-OECD economies that that provides some new opportunities in new geographies, particularly in Asia. And we have a very strong position in Asia, and that helps us tremendously.

The second is the growth in oil sands activity, and with our Canadian presence it gives us an opportunity to expand our position there. And we started that a little bit last year with our CSI acquisition. That helps a little bit to augment some of our traditional product offerings. We also see a trend towards more offshore exploration and development, and also deeper offshore exploration and development, and more Asian offshore deeper exploration.

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So those three trends are extremely helpful for us with our current footprint, but also gives us great opportunities for new products and new services we can provide.

And then the last one is we see our customers moving to more and more challenging reservoirs. And that requires new technologies for coatings and for other products.

So the combination of those four give us a nice balance between organic opportunities to introduce new products and new technologies and to expand our product and services. Plus it provides an inorganic platform also for us to expand the products and services we offer into these new markets and (inaudible) into our existing markets.

So we see those four areas as giving us a good opportunity to take advantage of the upswing, and both internal organic opportunities and, of course, acquisitions to complement products and services for that.

SCOTT TREADWELL: Okay. Appreciate that. Thanks for the colour, guys.

GARY LOVE: Yeah.

OPERATOR: Again, if you would like to ask a question, please press \* then the number 1 on your telephone keypad.

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Your next question comes from Dana Benner from AltaCorp Capital.  
Your line is open.

DANA BENNER: Morning, guys.

GARY LOVE: Morning.

DANA BENNER: I just wanted to drill down a little bit on the Browse contract. Are you still thinking that that would be key by the middle of '13?

GARY LOVE: Yeah. We have not had any indications of a major change from that, and that we are actively talking with them on a variety of different issues. But it's not going to be awarded this year, and something like... you know, in the timeframe you're talking about, in '13 is still what we're planning.

DANA BENNER: Great.

GARY LOVE: And that would imply probably work... second half of '14, and then it would go for quite a period after that.

DANA BENNER: I noticed in the press release you talk about the Pearl Energy or the Ruby Pearl Energy... or I guess it's not a contract. Is that an LOI...?

GARY LOVE: No, that's an LOI. Yeah, that's an LOI.

DANA BENNER: And that I believe is news because that's probably the first time that we've seen this. Is that right?

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GARY LOVE: That would be correct, yes.

DANA BENNER: And any colour that you can shed on that particular project?

GARY LOVE: No. I think it's going to be a good project for us to execute in our facility in Kabil, Indonesia. And we will run that... is that the second half, John?

JOHN TIKKANEN: Yeah, I think that's correct. Done out of Kabil, Indonesia.

GARY LOVE: Second half of this year.

DANA BENNER: Right. Can you give us a sense – I know you've got the first Brigden plant humming along in Texas right now – can you maybe give us a sense for where you think the next Brigden facility, you know, either could be or maybe when you may feel the need to build and deploy a second, a third, et cetera?

GARY LOVE: Yeah. John, why don't you...?

JOHN TIKKANEN: Yeah. Our plan for 2012 includes building a second Brigden. So we expect to build one in the second half of this year. And our initial plan I think is to deploy it to Latin America, and possibly Brazil. So that's sort of the direction we're looking at. There's some

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encouraging signs from those markets, and I think that's probably what we'll do.

GARY LOVE: I think, Dana, you're probably aware, there's a large package of flow assurance work connected with four FPSOs that are planned for the Santos Basin, and that's a very significant amount of coating work. And so one of the approaches that John and his team are looking at is using Brigden technology to execute a portion of that work.

DANA BENNER: That makes sense. In the press release you talk about EMAR, and you say beyond '012 there are expansion opportunities that are under evaluation for several new markets in the regions where the company does not currently have coating facilities. Could you give us some more colour on what that means?

GARY LOVE: Yeah. Maybe John... You know, I think that maybe the Caspian might be... that would fit into that category. John, do you want to maybe explain what's going on there?

JOHN TIKKANEN: Yeah. I think a couple of things are happening that... Gary's right, that the Caspian and parts of the... you know, the former Soviet Union have got some attraction. There's some large projects that are starting to take shape. And I think they would provide, you know, some opportunities for us.

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Also Statoil is looking at expanding some pipeline infrastructure further up their coast. And that may require some investments in the future to take advantage of those. Plus there's things like Shtokman, of course, also.

So there's a variety of these large projects that we see on the horizon. Again, not much happening maybe in 2013 or 2012, but as you get a little further out there's some exciting opportunities.

DANA BENNER: Right. Just one final question. A number of your oil service peers have announced very significant increases in their dividends. Now, you know, each company has its own calculus as it relates to this. And you've obviously got, you know, at least notionally, before acquisitions, lots of free cash flow, your net cash, but then, you know, a global opportunity set. How do you balance the need for, say the changing nature of markets toward yield product and your global opportunity set in terms of thinking about the dividend?

GARY LOVE: Yeah. Dana, that is an area that I know the board has been actively discussing. And we have traditionally looked at the dividend – I think if you look back over the last five, six years we've generally increased the dividend at the time of our May board meeting.

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That's not to say that that's a prediction for the future, but that's generally when we've done it in the past.

You know, the question is what's the appropriate payout ratio? One of the points that I'd like to make is that our board has established a payout ratio policy, and the intent of that policy is to deliver consistent growth in the dividend. And fortunately we've been able to do that, dividend increases for the last six years. As the company's income grows the dividend grows.

The payout ratio that... the policy's been set by the board is modest. It's in the 15 to 20 per cent range. And of course it is always possible that the board could look at that payout ratio level and decide that it needs to change. But what I can say for certain is that as a team and certainly the board and as a management team, we're committed to growing income, and as we grow income we will definitely be growing the dividend. That's an unwavering commitment from the company.

DANA BENNER: Okay. Well that's a great update. Thank you.

OPERATOR: Your next question comes from Bert Powell with BMO Capital Markets. Please go ahead.

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BERT POWELL: Thanks. John, I was just wondering if you could give us a sense of what you're seeing or hearing or views on the Bayou Wasco JV that they've established for the U.S. Gulf Coast?

JOHN TIKKANEN: Yes. We have... it's been, I think, taking a little longer to develop than perhaps they had envisioned. But my understanding is that they are starting to break ground and starting to actively chase projects. So I think... in the Gulf of Mexico I'm talking about now. And I know they've been working together on some projects in Asia also, particularly along the corrosion protection side.

But so far we have not seen a huge impact to be honest, but we expect them to start being more active from this point going forward.

BERT POWELL: Thank you.

OPERATOR: There are no further questions at this time.

GARY LOVE: Okay. Well, thank you everyone for participating in our call this morning, and certainly speaking for Bill Buckley, I know he looks forward to joining us next call, and speaking to you at that time about our first quarter results. Thank you very much.

OPERATOR: Thank you. This concludes today's conference call. You may now disconnect.

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