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OPERATOR: Good morning. My name is Mathew and I will be your conference operator today. At this time I would like to welcome everyone to the ShawCor Ltd., second quarter results conference call. All lines have been placed on mute to prevent 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 star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

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

GARY LOVE (Chief Financial Officer, ShawCor Ltd.): Yes. Thank you and good morning. I would like to take a moment to remind all listeners that 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 complete text of ShawCor's statement on forward-looking information is included in section 5 of the second quarter 2011 press release that is available on SEDAR at www.sedar.com and may also be found on the company's website at www.shawCor.com.

I will now turn the call over to Bill Buckley, ShawCor's CEO.

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BILL BUCKLEY (Chief Executive Officer, ShawCor Ltd.): Thank you, Gary, and thank you ladies and gentlemen for participating in this morning's conference call.

Yesterday we released our second quarter 2011 financial results. ShawCor's second quarter financial performance continued to show year-over-year improvement in revenue and operating income. Second quarter revenue improved by 13 percent from the prior year to 265 million, while EBITDA improved by 12 percent from the prior to 35.3 million. Net income improved by 31 percent as we benefited from a very low tax rate in this quarter and diluted earnings per share came in at \$0.21.

Now, compared with the first quarter this year, revenue in the second quarter decreased by 5 percent. We also reported a decline in consolidated operating margins of 2.2 percentage points to 8.6 percent. This reduction in operating margins was a result of lower utilization at several key facilities in our pipeline segment with pipeline segment operating margins declining to 8 percent from 14.1 percent in the first quarter.

The main area of strength in the pipeline segment in the second quarter was North America. North American pipe coating revenue

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improved by 50 percent over the prior year, while composite pipe revenue increased close to 100 percent.

Even with the negative impact on the demands of spring breakup in Canada, North American pipeline segment revenue had a solid 11 percent gain over the first quarter.

For the pipeline segment, the areas of weakness in the second quarter were Latin America and EMAR. In the Latin America region, the low level of activity meant that production volumes were below breakeven in both Brazil and Mexico. This was consistent with the first quarter. At EMAR we did not repeat the strong performance from the first quarter due to the fact the Leith Scotland pipe coating facility had a reduction in revenue compared with the first quarter of approximately 34 million. This was the result of a schedule gap in the Total Laggan project. This project is being executed in stages with the high value concrete weight coating on the 18 inch pipe stage completed in the first quarter, but the next stage the concrete weight coating on the 30 inch pipe, not in production until the third quarter.

With production down at Leith, the opportunity was taken to implement some necessary maintenance activity with this site and these

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costs were in the range of over 1.5 million, of course, they also impacted margins.

The company's Petro chemical and Industrial segment reported an improvement in revenue over both the prior year and the first quarter of this year. Operating margins also increased to 12.5 percent from 10.6 percent in the first quarter, with both of the businesses in this segment better able to match selling prices with input costs.

Now I'll ask Gary Love, our CFO to provide further details on the second quarter financial results and then I'll conclude with comments on our outlook. Gary?

GARY LOVE: Okay, thanks, Bill. The decline in earnings from the first quarter was attributable to a 2.2 percentage point decrease in consolidated gross margins. This was attributable to lower margins in the pipeline segment. The pipeline segment gross margin at 37 percent in the second quarter was down 2 percentage points from the 39 percent reported in the first quarter with the decrease entirely due to the low activity in Leith, as well as lower margins in Indonesia and Australia. The gross margin in the Petrochemical and Industrial segment improved to 28 percent in the second quarter from 25.7 percent in the first quarter.

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On a consolidated basis, selling, general and admin costs at \$60 million were approximately 6 percent increased over the prior year. But SG&A did reduce by \$1.7 million from the first quarter, with the reduction due to lower provisions for management incentive compensation, a consequence of the company's current level of financial performance. The reduced incentive provisions is evident in the movement in the corporate and finance cost segment, which reported net unallocated costs before foreign exchange of \$4.6 million in the second quarter, and that compares with \$9 million in the first quarter and \$8 million in the prior year.

Revenue and operating income were impacted by foreign exchange rate fluctuations, with continued exchange gains in the second quarter of 2011 up 4.4 million this compared with gains of \$1.3 million in the first quarter and compared with exchange losses of \$2.3 million in the prior year. These gains result from the impact of exchange rate movements on the company's various monetary assets and liabilities. We also experienced a negative foreign exchange effect from the translation of foreign operations, with revenue impacted by \$6.4 million and operating impact—the operating income impact of negative \$1.4 million compared with the first quarter.

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EBITDA margins were broadly in line with the segment operating margins. The pipeline EBITDA margin in the second quarter came in at 13.1 percent, while the petrochemical and industrial segment EBITDA margin improved to 14.2 percent.

During the second quarter, total depreciation and amortization at \$12.6 million compares with \$11.7 million in the first quarter and \$12.4 million in the second quarter of the prior year. Changes in exchange translation rates were the largest factor in the increase in depreciation over the first quarter.

Below operating income we have recognized a \$3.6 million equity loss from the company's investment in Socotherm. This compares with a loss of \$1.4 million reported in the first quarter. The increased loss in Socotherm was primarily due to non-operational expenses related to the delisting of Socotherm SpA in Italy, some foreign exchange losses, and a recapitalization of Socotherm's publicly listed subsidiary in Argentina. Operationally, Socotherm continued in the second quarter to operate at a breakeven EBITDA level. This is expected to improve given that Socotherm has now built a substantial backlog and should, therefore, begin to see higher utilization at facilities in Italy, Brazil and the USA.

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The company's tax expense continued to benefit from an effective tax rate far below the Canadian statutory rate of 27 percent. The effective tax rate in the second quarter was only 12.2 percent. This was due to an 8.4 percentage point benefit from the recognition of previously unrecognized deferred tax assets following the reorganization of the company's legal structure in certain foreign jurisdictions. The balance of the rate reduction versus the Canadian statutory rate was related to the high proportion of the company's earnings earned in tax jurisdictions, particularly in Asia Pacific, where tax rates are well below Canadian rates. Cash flow from operating activities was \$11 million in the second quarter. This includes an increase in working capital of \$22.5 million, which was primarily due to an increase in inventory and prepaid expenses associated with the purchase of raw materials for future pipe coating projects. Cash flow used in investing activities in the second quarter was \$24 million consisting of capital expenditures of \$11.6 million on property plant and equipment, and the acquisition of the CSI coating business with an investment cost of \$12.8 million. Most of the capital expenditures in the quarter related to capacity additions and upgrades in pipe coating facilities in Asia Pacific. These expenditures are being undertaken now when activity levels are low in anticipation of growth next year. The other

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significant investment in the second quarter was the addition of a new internal coating plant at our Evraz Mill location in Regina.

It is expected that future pipeline projects in North America will increasingly require internal pipe coating to accommodate higher pressure product and more stringent anti-corrosion regulation.

In addition to dividends of \$5.2 million, the company repaid the final tranche of the senior notes and repurchased shares under our normal course issuer bid, with the result that cash flows from financing activities were an outflow of cash in the second quarter of \$31 million. Given this outflow and the large investments in the quarter, the company's cash balances declined in the second quarter to \$98 million at quarter end.

I will now hand it back to you Bill for your concluding comments.

BILL BUCKLEY: Thanks Gary. The lack of project activity in Latin American that we experienced in both the first and second quarters has had a significant negative effect on consolidated financial performance. We have implemented head count reductions the region to better align with activity. We also expect volumes to begin to improve in the third quarter with our Mexico pipe coating unit executing various Premex projects that we have booked for our plants in Monterrey and Veracruz.

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Improvements in volumes in Brazil will not be seen until the fourth quarter when we will finally be in production on the \$20 million P55 Riser project.

Following the long spring breakup in Western Canada, we're announcing small diameter pipe coating volumes and composite pipe shipments moving higher in Canada. This bodes well for our North American region. Furthermore, we're now beginning to ramp up production in, Beaumont, Texas on the Jack St. Malo project. By the fourth quarter this \$40 million project will be in full production. Based on these factors, we expect solid growth in our North American pipeline segment in the second half of this year.

In our EMAR region our Leith plant will be restarting concrete weight coating on the Total Laggan project later in the third quarter, following a schedule gap in the second quarter.

In addition, our Orkanger, Norway facility is finalizing several installation projects with Statoil and should, therefore see good growth in the second half.

When we began 2011, we had expected that our Asia Pacific region would be the main driver for growth in our pipeline segment. And beyond this year, this continues to be our view. In 2011, however, it is now likely

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that Asia Pacific revenue and income will fall below the prior year due to project delays.

Despite the delays that we discussed in the first quarter, we will complete the PNG LNG project by the end of the fourth quarter. What is now clear is that a number of the projects that we are targeting in Indonesia, Vietnam, and Thailand will not go into production until 2012. A good example of one such project is the Petro Thailand project we recently booked for the Zawtika development with a contract value in excess of \$60 million. We are, of course, happy to have booked this project, however it is now our expectation that this project will not start production until the first quarter of 2012. Similarly, several of the larger Indonesian projects that we continue to target will not start production until 2012.

While we have experienced project delays in Asia Pacific in 2011, we are increasingly optimistic about the future prospects for this region. More than half of the portfolio of outstanding project bids that exceed \$1.5 billion, relate to activity in Asia Pacific. The company is very actively working to secure a major share of these projects and the next six months will be most critical. I fully expect to see our efforts pay off with strong backlog growth between now and the end of the year. This will ensure and pave the way for revenue to move higher in 2012 and 2013.

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And with that, I'll turn the call over to the operator for questions.

OPERATOR: And at this time I would like to remind everyone that in order to ask a question, press star, then the number one on your telephone keypad. Your first question comes from the line of Bert Powell with BMO Capital Markets. Your line is open.

BERT POWELL (BMO Capital Markets): Thanks, in the press release the commentary with respect to Asia Pac for this year is significantly below last year, I'm wondering if you can help us with that. Does that mean it looks more like 2009? I'm just trying to put some magnitude to what the word "significantly" conveys.

GRRY LOVE: Well Bert, here's how we see it. Last year we did \$268 million in revenue in the pipeline segment in Asia Pac, and as Bill mentioned in his commentary, I think at the start of this year we were expecting that we would be in line with that, and we even had the outside hope that we might see some growth there. We did in the first six months of this year in the pipeline segment in Asia Pacific we did \$112 million. So I think the comment in the outlook of our press release is a recognition of the fact that given where we are in the first six months of the year, we're not getting to 268 this year. I think the second half, you know, based on the fact that projects like Zawtika and some of these Indonesian projects

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aren't going to launch until 2012. You know, there's a distinct possibility the second half's going to look like the first half, and that would by virtue of that math, take us well below where we were last year.

BERT POWELL: Good, thanks. In the—just back to Socotherm, I appreciate there's some non-operating stuff in the quarter. When would you expect to start seeing some clean quarters out of Socotherm such that the way they are presented on your financial statements they'll start to show, you know, positive. Is the expectation that we'll see that this year?

GRRY LOVE: Yes, I do. I think there's still, you know, there's some significant corporate restructuring going on within Socotherm. I made mention of a couple of those activities. The delisting in Italy of the Italian public company, the recapitalization and there's, you know, a number of costs associated with those activities in Italy and Argentina so that should be clear and complete by the third quarter. I'm hopeful that we'll see the fourth quarter really reflecting the operational performance of the business. And I did mention as well that they have, you know, they started the year with a backlog of zero and today they have built up a reasonable backlog in a number of their operations, so I think by the fourth quarter we should start to see a financial result that is reflective of operational performance

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and an operational performance that's, you know, showing a good improvement over what we've seen in the first half of this year.

BERT POWELL: And, last question, you know your balance sheet's in pretty good shape. You know, stocks fairly weak. I know you bought back some stock this quarter but nothing meaningful. What's yours or the boards, you know, proclivity towards using the balance sheet to do a more meaningful buyback of stock?

BILL BUCKLEY: You know, Bert, we do have an NCIB in place and, you know, it would be our intention to use it. We are committed to offset any dilution of our options program, as a basic level, and we'll certainly do that.

BERT POWELL: Okay, thank you.

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

SARAH HUGHES: Hi guys, I'm just trying to get a bit of more clarification on pipeline margins in the second quarter, because if I look back at Q2 of last year, revenue was lower and was similar in the Asia Pacific region, but your pipeline margins came in at 12 percent, whereas you look this year, you know, revenue's higher, Asia Pacific the same's

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and they're down to 8. I'm just trying to get a sense of, you know, where the weakness came from?

GARY LOVE: Yes, starting and ending unfortunately leads to problems. The challenge that the Laggan project has thrown at us is that we mobilized the plant and did so to perform the first stage of the project, and that went very well, and that was in the first quarter. And, then we basically had a very low level of activity in the second quarter. Given the nature of that facility, given the importance of being in a position to rapidly move into production on the second phase, the 30 inch pipe, we had to leave the organizational structure in place. It wasn't a case where we could, as we've done in the past, you know, mobilize and then demobilize. We could not demobilize that facility, and therefore we were left with, you know, the overhead costs, all the labour costs and no contribution to offset them. So that, you know, is a difficult reality that we had to swallow in the second quarter, and that factor alone was a very, very big impact on margins. In addition, we did—not a huge percentage factor—but we did incur—because we had the downtime in the plant, we did incur a lot of cost to maintain and upgrade that facility, so again, that was something in the second quarter.

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SARAH HUGHES: So it's just clarification, in the Laggan project so what's the timing of that currently in terms of the remaining portion of it?

GARY LOVE: Well, we're in production today on the anti-corrosion coating. We'll start concrete coating in September, the beginning of September I think is the date for that. There's another concrete weight coating project that's running—going to run parallel with Laggan and it may be that we'll bring it forward and get it launched before we launch the 30 inch for Laggan but that's still to be determined. But there's going to be substantial activity on the concrete line once Laggan kicks in.

SARAH HUGHES: And then just back to North America, I'm just wondering in terms of the composite pipe. Where are you on the margin front versus where the division generated it historically?

GARY LOVE: Yes, the you know, historically, we have to be a little more specific on that...

SARAH HUGHES: Before the market downturn?

GARY LOVE: Yes, in the second half of 2008, we are not back to the margin levels that we experienced in the second half of 2008. Those were I think insome respects extraordinary circumstances. There was scarcity of steel pipe throughout western Canada. Steel prices were very elevated, and that was an environment that was very favourable for, you

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know, very high margins. What is encouraging for us, is that the margins have moved much higher than where they were in 2009 and 2010.

So, you know we went from those extremely elevated margin levels of the second half of 2008, to very depressed margins, and we've seen them steadily moving higher. So in the second quarter, you know, again, revenue up year-over-year, margins up year-over-year.

SARAH HUGES: Would the margins on the composite pipe be greater than your consolidated margins that you saw in Q2?

GARY LOVE: Oh yes. Definitely.

SARAH HUGES: And in terms of the growth you've seen there, just wondering if you can kind of characterize in terms of overall market growth versus market share growth primarily in the US?

BILL BUCKLEY: Sarah, you're referring just to Flexpipe?

SARAH HUGES: Yes.

BILL BUCKLEY: Yes. In the second quarter, most of the growth came from the US because of the spring breakup in Canada, and most of the growth in the US is coming from share gain in that market. We estimate the market in the US is about three times the size of the market in Canada. So that's where the big opportunity is and the growth, as I say, is coming from share gain there. You know, once we are into Q3, Q4, spring

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breakup over, we would expect that Canada will be strong again, and we do anticipate that we'll have share gains in Canada as well.

GARY LOVE: I think maybe adding something to that, you know, the US market is three times the size of the Canadian market and our market share in the US is probably running a third of what our market share is in Canada, so the opportunity is absolutely in the US.

SARAH HUGHES: Okay. And then, just last thing on the bid pipeline. I'm just wondering in terms of, you know, we've seen that number for a couple of quarters now. Have there been any projects, larger size projects, that have gone forward that you didn't win?

GARY LOVE: Larger projects?

SARAH HUGHES: Within your bid pipeline? I'm just trying to get a sense of how many projects within the bid pipeline have moved into, you know, tender stage and production and...

GARY LOVE: Nothing has moved into production.

SARAH HUGHES: Okay.

GARY LOVE: We had one project in Brazil, which was in fact secured by Socotherm, which was on our bid list. Other than that, I can't think of anything that has come off our list because—yes, obviously we've taken Zwatika off our list because it's now been booked.

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SARAH HUGES: Right.

GARY LOVE: But in terms of projects lost, the only one that comes to my mind is the one that was picked up by Socotherm in Brazil.

SARAH HUGHES: Okay that's it for me thank you.

OPERATOR: Your next question comes from the line of Scott Tredwell with TD Securities. Your line is open.

SCOTT TREDWELL: Thanks, good morning guys, I just wanted to just touch here a couple of regions. So Europe you're in production here things look like you're ramping back up. Is it possible that one of the quarters in the second half could look like the first quarter in Europe? Or again, would it better fairer to say that the second half or the first half maybe looked equal in EMAR.

GARY LOVE: EMAR may be slightly ahead. I would say on balance, and I don't know what the split's going to be between the third and the fourth quarter, but second half versus first half probably slightly ahead.

SCOTT TREDWELL: And then moving on to Asia, you kind of gave us the half guidance there I'm just wondering, would these delays do you see, you know I don't want to say a lot of you know, downside risk, but is there a chance that the way these things ramp up that you know if you look

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at maybe doing mid-50's low-50's in the second half and then you're ramping up materially into 2012 that the first quarter is some sort of step function between where we are in '11 and where you think you can get to in '12?

GARY LOVE: Well, the uncertainty is around that Petro Thailand project. Our view now is that we won't get any pipe until the beginning of 2012. You know, it could move forward, it could move back. You know it could be that we receive pipe in late, late in the fourth quarter and then we're in full production right out the gate in the first quarter of 2012 in which case we would see more of a step function. But it's hard to say, it's hard to say.

SCOTT TREDWELL: Turning to the bid side here, over a billion and a half out, I'm just wondering if we can maybe, if there's any way you can give some colour on the Brigden side of things. There's obviously a number of bids that would be done through your existing facilities. I'm just wondering is there a level of bids out there that you really think Brigden is, you know, is the better fit for rather than, you know, doing it out of Leith or somewhere like that?

BILL BUCKLEY: Scott, actually none of the bids in our 1.5 billion plus list that we have do we plan to execute with Brigden. We are working

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on opportunities for mobilizations and new territories that will involve Brigden, and I mentioned on the last call that we have five or six opportunities of that type that we're pursuing. Those may happen in a 12-month period, but they're not on the bid list. Those are geographic expansions.

Just an update on Brigden. It's a project in Beaumont, Texas, has been completed on time and on schedule. The plant has completed its PPT validation trials successfully. The plant has also completed the client's PPT qualification, and been accepted by the client, and the production rates that we anticipate that we can hit with the plant are superior to what we had originally had anticipated. So the project team that's been involved on Brigden has done just a great job and we've produced a test quantity of pipe, some 60 joints, and look forward to moving into full production, so a great success.

SCOTT TREDWELL: Okay, I guess just to follow on to that. What are the plans as far as building further plants with Brigden. At this point I'm assuming that there's nothing concrete but how does that look going forward.

BILL BUCKLEY: Yes, Scott, that's exactly correct. We will build the next plant as soon as we firm up one of the opportunities that we're

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pursuing. I fully expect that that will happen within the next 12 months but at least one plant probably more.

SCOTT TREDWELL: Okay and when does the Beaumont project ramp down for the Brigden the plant that's there?

GARY LOVE: End of 2012 would be our estimate.

SCOTT TREDWELL: Okay, great, thanks for the colour guys.

GARY LOVE: Okay.

OPERATOR: Your next question comes from the line of Dana Benner with Alpha Corp. Your line is open.

DANA BENNER: Good morning guys.

GARY LOVE: Good morning.

DANA BENNER: I wanted to start with I guess a look in the second half of this year, you had mentioned that there were a number of projects which you thought were moving to kind of the final stages and then you also note in the press release that market turmoil could potentially push them out though you still remain somewhat optimistic. I wonder if you could give us some more colour around that and maybe help us understand which of those projects you think has the best chance of at least going forward regardless of whether you win it or not?

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BILL BUCKLEY: Dana, I think if you look at the public information that has been issued by Chevron Australia on the Wheatstone project, they have said that FID is expected in 2011. That's their quote. And we expect that that will happen, and that FID will occur between now and the end of the year as they've stated. If you look at the Impex website, on their website they say that FID will occur in the fourth quarter of 2011 and again we expect that that will happen. In both of these projects, they are based on long-term gas contracts for primarily utilities in the countries in the region and we expect that those projects will go ahead as scheduled.

DANA BENNER: So those would be the two most likely that each of us can focus on through the second half awards?

BILL BUCKLEY: Yes, that's correct.

GARY LOVE: Correct.

DANA BENNER: Great. Looking to margins, you know I know that this has been probably the source of maybe the greatest upside for your own efforts and probably the hardest thing to watch as some of these projects don't move forward. Are you surprised at the level that they've gone to on the downside here while you wait for that fixed cost absorption on the other end?

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GARY LOVE: Yes, I think we're probably not surprised, I think disappointed certainly with the pipeline segment margin in the second quarter, and the gross margin as well, frankly, as you know, is well below where it should be. We have I think every confidence that as we get utilization back in some of the key facilities we will be getting that gross margin back well into the 40-percent range where it's been at time in the past and that's still our objective and still our expectation.

DANA BENNER: Right. You said that—sorry I'm getting feedback on the line here—it's reasonable to think that the surprise that we could see on the downside could be equally matched by an upward surprised with fixed cost absorption and some really strong project flow say in '012, so could you beat expectations by a couple of points on the other side as well?

GARY LOVE: Well, I'm not sure what I would set as the baseline for expectations so instead, I'll simply speak to where we've been in the past and EBITDA, let's take EBITDA margins in the 20's, you know getting to 25 percent those are matched, you know, those are matched by gross margins in the, you know sort of the mid-40's and that's what we expect our business should generate when we get good utilization at the key

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plants. The EMAR, the two key plants in EMAR, the two key plants in Asia Pac and the, you know, sort of couple of key plants in North America.

DANA BENNER: You mentioned that there is a substantial backlog now at Socotherm and I'm sure that you could not give us a number, but maybe you could give us the sense of where that number would be in relation to historical highs or maybe in relation to capacity utilization or something to give us a sense of how that business is ramping up?

GARY LOVE: Yes, I can't really speak to numbers there because, frankly, I don't really have any insights into their reporting framework. We have a very rigorous framework in ShawCor, what we call backlog and how we calculate it and we've got some pretty strict rules in place in terms of that so that's why I can't really speak to numbers. What I can say is that in Socotherm there has been contract awards in Brazil, USA and Italy, those three areas and those are the areas where we should see improved utilization. They're operational leverage is the same as our operational leverage in pipe coating as you get good utilization in the facility you get very good improvement in margins. So I'm expecting that that will be the case as they move into production in some of those projects that they've picked up. In those three areas—those three countries.

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DANA BENNER: What's your impression of how utilized their global capacity would be with the move up in those three areas? Are they 40 percent utilized? 30, 50?

GARY LOVE: I don't know what the percentage is but it's very low today. The first half of 2011 it would be very low and so it will improve, that is I think quite certain.

DANA BENNER: Okay and then just finally, you had noted in the last quarter some successes in pushing Flexpipe out into international markets, and I wonder if you can provide us any updates on that front?

BILL BUCKLEY: Yes, Dana, we've had successes in Brazil and we think that's going to result in ongoing business and an opportunity—potential opportunity to expand the business there and in the South American region. We've had success also in Australia and we're working on expanding that base as well.

DANA BENNER: So, but nothing. I think we already knew that, so nothing incremental beyond that.

BILL BUCKLEY: No, not at this time.

GARY LOVE: No, I would say though, that there certainly has been a pick up in bidding activity in South America, so no, we're covering a lot

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more or we're seeing a lot more opportunities I think would be a good way to characterize it.

DANA BENNER: Okay, well that's it. Thanks guys.

OPERATOR: Once again, if you would like to ask a question you may press star, one on your telephone keypad. Your next question comes from the line of Graeme Hay with Wellington West Asset Management, your line is open.

GRAEME HAY: Hi, Gary and Bill.

GARY LOVE: Hello.

GRAEME HAY: Thanks for taking my call. Sorry about background noise, just a few questions first off on some of the projects you mentioned reaching FID in the next year or so where does GLNG fit into that?

GARY LOVE: Gladstone LNG is a project that is not on our bids list right now. That one was in fact awarded a number of months ago to an Indian pipe mill. I'm going from memory here, but I believe an Indian mill has been awarded the contract for coated pipe for the export line for the Gladstone LNG. Gladstone LNG is the Petronas & Santos project.

GRAEME HAY: And, any idea on why they were successful on that bid.

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GARY LOVE: Yes, that would be, first of all, let's just maybe take a step back and talk about the nature of the coal seam projects in eastern Australia versus the nature of the offshore projects in western Australia. The export lines, the pipelines that are required for those coal seam projects are fairly conventional land transmission lines. It's, the steel pipe is very thin wall, and the coating consists of a simple fusion bond epoxy coating. These are pipelines where the opportunity for some of the emerging market steel producers Chinese, Indian to supply the pipe is quite apparent clearly. And because of the very simple coating that is required, they can apply that coating at their mill and export that into Australia. So it's not, you know, given our locations with our plants in Malaysia and Indonesia, logistically it doesn't make a lot of sense to take that pipe from an Indian mill and send it to our plant in Malaysia and then transship it to eastern Australia when in fact it could be simply coated at the mill. And that's what's happened with the BG project, and now with the GLNG. So not a big surprise there. We really didn't see those as great opportunities for us at any point. Now, in contrast, the offshore projects have a far more complex steel pipe requirement. There are very, very few mills that have the capability of providing the pipe that's required offshore and the coating systems are vastly more complex. The insulation

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requirements, the concrete weight coating requirements, these are not coating systems that the emerging market steel mills can play in. So, it's a different game and it's far better suited for our focus and capability.

GRAEME HAY: Now would that also have been the case with the AP LNG project that Wah Seong I think won the bid on?

GARY LOVE: I don't know that there's been any announcements on AP LNG. But, I think that is one that we're not expecting to win.

GRAEME HAY: Okay. And, I guess maybe lastly, Wah Seong did announce that JV with Insituform. I'm just wondering, does that impact the competitive landscape at all in the US for you guys at all?

GARY LOVE: Time will tell. Certainly, the intent of that JV as it's been publicly stated is that they will participate in the syntactic polypropylene deep water insulation market in the Gulf of Mexico. Currently, there is only today one player in that market and that's Socotherm. We are answering that market with our Brigden mobilization for the Jack/St. Malo project. The Wasco Insituform JV would intend to also participate in that market and, you know, time will tell how successful they are at entering that market.

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GRAEME HAY: Okay, and maybe just one quick follow up. With the win of this Zawtika project in Asia Pac, how—is capacity constrained at all in terms of maybe winning some of these bigger Asia Pacific projects and early 2012, does that impact those at all?

BILL BUCKLEY: No, not at all. We will as Gary outlined, will probably be executing that project in the first half of 2012. Have it complete and that would be at the time that we expect the two major projects that are going to reach FID decision in the fourth quarter to go into production,

GARY LOVE: And the Petro Thailand will be executed in Kabil, Indonesia, and so we'll have capacity available at Kwantan

GRAEME HAY: Okay, thanks a lot.

OPERATOR: And there are no further questions at this time, Mr. Buckley I turn the call back over to you.

BUCKLEY: Okay Matthew, I'd like to take this opportunity to thank everyone for your participation and interest this morning and we look forward to talking to you again after the third quarter. Thank you.

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

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