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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 Limited fourth 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 \* then the number 1 on your telephone keypad. If you would like to withdraw your question, please press the # key. Thank you.

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

GARY LOVE (Chief Financial Officer, ShawCor Ltd.): Thank you very much 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 4 of our fourth quarter 2010 press release that is available on SEDAR at [www.sedar.com](http://www.sedar.com) and is also available on our website at [www.shawcor.com](http://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 fourth quarter 2010 financial results. And we're pleased to note that the improvement in operating results reported in our third quarter has continued in the fourth quarter.

Revenue reached 292 million, up \$1 million or 12 per cent over the fourth quarter of 2009 and also up by 3 per cent over the third quarter. Operating income for the fourth quarter was 48 million, an improvement of 25.6 per cent over the prior year and 8.3 per cent over the third quarter.

The company's operating margin in the fourth quarter was 16.6 per cent, a solid improvement over the 14.8-per-cent level from a year ago as a result of improved margins in the petrochemical and industrial segment. This was combined with lower corporate expenses and foreign exchange gains.

The fourth quarter pipeline segment operating margin at 17 per cent was in line with the third quarter and was down 1.6 percentage points from the fourth quarter of 2009. This was due to a shift in production activity from the higher margin Asia-Pacific region to North America and EMAR.

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In EMAR we saw the positive impact of full production volumes from our Leith pipe coating plant with activity on the P12 Congo River Crossing and Laggan projects in the quarter.

In North America the revenue growth was a result of improvements in the small-diameter pipe coating and composite pipe activity. Small-diameter pipe coating revenue increased by 67 per cent and composite pipe revenue increased by 42 per cent versus the third quarter of this year. We expect year-over-year improvement in revenue for small-diameter coating, composite pipe, joint protection, drill pipe inspection and services in North America.

In addition to the improvement in operating income, we continued to benefit from a low tax rate in the fourth quarter of just 20.7 per cent. We did record an accounting gain on the revaluation of the company's investment in Brazil of \$18 million, or \$0.25 per share in the quarter.

I'll comment further on our bidding activity and on our key strategic growth initiatives in a few moments. But first I'll ask Gary Love, our CFO, to provide you with more details on the fourth quarter 2010 financial results.

Gary?

GARY LOVE: Okay. Thanks, Bill.

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Fourth quarter earnings at \$0.71 per share improved significantly from both the third quarter of this year and the prior year. Bill noted the gain from the revaluation of our investment in Brazil. And if this gain were excluded then our earnings per share would have been approximately \$0.46 per share, which was in line with the third quarter, and an improvement over the fourth quarter of the prior year.

I should also draw to your attention the fact that we did record a loss from the equity accounting for our investment in Socotherm of \$1.9 million, or approximately \$0.03 per share in the fourth quarter. And since this loss related to the investment that closed in the fourth quarter, there was no comparable loss in either prior period.

Bill noted the 3-per-cent improvement in revenue versus the third quarter and 12-per-cent improvement year-over-year. The areas of improvement have been North America, primarily from our businesses that are most directly related to well drilling and completion; and of course EMAR with the strong pickup in production activity at the Leith, Scotland coating facility where, as Bill mentioned, we ran the Statoil P12, Total Laggan and Chevron Congo River Crossing projects in the fourth quarter.

In Latin America we did experience some weakness in Mexico, while in Asia-Pacific our Kabil, Indonesia facility was operating at a reduced level

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in the fourth quarter, having completed the onshore PNG-LNG project work in the third quarter.

We incurred some start-up costs in Leith on the ramp-up of the P12 and Laggan projects. And this coupled with the fact that a higher proportion of our revenue came from EMAR and North America, and less from Asia-Pacific in the fourth quarter caused the pipeline segment operating margin to hold at 17 per cent, the same level as the third quarter but down from 18.6 per cent in the prior year. The pipeline segment EBITDA margin was 22.5 per cent in the fourth quarter and that was up slightly from the third quarter, but again, reduced from the 24.5-per-cent margin achieved in the fourth quarter of 2009.

With production in Leith now running smoothly and the Kabil facility in Asia likely to see a ramp-up in production in the second quarter of 2011, we are optimistic that pipeline segment operating margins will see further improvement in 2011.

The petrochemical and industrial segment operating margins were quite strong in the fourth quarter, reaching 13.3 per cent. And that compares very favourably with 9.8 per cent in the third quarter and barely breakeven a year ago.

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Revenue and operating income were impacted by foreign exchange fluctuations with both the positive impact from exchange gains in the fourth quarter of \$1.7 million and a negative impact on revenue and operating income from exchange translation, with the year-over-year impact on operating income negative 1.1 million.

Operating income in the fourth quarter also benefited from a \$4.3 million reduction in corporate and finance costs compared with the third quarter. This was the result of reduced management incentive compensation and lower corporate development expenses.

During the fourth quarter, total depreciation and amortization at 14.8 million was slightly lower than the fourth quarter of 2009 and was up by approximately 4 per cent compared with the third quarter. In addition, we recorded a non-cash goodwill impairment charge of \$1.1 million in the fourth quarter. Total amortization and impairment charges were therefore \$15.9 million, or an increase of 13 per cent versus the third quarter.

Another important financial impact on the fourth quarter results was the continued low effective tax rate that we reported. The rate in the fourth quarter, as Bill mentioned, was 20.7 per cent, and this is well below the Canadian statutory rate of 30.5 per cent. As in the third quarter, the effective rate was benefited by the relatively high proportion of the

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company's earnings earned in tax jurisdictions, particularly in Asia-Pacific, with tax rates well below Canadian rates. Also, the \$18 million gain on revaluation of the company's investment in Brazil is included in pre-tax income but is not taxable, thus creating a benefit to the reported effective tax rate.

Operating cash flow in the fourth quarter was impacted by a \$17 million increase in working capital. The working capital increase was in line with the increase in revenue in the quarter. For all of 2010 working capital increased by \$85 million and this compares with a reduction in working capital in 2009 of 110 million.

Capital expenditures in the fourth quarter totalled 15 million compared with 8 million in the fourth quarter of 2009. Major expenditures in the quarter included the new R&D subsea test facility and the Brigden portable anti-corrosion and insulation plant that is currently being constructed and will be mobilized in Beaumont, Texas for the Jack/St. Malo Project by the middle part of this year.

The other major investing activities in the fourth quarter were the \$20 million buyout of the Brazil pipe coating joint venture and a further investment of \$3.6 million in Fineglade, the holding company we have

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formed with two private-equity partners to undertake the investment in Socotherm.

With the working capital investment, capital expenditures, and the Brazil and Socotherm investments, the company's cash balances have declined during the fourth quarter but remain as of yearend at a still very healthy level of \$156 million.

I'll now hand the call back to Bill Buckley for his concluding comments.

BILL BUCKLEY: Thanks, Gary.

Our backlog remains strong, closing out the year at 375 million, but it did not grow in the fourth quarter. However, as we stated in our press release our bidding activity continues at a high level and we currently have over \$1.5 billion in outstanding bids. The majority of these projects are in our Asia-Pacific region, and we expect that a number of these projects will be confirmed for a final investment decision before the end of 2011.

During the fourth quarter we did secure the \$40 million Chevron Jack/St. Malo deepwater flow assurance project. This project is located in the Gulf of Mexico. We have begun to mobilize our new Brigden modular mobile plant at our site in Beaumont, Texas. The Brigden plant will perform anti-corrosion and flow assurance insulation coating for the Jack/St. Malo

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project. The Brigden plant technology provides us with a competitive means of accessing locations where logistics costs favour local production but market dynamics do not allow a return on building a permanent plant.

As we've done so successfully with our portable concrete coating plants, we will be able to rapidly mobilize Brigden, perform project work, and then remobilize for another project somewhere else in the world. We expect to start production on Jack/St. Malo this summer, and with most of the production scheduled for the first half of 2012.

On another growth initiative involving unique technology, we're currently commissioning our simulated service vessel at our subsea test facility in Toronto. The simulated service vessel, or SSV allows us to validate the performance of flow assurance coatings and field joint systems for our clients prior to deployment on their offshore deepwater projects. Once our commissioning program is completed, the SSV will begin testing the flow assurance coating on the P55 riser system for our client, Petrobras. And once the test program for Petrobras is completed, we'll begin testing the Jack/St. Malo flow lines. The combination of testing and performance assurance that we can provide our clients with our subsea test facility, plus the mobility of the new Brigden plant technology, further

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strengthens our leading position in the global deepwater flow assurance market.

Now closely connected with the technology developments of the SSV and Brigden was our completion in the fourth quarter of the buyout of 100 per cent of our pipe coating joint venture in Brazil. With the completion of this acquisition, we have increased our ownership from 50 per cent to 100 per cent and now can move forward with bringing ShawCor's full capability to the Brazil offshore market. And this is a market that we believe will have tremendous growth over the long term.

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

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. Please go ahead.

BERT POWELL: Thanks. Bill, the commentary in the press release on the bidding activity seems very, very positive. But yet if I look at the kind of the commentary that you give for each of your geographic regions, it would lead me to believe that that benefit's really not going to hit in 2011 for you guys. Am I interpreting that correctly?

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BILL BUCKLEY: When we look at the major bids that we've made over the past six months and we look at the indications that we have from the clients as when they're going to move to FID and award the coating contracts, it appears to us that the majority of them are going to be in the latter half of this year.

GARY LOVE: Bert, it's Gary. I would add one other element. I think we spoke of this the last conference call, and that is that clients are now doing all of their procurement work before making their final investment decisions. And once they make their final investment decisions, what we're finding is they're moving very rapidly to issue contracts. And the period of time between when FIDs occur and when we actually start working on a project, that appears to be compressing.

So the key date is really the FID date, and then if we are successful of course with securing the work, we're finding that we're starting really quickly thereafter. So I think if we do see FIDs towards perhaps in the third quarter, there is on a number of these projects the chance that we could be working on them in the fourth quarter, for example.

BERT POWELL: Okay.

GARY LOVE: So it's hard to pin down, and we may be deliberately somewhat vague because we don't have certainty on timing, but this is not

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a situation where we're saying no, there's no possibility at all of seeing the impact of some of this work in 2011.

BERT POWELL: Okay. And then just to follow along with the bidding activity, there's a couple of soft years here. I'm just wondering if you could give us a sense of how much of this is really the dam breaking and this pent-up demand coming, or is this really are you seeing a step function change in your end market and this is just new reality? People are out there and they're active, and you see a lot of runway in front of you in terms of the growth prospects and the bidding for the next couple of years?

BILL BUCKLEY: I believe our outlook over the next couple of years is quite strong. I think what we saw in the second half of 2010 in the third quarter and the fourth quarter with the numbers we reported was the end of the impact of that pause in investment decisions that occurred after the 2008 financial crisis.

And we tend to be a late cycle player. We were impacted, I think late compared to our peers. If you looked at our performance in 2009 versus 2008, profit was fairly close, and then we got hit in 2010, particularly in the first half. Revenues strengthened in the second half and the bidding activity we're seeing now we think is a return to a normal type situation.

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A couple of points though that would reflect the kind of growth outlook that we expect would be one, you're starting to see energy demand levels now at new peaks, 87 million barrels, 88 million barrels a day. Second, the forecast of pipeline project activity that came out in February again shows that project activity going forward is at new peak levels. So I think this speaks to a very strong outlook as we go forward. Of course, the basic price of the commodity being high I think is also stimulating some project decisions to move at a faster rate than they might have as well.

BERT POWELL: Okay, perfect. Thank you very much.

OPERATOR: Your next question comes from Sarah Hughes, with Cormark Securities. Please go ahead.

SARAH HUGHES: Hi, guys. Just one question on kind of expansion opportunities. You talk in your MD&A on the EMAR region about looking at some expansion opportunities in geographic markets where you aren't currently. I was just wondering if you can expand on that a bit?

BILL BUCKLEY: Yes. There's a number of things that we're looking at. One area that I think is gaining a lot of attention within our EMAR group is the area we refer generally as the Caspian Sea. It's a complex geography because there's a number of different countries involved. But

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there's a number of projects in Russia, Kazakhstan and Azerbaijan that are I think moving forward and would create opportunities for a mobilization of either concrete, mobile concrete plant or – and this could be quite interesting for us – a Brigden mobilization. So that's certainly one area that's at the top of our list, I guess, in addition to areas that we're already closely involved in in the Middle East. There's going to be I think a pickup in spending in Kuwait and in Iraq. And we can look to serve those markets from our existing locations or possibly on a project basis through a mobile plant mobilization.

SARAH HUGHES: And then just a bit more on the kind of bidding activity you're seeing now, the \$1.5 billion figure you talked about in the press release, just trying to get a sense of, assuming the timelines go ahead in terms of the projects that you're looking at now, would most of this work be a 2012 thing or kind of going into 2013? I'm just trying to get a sense of the potential timing here.

BILL BUCKLEY: Sarah, most of the projects that we're bidding now will impact, as Gary mentioned earlier, could impact late 2011. The major impact though is in 2012. Some of them are quite large, so they will also extend into 2013. But the major impact is in the 2012 time period.

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SARAH HUGHES: Okay. And then just moving back into North America, just on your small-diameter and Flexpipe side of things, I know you've seen some strong growth there in the last few quarters. Just trying to get a sense of kind of where margins are say potentially even in Q4 versus historical levels and kind of where we could see them going into next year.

BILL BUCKLEY: In terms of, if we speak specifically of our composite pipe business, they have now, we think, finally emerged from a pretty steep downturn that started in 2009. And that business unit had, as I think you know, an incredibly strong second half of 2008. And then we went through 2009 and the first half of 2010 with quite weak performance in that business.

The fourth quarter was a very big improvement and we see that continuing. The plant is running at a very high level of utilization right now. There's strong product demand, and whenever that occurs, that bodes well for margins. So I'm not going to suggest that we're back in that business to where we were in the second half of 2008, but solid profitability and a very meaningful improvement over the trough conditions of 2009.

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

BILL BUCKLEY: Okay.

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OPERATOR: Your next question comes from Dana Benner with Stifel Nicolaus. Please go ahead.

DANA BENNER: Good morning, guys.

BILL BUCKLEY: Good morning.

DANA BENNER: I wanted to start with Wheatstone and ask if you could maybe give us an update on the timing around an FID on that project. What's your best guess?

GARY LOVE: I think there have been a number of press reports related to various elements of that project. The suggestion I think in some of those reports would indicate an FID in the third quarter. And I guess that's probably the best information we have, and we'll see how that develops. But that is probably the... that will certainly occur in our view before Ichthys. So we would expect Wheatstone would be first, and then Ichthys shortly thereafter.

DANA BENNER: Do remind us again the anticipated size of both of those projects.

GARY LOVE: Well, the projects are very large, and they also consist of a number of different elements. In both projects there are large offshore export gas lines. These would be large-diameter concrete coated, anti-corrosion coated long-distance export lines, which have values in certainly

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well north of \$150 million for those export lines. I think in the Ichthys case considerably more than that because the projected distance is, I think is upwards of...

BILL BUCKLEY: Nine hundred.

GARY LOVE: ...900 kilometres. In addition, each project will have a scope of work that relates to flow lines, gathering lines within the fields, and these will be insulation, flow assurance coated pipelines, smaller diameter. But there's a significant volume of business associated with those flow lines. So depending on how the projects get ultimately awarded and how the diameters and coating configurations are finally determined, that has a big impact on the total dollar values. But suffice to say, these will be projects that will be close to or well in excess of the largest projects we've ever done.

DANA BENNER: So safe to say then of the \$1.5 billion that you've currently got out for bid or that you're bidding on, these would be the two largest in that, or is there yet another in there that could be larger?

GARY LOVE: Two largest, yes. There's... they would be the two largest. There's a couple of other big ones. Shtokman in Russia is obviously a big one. But yes, Wheatstone and Ichthys are at the top of the list.

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DANA BENNER: Great. In the press release you mentioned the 1.5 billion is an unprecedented level.

BILL BUCKLEY: Yes.

DANA BENNER: Either, you know, by recollection or perhaps you've done a study internally, what would have been the prior high-water mark for, you know, a bid level at a point in time?

GARY LOVE: A couple of years back we were bidding on Nord Stream. And it was such an aberration that it would distort any sort of comparison. But that was ultimately awarded as a €700 million project. So that kind of distorts everything. But if you disregard or strip out Nord Stream, we've never even been close. I doubt we've ever been at a billion at any point in time. In fact, probably not even close to that.

DANA BENNER: Great. Very helpful. You're obviously the largest player in the world now in this business, and you've further tightened your grip with your investment in Socotherm. How would you rate your chances? I mean let's just say for the sake of argument that all or most of these projects ultimately end up moving forward. How would you rate your chances on being able to secure the vast majority of work within that 1.5 billion?

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GARY LOVE: Well, before I answer that question, I would like for the record though to clarify a comment you made. We have not tightened our grip with respect to Socotherm. Our investment in Socotherm's a financial investment. I've stated that before, and I want to be clear on that point.

DANA BENNER: Well to the extent though that the investment provides more stability in global pipe coating markets, I would characterize that as certainly a more solidified market then.

GARY LOVE: Okay, fair enough. But I just wanted to, just to clarify.

DANA BENNER: Okay.

GARY LOVE: So to your question of our position and our likelihood of success, I think we're going to do well on all the work that we've bid. And I think we will, given the nature of the work that's been bid, I think we will do better than our traditional market share. And I think that's probably the single-most important source of our optimism regarding how the company's going to do over the next few years.

DANA BENNER: Right. Can you give us an insight as to how the rebuilding of Socotherm is going, given that you are now an investor in that project?

GARY LOVE: Yes. I think it's going quite well. As a matter of fact, I am very encouraged by the progress that both the management of

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Socotherm are making and also our private-equity partners who are, I would have to say, taking a very hands-on role in helping stabilize Socotherm and resolve some of the residual legal and other issues.

They're making very good progress, and I think to the point where six months from now, we are not going to be thinking of Socotherm in terms of the sort of issues that have plagued it. It's going to be viewed as a business investment, and we're going to be talking about its performance and how it's doing and how our investment's doing. So very good progress being made to stabilize and restore its position, and I think that bodes well for our investment.

DANA BENNER: I think just one last question. You, through all of this, through the financial crisis, through acquisitions last year, you've maintained a fabulous balance sheet in my opinion. How do you look to optimize that balance sheet via acquisitions, via whatever other ideas you might have in the next 12 to 24 months?

BILL BUCKLEY: Yes. We have an active acquisition program underway right at the moment. Recently, we closed on Brazil. That one was just increasing our equity position from 50 per cent to 100 per cent. But we are actively looking at several other opportunities, and I would expect, these are... some of them are well progressed, so I would expect

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that we will be announcing some positive results of that program. We've been adding resources to our corporate development department to accelerate the program, and we'll be moving forward on that front.

We think there is a very good opportunity to be a consolidator in the pipeline space and to add other products and services to the seven business units we have now and to provide a fuller offering to our clients. As a matter of fact, we're being encouraged by our clients in several instances to move into certain areas. So we will be moving forward on the acquisition front, and that is the reason we have been preserving our cash resources so that we have the ability to execute on this program as we move forward.

To the extent we have excess cash, we will look at share buybacks. We do have an NCIB in place, and that is an option for us as well that we will use if that seems to be prudent.

DANA BENNER: Okay. Thank you very much.

OPERATOR: Your next question comes from Scott Treadwell with Macquarie Capital. Please go ahead.

SCOTT TREADWELL: Thanks. Good morning, guys. I just wanted to probably clean up a couple of things. Just to clarify, you're still probably not expecting material positive EBITDA from Socotherm in 2011?

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GARY LOVE: Hard to say. I think by the time we get to the end of 2011 and look backwards, the overall impact will be neither significantly positive nor negative. We'll probably have for the next quarter or two a small equity loss that we pick up, and then I think it could swing into the black after that. It's not going to have a big impact either way on 2011 in total.

SCOTT TREADWELL: Okay. And then...

GARY LOVE: But beyond that, Socotherm's in the same market as our pipe coating business is, and it's a market that's strengthening, and by all, everything we see is going to be strong in 2012, and Socotherm will benefit from that. They certainly will.

SCOTT TREADWELL: And I know when you announced the deal you had a sort of limited investment. Has there been any discussion of further capex or contingent capex if they win certain bids or anything like that?

GARY LOVE: Yes, I think there's obviously been discussion, but at this point, the focus of Socotherm management has been stabilizing the business and restoring their market position. So we don't foresee in the short term any significant capital investment needs there.

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SCOTT TREADWELL: Okay. Just turning to the income statement, looking at the G&A side, a nice reduction there, and you mentioned that there was two drivers there. I'm just wondering can you give us an idea, if there's no further acquisitions at kind of baseline level, the number we saw in the fourth quarter, is that a good baseline to kind of be moving forward with as an absolute number, and there may be some incremental kind of corporate finance costs on top of that?

GARY LOVE: Well, we should probably take all of 2010. When we talk about our SG&A, most of our SG&A of course is in our operating segments. And it's fairly stable and likely to stay fairly stable. When we look at just the corporate and finance cost piece of it, which is the unallocated sort of corporate cost, we had a dip in the fourth quarter, which took us below what is a sustainable level. I think if you take the total year where the finance and corporate costs before foreign exchange gains or losses, 25 million, that's as good a run rate as I can give on that for the long term.

SCOTT TREADWELL: Okay, good. Thanks for that. I just wanted to, maybe if you could give some more colour on the Socotherm thing, do you have any idea how much Socotherm has bid on, either as a gross number

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or things that maybe you guys haven't bid on that they have? Is there a number that maybe gets a little bigger than 1.5 billion?

GARY LOVE: Yes, you know what, I can't really give you any colour on that at all. For obvious reasons, we're not involved in any of the commercial activities within that organization, and so I don't... I just don't have anything that I can convey on that, other than if I look at the markets where they're positioned and where they have their historical strengths, these are markets that are showing solid pickups in business activity and bidding activity. We're talking here about South America in particular. And so I'm very confident that they are going to benefit from that pickup in activity.

SCOTT TREADWELL: Okay. Wondering on the Brazil side, is there any way you could give us an idea of say had you been 100-per-cent owner of Brazil, what the incremental uplift on revenue for Latin America would have been for the year? I mean, you finished at \$56.4 million. Do you know how much more you would have had for the year?

GARY LOVE: Yes, we would have had, just by virtue of having consolidated Brazil for, on 100-per-cent basis for 12 months instead of three months, it would have been something in the order of about another maybe just under \$15 million. So not significant.

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To be clear, the Brazilian market in 2010 was not strong. We had a few good projects there, but we see a pickup in 2011. We have the P55 riser project, which Bill spoke of. It's a \$25 million project and it's starting in the second quarter. So I think the forward look for Brazil is stronger than the backwards look.

SCOTT TREADWELL: Okay. And then finally I guess maybe a little bit of colour on your thoughts that market share may increase or your strike rate may increase on the bid. Is that a result of the new... the technology that's in demand on those projects or is it the customers, or is it just better work by your sales and marketing guys getting in the door?

GARY LOVE: I think a lot of it relates to the fact that most of those projects are offshore and therefore are far more complex in terms of the actual coating systems that are required, and there is therefore a much smaller universe of people that can actually perform that work. So we're generalizing here, but it is a portfolio of bidding activity that is far greater weighted towards the higher technology more complex systems that we tend to specialize in.

SCOTT TREADWELL: Okay, excellent. Thanks very much for the colour, guys.

GARY LOVE: Okay.

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OPERATOR: Again, if you would like to ask a question, please press \* then the number 1 on your telephone keypad. Your next question comes from Lara King with TD Securities. Please go ahead.

LARA KING: Thanks. Good morning, folks.

BILL BUCKLEY: Good morning.

LARA KING: A quick question on the Shtokman project. There's been commentary in the news that the FID may be pushed out. Do you have any further colour on that?

BILL BUCKLEY: Lara, I guess we see the same news. We're talking to the client. There have been delays already. We would not be surprised on this project if there were further delays announced. I think this project is sort of a unique project in our universe of projects that we bid on.

LARA KING: Would you care to characterize what you mean by unique?

BILL BUCKLEY: Well, it's very complicated. It's from a technology point of view very complicated. I think the client is working through that. It's got a unique ownership structure and execution structure, so I think that in itself adds a certain complexity. And I think all of this can lead to delays in project planning and execution schedules.

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LARA KING: That makes sense. So turning over to the relationship between sort of a traditional fixed facility and your Brigden and your concrete mobile plants, if you look out sort of three to four years, what do you see as the ideal proportion between the two? Could you ever foresee shuttering more plants or how does that look?

BILL BUCKLEY: Well, that's a great question. We think that the Brigden portable plant is going to allow us to access markets that we would look at and say we cannot justify building a permanent plant in that location. So if you use the analogy of our concrete plant technology and take the last major project that we executed in Trinidad, for instance, where we deployed two plants to Trinidad and did the Trinidad and Tobago pipeline project, approximately a \$90 million project, generated some great returns for us; but we were also able to provide a very attractive price to the client because the competitive bids were based on people doing the work, competitors doing the work in remote locations and having to tranship heavy concrete coated pipe to the site. So we were able to give some of that logistic savings to the client and then keep the balance for ourselves as a return on our technology.

I think Brigden will work the same way in terms of allowing us to access projects that can be significant in size, as the Trinidad and Tobago

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project was, but in locations where we're not certain of the project flow behind the first initial project.

The other thing it's going to do for us is it'll allow us to move into certain regions where maybe the amount of country risk is such that we would not want to put a permanent plant at risk. So this opens up some new geographic markets, which are getting more and more active, that we can now access.

And then to your last point in your question, we also see Brigden as being a way of providing topping capacity in certain regions. And one of the first places we may use it is in Asia-Pacific to add additional capacity to be able to execute projects if you have more than one project overlap on schedule and you know that you're going to have for a period of say nine months or 12 months the need to have extra capacity there.

And if you were looking at building a fixed plant, you might say I don't want to build it and leave it stranded. So it does help us in terms of eliminating the potential for stranded assets. And we think that over time, it's going to allow us to get a higher return on capital employed, and we've modelled that under a number of scenarios.

So I can't tell you exactly what the proportion of fixed plant versus Brigden's going to be, but I can tell you that it will contribute to allowing us

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to increase revenues and also allow us to generate higher returns on capital.

LARA KING: Great. That's it for me. Thank you.

OPERATOR: Your last question comes from Bert Powell, with BMO. Please go ahead.

BERT POWELL: Thanks. Gary, back to the margins in the pipeline segment this quarter, how much was the impact just from start-up costs in the quarter and the mix shift?

GARY LOVE: Well, the mix shift was the biggest factor, clearly. If we look at the margins, contribution margins in our EMAR region, they were healthy in the fourth quarter, but we know they were probably held back by a couple of points, which we should see that benefit going forward. The start-up costs were worth a couple of points in margin in that region. Now on a total consolidated basis, it's not a huge factor, probably less than half a point on a consolidated basis.

But it certainly was significant for that region. The bigger factor being where our revenue comes from is very critical and Asia-Pacific has historically been an area where we've had probably our strongest contribution margins.

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BERT POWELL: Just listening to the commentary in terms of what you've talked about in the portfolio and what you've got out on bid, it certainly sounds like it's higher-margin business than maybe traditionally has been in the mix. Is the goal still kind of, or is it achievable to kind of get to that 20-per-cent operating margin in the pipeline segment given what you see in terms of what you've got out there on bid?

GARY LOVE: Yes, it is. That's absolutely the goal, and there's nothing that would dissuade us from our belief that that is achievable. The difficulty is that it's only achievable through getting the projects and getting the capacity utilization.

BERT POWELL: Right.

GARY LOVE: And so that will... It's possible, and I believe we'll get there. Timing is going to depend on those projects turning into production orders.

BERT POWELL: Okay, and certainly using the Brigden technology's going to help that as well.

GARY LOVE: Absolutely.

BERT POWELL: Okay. And just lastly, is there anything, aside from using the Brigden approach in the bids that you see where you're going to

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have to deploy capital to meet those, in terms of new facilities, to meet that demand?

GARY LOVE: Not new facilities. The only... We will be, or I should say there's a good potential we'll be building a new facility in the Eastern United States, but that's not related to the sort of bidding activity that we spoke of earlier. The capacity, if we find a need for capacity to support that bidding activity, our first choice would be to accomplish that through Brigden.

BERT POWELL: Perfect. Okay. Thank you.

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

BILL BUCKLEY: Okay, thank you. I'd like to take this opportunity to thank everyone for your participation and interest, and we look forward to talking with you again next quarter. Thank you.

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

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