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OPERATOR: Good morning, my name is Amanda and I'll be your conference Operator today. At this time, I would like to welcome everyone to the ShawCor Ltd. Third 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, please press the pound key.

I would now like to turn the call over to the Chief Financial Officer, Mr. Gary Love. You may begin.

GARY LOVE (Vice-President, Finance and Chief Financial Officer, ShawCor Ltd.): 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, 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 the Third Quarter 2010 press release. It is available now on SEDAR at www.sedar.com and may also be found on the Company's website at www.shawcor.com.

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

BILL BUCKLEY (President and 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 third quarter 2010 financial results and we're very pleased with the improvement in operating results that we achieved in the third quarter.

Revenue reached 283 million, up 48 million or 21% over the second quarter's revenue of 235 million. Operating income in the third quarter reached 44.7 million, an increase of 258% over the second quarter, and it was supported by the 8.4 percentage point increase in operating margins.

The third quarter pipeline segment operating margin, at 17.2%, was over 6 percentage points ahead of the level reached in the first half of this year. We still have room for further margin growth as we are not yet back to the 20% margin range that prevailed in the pipeline segment in 2009, but this improvement does speak to the future potential as our markets are strengthening.

In the third quarter, our major Kuantan, Malaysia plant came up to full production levels on the $185 million Papua, New Guinea project, in addition to several other smaller projects. Our Kabil, Indonesia facility continued at high output rates, while output increased at our Australian facility on the $42 million Epic Energy project, as well as other projects.

Our Leith, Scotland facility increased output in the quarter as production began on the Total Laggan project and on the Statoil P12 project, as well as others.

As you can appreciate, this was a quarter of significant project mobilization at several of our international facilities. These mobilizations have gone extremely well. This speaks to the continuing improvement in execution that is flowing from our SMS implementation and to the depth and capability of our operations personnel throughout the Company.

I would add that in the quarter we saw a meaningful improvement in small diameter pipe coating activity in North America. It appears that a more sustained pickup in activity, based on moderately increased well drilling, is underway in North America, and this is expected to carry into the fourth quarter.

In addition to the strong showing in the pipeline segment operating income, we also benefited from foreign exchange gains and a low tax rate, with the net result that earnings per share improved by 313% over the second quarter to $0.47 per share on a diluted basis.

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

GARY LOVE: Okay, thanks, Bill. Third quarter earnings at $0.47 per share improved significantly from the second quarter and were right in line with the level of the third quarter of the prior year. The big improvement relative to the first half of this year was driven by the 24% quarter-over-quarter improvement in revenue in the pipeline segment. The improvement came in North America primarily from our businesses most directly related to well drilling; in Latin America, where Mexican offshore concrete project work picked up, and, as Bill mentioned, in Asia Pacific, where we saw the full impact of the large Papua, New Guinea and Epic projects.

With the increase in revenue came a solid improvement in utilization at several key facilities, with a positive impact on absorption of fixed costs and operating margins. The pipeline segment operating margin, at 17.2%, is now much closer to the peak levels of 20% reached in 2009. The pipeline segment EBITDA margin, at 22.4% in the third quarter, is within two points of the 24% margin achieved in 2009.

The petrochemical and industrial segment operating margin did pull back from the second quarter level, but, at 9.8% in the third quarter, is still up almost three percentage points from the prior year.

Revenue and operating income were both significantly impacted by foreign exchange fluctuations, with both a positive impact on operating income from exchange gains in the quarter and a negative impact on revenue and operating income from exchange translation. I'll describe both.

First, the FX gain of 4.7 million in the third quarter resulted from the weakening of the US dollar against several Asian and European currencies in which the Company had held cash positions during the quarter. This gain benefited earnings per share by roughly $0.045 per share in the quarter.

The translation impact, on the other hand, results from a movement in the foreign currencies in which we operate against our reporting currency, the Canadian dollar. Although there was very little movement in exchange rates from the second quarter to the third quarter, the Canadian dollar did strengthen by 4% versus the US dollar and by 13.5% versus the euro on a year-over-basis, with a resulting negative translation impact on revenue of $10.3 million and on operating income of $1.9 million, versus the third quarter of 2009.

Operating income in the third quarter, compared with the second quarter, benefited from a $2.3 million reduction in corporate and finance costs as a result of reduced corporate development expenses. We continue to expect amortization to be fairly steady on a quarter-over-quarter basis, and this was largely the case in the third quarter, with total amortization at $14 million, compared with 13.4 million in each of the first two quarters of this year.

Beyond the improvement in operating income, the single biggest factor in ShawCor's strong performance in the third quarter was the very low effective tax rate that we reported. In contrast to the first half of this year, when the Company's effective tax rate had averaged 34.9%, the effective rate in the third quarter was only 24%. We noted last quarter that the first half tax rate had been inflated by adjustments to the tax provision relating to taxes owing from prior periods. But, the third quarter effective rate is also considerably below the Canadian statutory rate of 30.5%, and this is due to the fact that in the third quarter a very high proportion of the Company's earnings were earned in tax jurisdictions with rates well below Canadian rates.

Operating cash flow in the third quarter was impacted by a $22.5 million increase in working capital. The working capital increase was expected and was broadly in line with the increase in revenue in the quarter. Year-to-date working capital has increased by $62.8 million.

However, this must be viewed in the context of the $100 million reduction in working capital that had occurred from the third quarter of 2009 to the end of the first quarter of 2010.

Cash flows used in investing activities in the third quarter included capital expenditures of $11.6 million, compared with $5.8 million a year ago. Capital expenditures in the quarter included investments in the new R&D sub-sea test facility, as well as the new portable anti-corrosion and insulation plant that we expect to have operational by early 2011. Also included in cash flow used in investing activities was the investment in Fineglade Limited of $31.3 million. Fineglade is the new company we have formed with two private equity partners to undertake the investment in Socotherm S.p.A.

In terms of the balance sheet, ShawCor exits the third quarter with total debt at a very modest level of $25 million, versus the Company's cash balances of almost $172 million.

With that, I'll now turn the call back to Bill for his final comments.

BILL BUCKLEY: Thank you, Gary. As we stated in our press release, we expect revenue and income to continue in the fourth quarter at or above the levels achieved in the third quarter. Although our backlog declined in the third quarter, our current bidding activity is very high. There are a number of large projects currently moving toward their final investment decisions and we expect to report an increasing backlog as we move through 2011.

In addition to organic growth opportunities, we're increasingly active on the M&A front where we can leverage our technology, proven operating capability, competitive position and our strong cash position. Specifically, we were able to complete at the beginning of October the buyout of 100% of our pipe coating joint venture in Brazil. This is an important strategic development that we've been working on for several months. With the completion of this acquisition, we have increased our ownership from 50% to 100% and will thus be able to participate in the growth that we expect to see in the Brazilian offshore market over the next few years. Brazil has been increasing investment in the offshore pre-salt play, and the announcement last week of the Libra discovery, potentially the largest discovery in the Americas in over 30 years, speaks to the long-term potential of the Brazilian market.

On another strategic growth initiative, we were pleased to obtain court approval for our investment in Socotherm on October 29th. After a very prolonged process, the Socotherm debt restructuring is now complete. ShawCor has formed a partnership with two private equity firms and the partnership has invested €50 million in Socotherm in return for a total shareholding interest in Socotherm of 95%. ShawCor is a 40% participant in the new partnership. Much work remains to be done to restore the financial performance of the Socotherm group. However, we are confident that Socotherm, with new management direction backed by new shareholders, will prove to be a sound financial investment for ShawCor. We believe that there will be other opportunities to add related businesses to ShawCor as the market moves, in light of recent events, to suppliers with scale, technology and documented quality processes.

Consistent with this theme, I would like to provide an update on the construction of our state-of-the-art sub-sea testing facility currently under construction in Toronto. We are on target to have the testing facility and its simulated service vessel in operation during the second quarter of 2011. This new facility has been enthusiastically embraced by our major global offshore clients and I'm pleased to report that it's fully booked for its first year of operation. We will be able to provide critical in-service performance validation of flow assurance coatings and field joint systems to our clients on their deep and ultra-deep water projects.

Finally, we have received a second order for our new patented deep-water flow assurance product Ultra. This order is to provide flow assurance coating on the flow lines for the Goliat project offshore Norway in the Bering Sea. We will execute this project at our Orkanger, Norway facility.

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 star and then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound sign.

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

BERT POWELL: Great, thanks. You mentioned in your remarks the strength in the small diameter in North America. I'm just wondering if you can give us a sense as to where is that today relative to historical levels in terms of revenue.

GARY LOVE: Well, it's still very significantly below the peak levels that we saw in 2007 and into—yes, really, 2007, I guess was the peak. If you think back to that timeframe, in 2006 and 2007, there was, I believe, about 22/23,000 well completions in western Canada, and this year that number will be somewhere in the order of 11,000. I think there's some optimism that we may see a modest uptick next year, but we're not going to see anything close to the levels that we saw at the peak in '06/'07. So, our volumes would continue to lag significantly the levels that we saw at that time.

BERT POWELL: But, Gary, there's been a big uptick since 2009, this quarter.

GARY LOVE: Yes. I mean, a meaningful increase versus the prior year, definitely, yes. 2009 had obviously been affected by the reduced industry activity levels, but in addition there was a—I guess we have to call it an inventory overhang of line pipe throughout North America and we had to experience the drawdown of that before we could start to see volumes picking up. We have seen, again, a good improvement, but we're nowhere back to where we were at the peak.

BERT POWELL: If I look at the numbers, it doesn't look like there's been much of a margin change there. I mean, you're up very strongly in North America and your margins are back at reasonable levels and, you know, you're talking about the 20% range. It would seem the competitive environment is not pushing margins there. Am I interpreting that correctly?

GARY LOVE: No, I think that, you know—we spoke last quarter, the question was can we see margin improvement and we said, yes, we'll see margin improvement as we see facility utilization improvement. We made some good progress on that front in the third quarter and I think we feel we have some more room for further improvement.

Getting back to, I guess, on an EBITDA basis, the 24/25% range in the pipeline segment that we saw in 2009, those were our peak margins, as you know. In 2008, we had margins in the 20% range. So, here we are in the third quarter exceeding everything but the peak levels of 2009.

BERT POWELL: Okay, and that—well, I don't know if you can say it's a mix. I guess you've got some higher margin stuff in there, as well as the mix and the smaller diameter.

GARY LOVE: Right, but when you look at the segment in total, you know, let's not forget that in 2009 we had benefited from the very large Trinidad project. That was somewhat unique and we said so at the time.

BERT POWELL: Okay. Lastly, Bill, just in terms of your optimism with respect to bookings, do booking levels for 2011 start to look like they looked in 2008? I mean, every time I turn a page in Upstream there's another project coming on line and it looks like it's game on in the offshore world.

BILL BUCKLEY: Yes, I think that's a fair comment. As I mentioned, we're quite active on the bidding front. We tend not to talk about details of those projects until they're awarded, but I can give you some information that might be helpful. If you just do a quick scan of the globe right at the moment, starting first with the Gulf of Mexico, the Jack/St. Malo project received FID approval and that was reported by the press just a week or two ago on October 21st. That's the first of a series of projects that are coming in the deep water and ultra-deep water areas of the Gulf of Mexico. It speaks to the fact that post Macondo, you know, the Gulf of Mexico activity has not stopped for us, but will be quite important for us going forward.

Moving over to the Middle East, there's a very major project there that Saudi Aramco has announced, the Wasit project, and it's progressing through the approval stage, and the press has reported that the EPC award, and this will go through an EPC, will be made in the first quarter of 2011. So, that's quite close.

In Europe, there's the massive Shtokman project. I would quickly add this is a very complex project, but, nonetheless, the Shtokman Development Corporation has reported in the press that the FID will be made in March of 2011, but I caution that this is quite a complex project, that is extremely large, and we are involved with that project, as well.

In the North Sea, there's several, I would say, medium-sized projects for flow assurance products, for tiebacks, that are going forward over the next four quarters. There's also the Baird gas storage project which Centrica has announced that they will be making an investment decision on early next year, and the Braes project.

In Brazil, the Tupi field is being developed at the moment, so the Guara/Tupi flow lines, Petrobras is taking the award of the work related to those flow lines through their staged process and it likely will be in a position for award next year.

The big active area, though, of course, is Asia Pacific, and we have all of our plants in the Asia Pacific region now operating at or near capacity, on the Papua, New Guinea project and the Epic project and others, but going forward, there's some very big targets there. The Inpex Ichthys project has been reported in the press, FID in the fourth quarter of 2011. The Wheatstone project has been reported for FID in 2011. A couple of projects around the Gladstone area that are LNG related, the APLNG, which is the Origin/Conoco Phillips project, FID has been reported in the press to be before the end of 2010, so that's quite close in; and then there's the Santos Petronas project which has been announced for FID later in 2010. In addition to that, there's the Banyu Urip project which is pending award right at the moment, the PTT Thailand Block M9 project and the Pearl Energy Ruby project.

I don't think we've had a time when we've had so many large projects sort of looming on the horizon and progressed far enough now that it would appear that there's a high level of confidence that they're going to proceed. Now, these will be proceeding in '11, '12 and '13, but these are large projects, they will have high value; ergo, our comments in terms of bidding activity and our confidence that the backlog will be increasing as we progress through 2011.

BERT POWELL: Thank you very much.

OPERATOR: Your next question comes from Brian Purdy at National Bank. Your line is open.

BRIAN PURDY: Hi, guys. Congratulations on a good quarter.

BILL BUCKLEY: Thank you.

BRIAN PURDY: I just wanted to ask about the Socotherm investment. Obviously, the company's been through some issues and I would expect there's to be some restructuring ahead of it still. Can you give us some idea of what you expect in maybe the next, you know, three or four quarters in terms of losses or profits you expect to see from that investment?

GARY LOVE: Yes. I would say that there is a tremendous amount of work that needs to be done over the next many months. But, the nature of our investment, yes, we have a financial investment in Socotherm. We will equity account for that investment. We will not be consolidating or even proportionately consolidating our participation in Socotherm. This needs to be viewed in that context, as an equity account and financial investment. Certainly, while it will take some time to re-establish Socotherm's position in the market and to restore the level of profitability that we believe will ultimately be restored, in the interim period, in this transition restructuring period, there will not be a material impact on ShawCor. As an equity account investment, it's not going to have a significant impact on our financial results.

BRIAN PURDY: Okay. So, even though it's small, would it be fair to say that you'll probably have some losses for a little while until profitability comes back?

GARY LOVE: Yes, I think that's reasonable, but these are not going to be material.

BRIAN PURDY: Okay. I also just wanted to ask about the cost side. SG&A, do you expect that to stay around current levels or is that impacted by some of the activity that's going on now in terms of bidding and also the new work?

GARY LOVE: I do. I think it will move around a few million dollars quarter-to quarter, up and down, but I don't see it significantly changing over the next 12 months.

BRIAN PURDY: Okay. Then, in terms of tax rate, you mentioned some of the taxes in sort of low tax jurisdictions.

GARY LOVE: Yes.

BRIAN PURDY: I'm just wondering, given the current outlook for the next couple of quarters, if you expect that situation to stay the same?

GARY LOVE: I think that we will continue to achieve an effective tax rate that is below the Canadian statutory rate of 30.5%. I think that's the current Canadian rate. I don't know that it'll stay at the 24% level, but I do think, given where we see the overall balance of where we're going to generate earnings, that it'll come in below the Canadian rate for the next couple of quarters.

One thing that we do see in the fourth quarter is a bit of a pickup in our EMAR region; specifically, with the stronger production coming out of our Leith, Scotland facility. UK rates are not far off Canadian rates, as opposed to, say, rates in Asia Pacific, which are considerably below Canadian rates.

BRIAN PURDY: Okay. Then, maybe a longer term question here. You mentioned that you're sort of at capacity in terms of your Asia Pacific facilities at the moment and certainly a lot of the outlook for that region continues to sound strong. Do you see yourselves needing more capacity or is it more a situation where you try and just stay full capacity for as long as you can and satisfy demand that way?

BILL BUCKLEY: If we need more capacity, we will add it. One factor that's going to be important for us, though, going forward is our Brigden portable plant technology. We're building the first plant now. We expect to deploy it in the first half of 2011. We anticipate that we'll have a fleet of these plants that will be able to access individual projects globally. They'll be able to access markets that have high risk environments in them, where we may want to mobilize and then demobilize out. But, additionally, what they'll be able to do, when you look at Asia Pacific, is we'll be able to mobilize the plant to one of our existing sites to provide, if you like, peaking capacity, and then be able to redeploy it.

One of the issues that we've had in the past in building fixed plants for project ramp-ups in a region, you often get caught at the end of the ramp-up period. You haven't written off your depreciation, but you have a facility that's basically landlocked, and with the new Brigden technology, we'll be able to follow loads much better in our existing plants, as well, as I said, access projects in remote locations or high-risk locations.

BRIAN PURDY: Okay. Great, that's all I had. Thanks very much.

OPERATOR: Your next question comes from Dana Benner at Stifel Nicolaus. Your line is open.

DANA BENNER: Thanks. Good morning, guys.

BILL BUCKLEY: Good morning, Dana.

DANA BENNER: I wanted to come back to Brian's question on Socotherm and recognizing that you've got a lot of work to do there and maybe there's not much that's (inaudible) with a 40% pick-up in year one, but what's your target, to the extent that you can contribute to the reorganization of that company or set of assets, what's your expectation in terms of timing in hoping for a material pick-up? Is that a two-year timeframe, three years, how would you look at that?

GARY LOVE: Well, first of all, I think that the potential exists in that business to achieve solid EBITDA margins. With enough time to restructure properly, that can be a business that looks a lot like many of our other businesses, with solid EBITDA margins. This is a company that in 2009, in circumstances of tremendous financial duress, still managed to generate €137 million in revenue, and of course in its peak years was generating probably double that—in fact, more than double that. So, with enough time and some new management direction, we are confident that we'll see increased revenue and margins moving into the range that one would expect for our industry.

DANA BENNER: I'm going to interpret that to mean in year two you think there might be something that is meaningfully contributory.

GARY LOVE: I think that's a reasonable target and I think it can grow from there.

DANA BENNER: Right. Okay. I guess, secondly, just looking at the regional breakdown of results in the quarter, given that you're already operating close to capacity in Asia Pacific, is it safe to say that right now the biggest delta for you would be Latin America, getting Brazil to pick up again post the election, that that's the biggest delta?

BILL BUCKLEY: I think that's an important delta, but I think the Gulf of Mexico is going to be important, as well as the North Sea region, as our projects that we have in that region come on stream and fill those factories. So, I wouldn't restrict it just to Brazil.

DANA BENNER: Right. I guess, thirdly and finally, you've mentioned that you remain very optimistic on the Gulf of Mexico. Given recent approvals, obviously, there's not going to be a massive impact, but have you seen any follow-through in terms of increased regulatory burdens, slower approval processes, et cetera, post the blow-out, such that it might impact job flow maybe two/three years down the line for you, as projects move forward, or four years, I don't know, but is there any material long-term impact on you other than higher specs, which help you?

BILL BUCKLEY: Yes. I guess, if we look at actual factual data that we have, a month or so ago we were looking at a project like the Jack/St. Malo project and wondering if the FID date was going to get delayed a year or more, and that did not happen. As I said, FID was granted on October 21st, so it progressed through. So, you wonder about other projects that were earlier in the planning stages. It's hard to really tell. What I can tell you is that with respect to the failures in the land pipelines in the US, there is a lot of dialogue going on right now regarding the US regulatory approval process. I think, definitely, we're going to be entering a phase where there are higher levels of regulations, there's going to be higher levels of testing. Pipeline integrity management is an area that's getting a lot of dialogue now. It's hard to say exactly what the impact is going to be on individual projects that are planned over the next 12, 24 and 36 months, but the one take-away that we can say is going to be important to us is that there will be opportunities to lever technology, there will be opportunities to develop additional products and services for our clients to address this new environment.

DANA BENNER: Right. Okay, guys, that's all I've got. Thank you.

BILL BUCKLEY: Thank you.

OPERATOR: Again, if you would like to ask a question, please press star and then the number one on your telephone keypad. Your next question comes from Lara King at TD Securities. Your line is open.

LARA KING: Thanks. Good morning.

BILL BUCKLEY: Good morning.

LARA KING: Going back to the capacity question, in terms of Asia Pacific, can you give us some kind of quantitative indicator on how much your capacity has grown over the last, say, like two years, excluding the portable plants?

GARY LOVE: Well, the last two years, we have added in the region the flow assurance line in Malaysia, so that increased our capacity, not in terms of anti-corrosion pipe coating, but being able to offer flow assurance coating in addition to anti-corrosion coating, and we did that for the Gumusut project which we did late last year, beginning of this year. So, that was one add. I don't think I could put a dollar figure on that, because, as you know, flow assurance projects, you may get one a year or you may get none, but that capacity is in place and certainly is available for the future.

One important area where capacity was added was in Indonesia with the construction of the new dedicated port facility. It doesn't change how much we can coat in our factories, but it has a huge impact on our ability to efficiently move pipe in and out, unloading pipe to then coat then, and then loading it to the specialized pipe barges that are used in the region. So, that addition really enables our Indonesian facility to participate fully in all of the potential work that we're looking at in the region.

LARA KING: That's quite helpful, thank you. Looking for some more colour—when you say that the backlog is increasing through 2011, based on the timing that you see now, can you give us some indication on when you would expect a meaningful rebound in your backlog?

BILL BUCKLEY: Well, I wish we could. It is very, very difficult, as you know, to try to pin down when projects are going to be awarded, because client FID dates do move around, sometimes they come forward and sometimes they get pushed back, and so it's not something that we're able to provide meaningful guidance on, unfortunately. We simply look at a kind of a backlog of bidding activity to try to get a sense of where our order backlog might move in the future, but there's a great deal of difficulty in trying to get certainty around the actual evolution of the order backlog on a precise quarter-by-quarter basis.

LARA KING: That's fair. Thanks very much.

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

SARAH HELPPI: Hi, guys. Good morning.

BILL BUCKLEY: Good morning.

SARAH HELPPI: Most of my questions have been answered, but I wanted to go back to the second order that you said you received for your Ultra product. If I recall correctly, your first order was in the previous quarter. I'm wondering what the feedback has been from your customers on this new product that you've been talking about, and also maybe some colour on how big the orders are, either in terms of dollars or kilometres.

BILL BUCKLEY: Right, right. The feedback has been very good from our clients. The product has been used and delivered in the Gulf of Mexico and feedback has been quite positive. In this second project, the client is using the product because they want to get familiarity with it and they want to get it deployed into their system. The Ultra product, it serves, can serve the ultra-deep market uniquely. It also provides advantages to clients who are concerned about the glass syntactic polypropylene product which has been in widespread use, but has some indications that over time you get a degradation of the insulation qualities. So, that is driving clients' interest in the Ultra product. We get the same insulation values without the use of glass beads, which over time can break and crush under a high static load.

The response has been good. I think this will tend to be a specialty product at the beginning. Ultimately, our estimation is that it will take over the majority of the glass syntactic polypropylene projects going forward. The size of the projects tend to be—this is restricted to the flow line and riser systems in deep-water projects, so the size, from a dollar point of view, is not as large as the transmission lines that carry the gas back to shore or the oil back to shore, that are concrete weight coated, but, typically, they fall in the $10-50 million range.

LARA KING: Great, thank you.

OPERATOR: There are no further questions in the queue at this time. I'll turn the call back over to the presenters.

BILL BUCKLEY: Okay, well, thank you, Operator, and thank you, everyone, for your time and interest in ShawCor. We look forward to talking with you again at the end of the next quarter. Thank you.

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

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