

FINAL TRANSCRIPT

ShawCor Ltd.

2012 Q4 & YE Results

Event Date/Time: March 1, 2013 — 10:00 a.m. E.T.

Length: 42 minutes

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS**Gary Love**

ShawCor Ltd. — Vice President, Finance and Chief Financial Officer

Bill Buckley

ShawCor Ltd. — President and Chief Executive Officer

CONFERENCE CALL PARTICIPANTS**Scott Treadwell**

TD Securities — Analyst

Sarah Hughes

Cormark Securities — Analyst

Dana Benner

AltaCorp Capital — Analyst

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

PRESENTATION**Operator**

Good morning, ladies and gentlemen. My name is Ryan (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the ShawCor Fourth Quarter 2012 Financial Results.

All lines have been placed on mute in order 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 at this time, simply press *, and the number 1 on your telephone keypad. If you would like to withdraw your question press the # key.

I would now like to turn the call over to Gary Love. You may begin.

Gary Love — Vice President, Finance and Chief Financial Officer, ShawCor Ltd.

Good morning. Before we begin this morning's conference call, I would like to take a moment to remind all listeners that today's conference call includes forward-looking statements that involve estimates, judgments, risks, and uncertainties that may cause actual results to differ materially from those projected.

The complete text of ShawCor's statement on forward-looking information is included in Section 4 of the fourth quarter 2012 earnings press release that is available on SEDAR and on the Company's website at shawcor.com.

I'll now turn it over to Bill Buckley.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

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 fourth quarter 2012 financial results and the results were excellent, as we generated record revenue in the fourth quarter of 448 million, a 31 percent improvement over 2011, record EBITDA of 102 million, a 120 percent improvement over 2011, and record quarterly net income of 80.3 million, up more than three times the level of 2011.

Revenue, EBITDA, and net income also showed significant improvements over the third quarter of this year with revenue up 13 percent, EBITDA up 22 percent, and net income up 50 percent.

For the full year 2012, again new records were established as ShawCor generated revenue of 1.48 billion, EBITDA of 267 million, and net income of 178.5 million or \$2.50 per share. Earnings per share in 2012 were up over three times the \$0.78 reported in 2011.

ShawCor's strong performance in the fourth quarter was led by gains in revenue and EBITDA in ShawCor's Asia Pacific and Latin America business units. Pipeline segment revenue increased year over year by 237 percent in Asia Pacific, and by 317 percent in Latin America.

This revenue growth was supported by solid execution in all of our regions, and in particular in Asia Pacific, where we reached full production on the Wheatstone trunkline project, and also successfully launched production on the Ichthys gas export pipeline project.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

We also ended the year with a record backlog of 850 million, which is up significantly from the \$722 million which we reported at the end of the third quarter. Based on this backlog, we are confident that the outstanding financial results reported in the fourth quarter and full year 2012 will continue in 2013.

Now I'll comment further on our outlook and the positive structural changes in our business later on the call, but first I'll ask Gary Love, our CFO, to provide you with the other key details on the fourth quarter financial results. Gary?

Gary Love

Thanks, Bill. Revenue in the fourth quarter 2012 of 448 million increased by \$107 million or 31 percent over the fourth quarter of 2011, and was also up 13 percent from the third quarter of this year.

The increase over the prior year was due to revenue growth of \$59 million in Latin America pipe coating. This came from production on the Technip and Linea 5 Projects, and revenue growth of \$106 million in Asia Pacific with production on the Wheatstone trunkline and the launch of full production on the Ichthys gas export line.

Now detracting somewhat from the revenue growth was a modest weakening in North America, where we experienced a 12 percent year-over-year decline in revenue on weaker demand for both small diameter pipe coating and composite pipe at our Flexpipe unit. These markets were impacted by a pull-back in North American gathering line activity, which we believe is temporary.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Also as expected, our EMAR region had reduced revenue from the very high levels of the fourth quarter 2011 when the Total Laggan project had been in full production.

On a consolidated basis, reported gross margins in the fourth quarter are 40.7 percent, up 2.3 percentage points from the prior year, but slightly down from the third quarter. The improvement in gross margins over 2011 is fully attributable to the Pipeline segment, with gross margins in the fourth quarter this year of 41.2 percent versus 39 percent a year ago.

In our pipe coating businesses, the shift in the percentage of revenue emanating from Asia and Latin America and the resulting improvement in utilization in those regions had a very favourable impact on gross margins.

Now compared to the third quarter of this year, Pipeline segment gross margins did decline by 1.9 percentage points. The consolidation of Socotherm for two months and some temporary emerging weakness in North America were the factors moderating gross margins. In both cases we expect these margin factors to improve in 2013. Petrochemical segment gross margins were 29.6 percent, a level in line with recent quarters.

The year-over-year increase in consolidated gross profit of \$51.5 million from the revenue growth and gross margin gain was partially offset by higher selling, general, and administration expenses. SG&A increased by \$6.8 million or 9 percent from the fourth quarter of 2011 as a result of an increase in salaries and incentive and compensation accruals totalling \$10.2 million, and the

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

inclusion of one-time costs related to the strategic review process in the fourth quarter of \$4 million.

These increases were partially offset by the fact that a year ago we had recorded charges for bad debt provisions and pensions totalling \$6 million.

Now based on the very strong gross profit in the fourth quarter, the Pipeline segment EBITDA margin reached a new record level of 26.5 percent. The Petrochemical and Industrial segment EBITDA margin came in at 15 percent, in line with the third quarter. Overall, consolidated EBITDA in the fourth quarter is \$102.4 million for an EBITDA margin of 22.8 percent, a new record level for the Company.

For full year 2012, consolidated EBITDA is \$267 million or more than double the level of 2011. Full year EBITDA margins likewise increased by 7 percentage points over 2011.

The improvement in facility utilization versus the cyclical low levels of 2011, and the production launch costs that were incurred in 2011, but which translated into strong operational performance in 2012, account for this significant year-over-year improvement in EBITDA.

Depreciation and amortization in the fourth quarter is 16.5 million versus \$12.2 million a year ago with the increase attributable to accelerated depreciation on certain of the project-related investments that we've made in Asia Pacific, coupled with depreciation and amortization as a result of the consolidation of Socotherm for the final two months of the year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

During the fourth quarter we completed the sale of some surplus property that we had in Calgary, and recorded a gain from this sale of \$12.1 million.

Also during the fourth quarter we booked a further \$832,000 charge for the impairment of property, plant, and equipment at our former location in Kembla Grange, Australia. The impairment charge resulted from the scrapping of equipment in order to clear the site for sale of the property. Now based on our estimated value of the property, we would expect to realize a gain once the property's sold that will largely offset the equipment impairments that have been recorded to date.

Below operating income we have reported a gain from the revaluation of our investment in Socotherm of \$413,000, and during the fourth quarter we recorded income from the investment in Socotherm of \$5.9 million, which is a significant improvement over the loss of \$2 million in the fourth quarter a year ago. For full year 2012, the income from the Company's investment in Socotherm is \$8.7 million versus a loss of over \$10 million in 2011.

Net finance income in the fourth quarter is \$968,000 versus a net finance cost of \$1.1 million a year ago. This is due to higher interest income on our cash balances and reduced accretion expenses on other liabilities.

During the fourth quarter 2012, the Company recorded an effective tax rate of 19 percent. This is well below the Canadian statutory rate of 27 percent as a result of the contribution of operating income from low tax rate jurisdictions in Trinidad, Asia Pacific, and the Middle East.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Before changes in working capital and deferred revenue, the cash flow provided by continuing operations in the fourth quarter was \$78.6 million, more than double the \$32 million recorded a year ago. For all of 2012, cash flow from operations before working capital changes is \$220.5 million versus 117.5 million a year ago.

The net change in working capital and deferred revenue in the fourth quarter was a net cash inflow of \$34 million, and it was primarily a result of reduced accounts receivable of \$25 million and increased payables and provisions of \$40 million. Deferred revenue shifted from non-current to current in the quarter and declined by a total of \$30 million during the quarter with increased production on the Ichthys and Trinidad projects drawing down the deferred revenue balance.

Cash flow used in investing activities in the fourth quarter, excluding reductions in short-term investments of 85.6 million—or sorry, was \$85.6 million. This included capital expenditures of \$30 million and the acquisition of Socotherm, which involved a net cash disbursement of \$47 million in the fourth quarter.

For all of 2012, cash flow used in investing activity, excluding short-term investments, is \$192 million, consisting of capital expenditures on property, plant, and equipment of \$74 million and the Socotherm investment, which for the full year totaled \$111 million.

The major capital expenditures in the fourth quarter were capacity additions and upgrades in our pipe coating facilities in Asia Pacific of \$13 million; capacity additions in Flexpipe of \$3 million;

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

the continued expenditures on the construction of the new DSG Canusa facility of \$5 million; and the Guardian expansion in Texas of \$4 million.

Cash flow used in financing activities in the fourth quarter was primarily limited to dividends of \$6.9 million.

Now finally, we ended the year with total cash and short-term investments of \$372 million, an increase from \$346 million at the start of the fourth quarter.

I'll now turn it back to Bill Buckley for his comments on our outlook.

Bill Buckley

Thank you, Gary. Our outlook is quite strong. As I mentioned, ShawCor ended 2012 with a record backlog of 850 million. The backlog increased 55 percent during 2012, and the backlog grew by 128 million or 18 percent in the fourth quarter alone.

Approximately half of this growth came from the acquisition of Socotherm, representing a structural change to our business, while the other half is from continued new order activity across all our business units, and the movement of booked business into our 12-month backlog horizon.

Clearly the fact that our backlog continued to grow during a quarter when we reported record revenue bodes very well for the future. I should also add that we have orders that extend beyond 12 months, and thus are not fully captured by the backlog.

Including the full value of booked orders, the Company has a total order book of approximately \$1 billion. Adding to this is the fact that in 2012, almost 75 percent of ShawCor's

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

revenue came from orders less than \$20 million in value. These smaller orders form a strong and stable base of business that typically does not impact the backlog as the orders are executed immediately upon receipt.

With the backlog and the continued strong base business, the Company is exceptionally well positioned to perform well in 2013. Now beyond 2013, we remain very confident that our markets will remain strong and provide ample opportunities for growth, and this is supported by the very robust bidding activity that we're experiencing.

Currently the total value of active bids that we have outstanding exceeds \$1 billion, and these bids are for projects that will be executed in 2014 and beyond, and they extend across all of our global regions.

In addition to bidding activity, we are also encouraged by the fundamental growth opportunities in several sectors of our business, and I'd like to discuss three of these high-growth opportunity areas with you.

First is the growing potential we see in deepwater flow assurance pipe coating. Globally it is estimated that capital spending on deepwater oil and gas production will expand rapidly over the next 10 years. Through investments in our Subsea Test Facility and on our proprietary insulation coating technologies, ShawCor is the global leader in deepwater flow assurance solutions.

In the fourth quarter we further enhanced this leadership position with the acquisition of Socotherm. This acquisition brings to our group a company with a well-established reputation for its

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

deepwater syntactic polypropylene insulation technology, and a long track record of successfully executing deepwater projects in West Africa, Brazil, and the Gulf of Mexico from strategic locations.

Already this acquisition has paid off with two recent contract awards with the value exceeding \$70 million for the Lianzi project in West Africa and for the Julia project in the Gulf of Mexico.

In addition, we're beginning to bid on the first deepwater development projects in Indonesian waters, which we are particularly well positioned to execute from our new flow assurance coating facility in Indonesia.

Another area which is providing good growth potential for ShawCor is the North American shale play. The lack of pipeline infrastructure in these regions is providing growth opportunities for our small diameter and large diameter pipe coating business, for our composite pipe coating business, and for our Guardian inspection business. The focus today is on North America, but we expect shale plays to become a global opportunity.

We estimate that the potential market for Flexpipe's composite pipe products in diameters up to 8 inches in North America, Latin America, and Australia exceeds \$2.6 billion annually. As the installation cost benefits of composite pipe over conventional steel are experienced by E&P customers, we fully expect that a significant percentage of this large market will convert to composite, and ShawCor will benefit tremendously. This again represents a structural change in our business.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Finally, I'd like to comment on the proposed share reorganization transaction that will be brought to a shareholder vote on March 14th. If approved, this transaction will eliminate the Company's dual share structure. The ShawCor Board and management strongly support this transaction for the following reasons.

First, the transaction provides for substantial earnings per share accretion. For reference, on a pro forma basis it would have been approximately 12.8 percent accretive to 2012 EPS. Second, the premium paid in the dilution to the Class A shareholders is within the range of precedence for similar types of transactions. Third, a positive fairness opinion regarding the transaction has been provided by TD Securities.

Fourth, the Class B multiple voting shares will be eliminated and control will go into the market. Fifth, the controlling shareholder is currently able to sell just its Class B shares at up to a 15 percent premium to the market price without Board or shareholder consent. This reorganization transaction will resolve any uncertainty or negative impact regarding the future of this control block for Class A shareholders.

Sixth, the transaction will diversify our shareholder base, as many investment mandates exclude investment in companies with dual class share structures. The transaction will also increase liquidity, and provide for enhanced financing flexibility going forward.

Seventh, in addition, after completion of the transaction, all remaining shareholders will receive a \$1 per share dividend. Eighth, the post-transaction leverage, with a debt to trailing EBITDA

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

of approximately 1.4 times, is quite reasonable, particularly given the outlook for solid EBITDA growth on a go-forward basis, and is reasonable compared to our peers.

Ninth, to support this transaction we will issue investment grade senior notes at an attractive 3.65 percent interest rate with a 10-year term. Our notes offering was over-subscribed, providing additional affirmation that our capital structure post-transaction is both appropriate and efficient.

And finally, after the transaction our cash balances, combined with available committed credit lines in excess of 165 million, will enable us to execute on our growth agenda.

For all of these reasons, I would encourage you and all of our shareholders to vote in favour of this transaction.

And with that said, I'll now turn it back to the Operator for questions. Ryan?

Q&A

Operator

At this time, if you would like to ask a question, please press *, and the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

And your first question comes from the line of Scott Treadwell from TD Securities. Your line is open.

Scott Treadwell — TD Securities

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Thanks. Good morning, gents. Congrats on the quarter. Wanted to touch base on a couple of things. Obviously you've rolled Socotherm into the numbers here. I'm just wondering if perhaps on a one-time basis or you could give us some sort of idea of on the revenue side what Socotherm contributed either regionally or overall just to help us kind of recalibrate things going forward?

Gary Love

Yeah. Let me take a stab at that. Let's look at Socotherm for all of 2012. The business was in a, I think, a turnaround position in 2012. You'll recall that this is a business that had been in insolvency back in 2009, 2010. It had many years of losses, including 2011, the first year in which we had had an investment in Socotherm.

And in 2012, Socotherm really did establish a solid position of both profitability and in terms of its structure. It did about \$150 million on a proportionately consolidated basis, so including the various joint ventures via proportional consolidation, did about \$150 million of revenue in 2012. It had a modest double-digit EBITDA multiple on that revenue, and it was solidly profitable.

That for us really sets the stage for the future for Socotherm. This is a business that as of the end of 2012, added approximately \$65 million to our backlog and then early in 2013, they secured a couple of large orders that Bill made reference to. So we see Socotherm as a really solid contributor to ShawCor in 2013 and beyond.

Scott Treadwell

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Perfect. And actually that was kind of a follow-up. Do you have a start-up timing for Lianzi and Julia at this point?

Gary Love

Mid-year.

Scott Treadwell

Mid-year. Okay. Perfect. To move to the Brigden plant, I'm just wondering, I know you've had a high level of interest in the plant from customers. Any update on incremental deployments or incremental plants at this point?

Gary Love

Yeah. Brigden's operating today doing a couple of smaller projects. At this point we see it staying in its current location.

There are a number of projects that we're looking at elsewhere outside of North America that would be relevant for a Brigden deployment, and we'll make a determination as we see some of those projects start to firm up. So for now Brigden's staying where it is and it is currently operating in that location.

Scott Treadwell

Okay. And finally turning to Asia, obviously a substantial jump there in revenue. I'm just wondering does that represent kind of what Asia can do flat out on a quarterly basis? Or is there still

incremental capacity there? Or were you kind of—did all the stars align and you shouldn't expect that number as any kind of run rate going forward?

Gary Love

I mean it was extraordinary; \$151 million of revenue in Asia in the quarter was extraordinary. We are adding capacity. As Bill mentioned, we have a flow assurance insulation line that is under construction at our Indonesia facility. So that will be an additional plant on the Kabil location where we obviously have a number of plants currently.

So we are adding some additional capacity, and that is going to be going into production by about the middle of this year to support some of the large insulation projects that are ramping up in the second half of this year.

But having said all that, I'm not prepared to say that we are going go beyond the 151 million. It truly was an extraordinary quarter; tremendous operational performance by both plants in the region and quite a tribute I think to a lot of the preparation work that had been done to prepare for the big launches. They launched flawlessly. It was very impressive.

Scott Treadwell

Okay. Great, guys. Thanks for the colour. I'll turn it back to the queue.

Operator

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

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Sarah Hughes — Cormark Securities

Hi, guys. First, Bill, can you talk a little bit about the bid book you're seeing currently? You talk about \$1 billion. I'm just trying to get a sense of how much at this time you would expect kind of potentially coming into 2014 versus post 2014?

Bill Buckley

Yeah. Sarah, we've got a fairly active bid book in all three regions, Asia Pacific, EMAR, and the Americas region. And then beyond the bid book if you take the Americas region, there's early engineering work we're doing on projects for pipelines to the West Coast, et cetera that are not yet in our bid books. So that speaks to kind of activity post-2014.

But when we look at the \$1 billion in our bid book at the moment and look at the schedule that we're discussing with our clients, most of that work would be done throughout 2014, and into let's say the third quarter of 2015.

Sarah Hughes

Okay. And, Bill, you talked about Flexpipe in terms of the potential \$2.6 billion market. How much do you think the percentage of that now is composite?

Bill Buckley

Well, that market we were talking about Canada, US, Latin America, and Australia, and at the moment there is probably less than 10 percent of the market that's converted on that basis.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

If you look at Canada and the United States, the conversion rates are higher, getting up into the 20 percent mark, but over that total region less than 10 percent at this point.

Gary Love

Yeah. One of the factors in the 2.6 billion is that that's our estimate of the market potential up to 8-inch diameter pipe. And composites really don't have an 8-inch product.

There are some 5 and 6-inch products out on the market today, but the larger diameter, 7, 8 inch isn't really being addressed by composites today. It's obviously why we're focused on our development of the FlexFlow discrete pipe technology; it's really to address the larger diameters that go beyond our current 4-inch offering.

And so that's for us I think a really critical development. It effectively doubles that market and opens it up for us and to composites more generally.

Sarah Hughes

Okay. And then just on acquisitions, just given the change in your balance sheet post the buyout, just wondering has your acquisition focus changed at all from what it was pre the strategic review?

Bill Buckley

No, it hasn't. During the strategic review, though, I'd have to say that our acquisition efforts went on pause. We continued to scan the marketplace, but we were not pursuing any significant acquisitions outside of Socotherm.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

But we're now back focused on acquisitions. Again, we're looking for technology-based businesses that we can scale up globally using our global platform. We have a new executive who is heading up our M&A department. He's now been on board a year, and he is back in full force looking at acquisition opportunities going forward.

Our sweet spot for acquisitions probably will be in the 100 million to 150 million for new business platforms, and that we can easily manage and we've modeled with our proposed balance sheet going forward and we're quite comfortable with that. In addition to that, you're likely to see us announce some smaller tuck-under acquisitions that are related to our eight existing businesses. And you may see some of those in the not too distant future.

Sarah Hughes

Great. And then just lastly, Gary, what was the reason for the decline in North American gross margins in the quarter?

Gary Love

Yeah. A couple things. I think Flexpipe was the largest single factor there, and Flexpipe's had a tremendous run for us, as you well know, but the fourth quarter was a bit of a disappointment in terms of their margins.

They had—if you look at the fourth quarter versus the third quarter, there was a significant drop in revenue, and so there was some under absorption of overhead, which also

impacted gross margin because when you're structured as they have been, we're not going to lay off employees for what was very evidently a temporary lull in market demand.

So that impacted us. We also had some one-time costs associated with converting our fittings supply chain. We had some issues with some off-shored fittings suppliers. And so we were doing some supply chain changes effectively. And that did impact our margins in the quarter, so Flexpipe was the largest single factor.

On the pipe coating side, we did see a pull-back in small diameter activity, particularly in the US in the fourth quarter. We don't think that's anything likely to be sustained, but that was a factor in the fourth quarter. In Canada also there was a pull-back in small diameter activity, but Canada's benefiting from some very strong large diameter activity right now.

So pipe coatings revenue in Canada were pretty much a wash, but there was a shift from small diameter to large diameter and that wasn't—that was actually a bit of a negative factor in margins as well.

Sarah Hughes

Okay. Sounds great. Thank you.

Operator

Again, if you'd like to ask a question, please press *, 1. Your next question comes from Dana Benner from AltaCorp Capital. Your line is open.

Dana Benner — AltaCorp Capital

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Good morning, guys.

Bill Buckley

Good morning.

Gary Love

Good morning.

Dana Benner

I wanted to start with the issue of margins. Twenty-four percent is so far beyond sort of the Holy Grail number of 20 percent at ShawCor that makes you really stand up and notice. As we move forward, you've run 151 million in Asia Pac, which would have been a huge contributor to that. You've got Apache Julimar potentially contributing more. Of course the offset may be that as Socotherm starts to contribute at a higher rate, but at lower margins, maybe that pulls back. So maybe give us a sense for margin trends this year. Is 24 percent just the absolute peak that you could achieve with your current structure and it would be foolish to set that out as the marker going forward? Or what do you think?

Gary Love

Okay. Well, look, let's clear the air right off the bat on the 24 percent. So the 24 percent includes the gain on the sale of the property in Calgary. It's included in our Pipeline segment because that was a property that is owned by the companies within that segment, but if we strip

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

that out, the operating margin in the Pipeline segment was 21.5 percent. Now that's still an all-time high for the segment, but it's not 24. So just want to calibrate everybody correctly on that.

So let's talk about 21.5 being the margin without the gain. And by the way also, the EBITDA margin is quite meaningful in that respect as well because it excludes the gain. And as I mentioned in my prepared remarks, the Pipeline EBITDA margin was 26.5 percent, also an all-time high.

So operating margin 21.5, EBITDA margin 26.5; can we sustain that in 2013? I believe we can, certainly when I look at the portfolio of work that we'll be executing in 2013. I did speak a moment ago on Sarah's question about the fact that the fourth quarter did have some margin negatives in it associated with North America, which we don't expect to see going forward.

So there's a little bit of upside as well I think over those fourth quarter levels, but I wouldn't count on significant improvement over those levels. I mean we're not talking multiple margin points. We may be talking a couple under the best case scenario.

Does that help Dana?

Dana Benner

Well, it does. I guess I'm trying to understand the impact that Socotherm would have or is the build rate not fast enough to impact it this year?

Gary Love

No, Socotherm will be positive, but I think we're probably looking at another year before we start to see Socotherm's margins moving into the zone of where the balance of our Pipeline segment margins are.

So Socotherm is—from a bottom line perspective, Socotherm's going to be a solid contributor to ShawCor in 2013. I think it's going to be a very—it's going to be an acquisition that will generate a really good return for us, but from a pure margin perspective it's not going to help our margins in 2013. Okay?

Dana Benner

Right. Will you keep separating out Socotherm for the benefit of us? Or is there a point where you just roll it in and it just becomes even...

Gary Love

No...

Dana Benner

Sorry. Go ahead.

Gary Love

Yeah. No, it's part of the Pipeline segment. We're not going to separately disclose. It'll get factored into the various regions in which it operates. So you can expect it'll have a very meaningful impact on our Latin America segment. It will impact obviously North America with their strong operation in the Gulf of Mexico, and of course it'll be incorporated into our EMAR numbers.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

So you'll see it impacting the geographic segmentation, but no, we're not going to separately call out Socotherm. That's I don't think necessary.

Dana Benner

Moving to the bid list. Is Browse within the “in excess” of the \$1 billion bid list right now?

Gary Love

Yes it is. We have incorporated Browse at I think a fairly modest—as I think you can appreciate, there's a range of potential outcomes on Browse in terms of where it's going to end up. We've incorporated it in the sort of low 400 range.

Dana Benner

And then I guess to the next question. Do you think that this process, the elongated process that goes back to September has aided your competitors in any way in any global region? Has it taken ShawCor offline in any particular capacity that it may have aided them for these seven or whatever number of months?

Gary Love

I personally don't think so. I don't think—I can't point to anything that would say there was any impacts. Certainly there were no impacts in our operations. Our business units have continued to do what they do best. They have not been affected by the strategic review process. So there's been no operational impact, and I don't believe there's been any commercial impact either.

Dana Benner

“Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein.”

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Okay. Just one final question, if I may. Obvious the reason for your proposed debt issuance here around the transaction. Why settle at 350 million? What's magic about that level?

Gary Love

Well, I think it's a level that is something that we can view as permanent debt on our balance sheet. Ultimately when we sit back and say, what are we trying to accomplish with the issuance of senior notes? Well, we're putting in place long-term debt that we would characterize as permanent debt in the capital structure. And we've worked through a range of different scenarios in terms of future outcomes for the business, and one of the things that we're trying to make sure is that we always maintain an investment grade profile.

And we've looked at that in the context of certain upper limits on leverage, and the upper limits would be both in respect of debt to EBITDA and also debt to capitalization. And when you look at, for example debt to EBITDA, you've got to have a scenario, run a series of scenarios that take into account different developments in the future and the cyclicity of the business.

And when we do that we feel very confident that the \$350 million of senior note debt will be managed by our capital or within our capital structure and we will maintain that investment grade profile. So that was really I think one of the key drivers for how we came up with that amount.

The benefits of course in terms of the improvement to the efficiency of the Company's balance sheet and the reduction in our overall cost of capital, I think that's—I think we've got the

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

right, in my view we've got the right balance between how much debt to have in the capital structure on a permanent basis and the cyclical nature of the business. Does that help?

Dana Benner

You betcha. That's all. Thank you.

Operator

And we have no further questions on the line.

Bill Buckley

So thanks, Ryan. I'd like to thank everyone at this point for your participation and for your interest, and we look forward to talking with you again next quarter. Thank you.

Operator

This concludes today's conference call. You may now disconnect.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »