FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, everyone and welcome to the conference call for Technip first quarter 2007 results. [OPERATOR INSTRUCTIONS] I would now like to turn the call over to Mr. Thierry Pilenko, Technip Chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip - Chairman & CEO*

Good day, ladies and gentlemen and thank you for participating to Technip's first quarter results conference call. I'm Thierry Pilenko, Chairman and CEO of Technip. And around the table we have Olivier Dubois, our Chief Financial Officer and Bernard di Tullio, our President of our Oil & Gas division plus Xavier d'Ouince our Investor Relations Manager.

I'll start with a brief introduction on today's conference call and then I'll turn to Olivier Dubois who will present the first quarter figures. I'll finally give you some color on our business trends and outlook for Technip by industry before the traditional Q&A session. But before that I'd like Xavier to remind us the traditional rules of our conference.

Xavier d'Ouince - *Technip - IR Manager*

Thank you, Thierry. I would like to remind participants that the first quarter results, as well as the 2006 comparison can be found on today's earnings press release and slide presentation which are available on our website, technip.com. Statements in today's press release and slide presentation, as well as those made during this conference call, which are not historical fact are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimers which are issued as part of today's earnings press release and slide presentation.

Also, a replay of today's call will be available on our website approximately two hours after the end of the call. I would now like to return the call to Mr. Thierry Pilenko, Chairman and CEO of Technip.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you, Xavier. For those of you who may not know this is the first time I'm presenting Technip's quarterly results as I was appointed Chairman and CEO on April 27 at the annual Shareholders' Meeting. Having said that, before I took this position I did spend about two months with Daniel Valot, my predecessor, to familiarize myself with the Company and to be prepared for the handover. These past few weeks have been pretty intense, as you can imagine, but also very productive and very fruitful. I'd like to take this opportunity to thank Daniel Valot for sharing his knowledge of Technip and his knowledge of the industry.

So we have decided to focus on two main areas during this overlap. First, the Technip environment and its shareholders, our customers, our partners and the financial community. Second, Technip from inside with special focus on people and a special focus on projects, both current and obviously future projects.

So to start with the technical -- sorry, the financial community, I participated to European and North American road shows on the occasion of our 2006 results presentations. And if I can summarize two elements of the discussions with the financial communities, I think there are two main messages that I received. First, I believe our cash situation and cash needs will need to be clarified and second, the elements of our strategy needs to be tuned and explained to both our shareholders and our employees and our customers.

I also met with our large partners, some of our large partners, particularly in the LNG business. So those partners are Chiyoda, JGC, Saipem and KBR. I had the opportunity to meet all of them in the context of the projects we are working on together and I did cover quite a broad range of our teams -- operational teams. First in the Middle East, my first visit was for Qatar and then Abu Dhabi. Then I went to Italy where we have a very large engineering center, in southeast Asia and obviously in Houston and Paris. I also visited one of our strategic plants, our plastic factory of flexible pipes in France.

So I don't think it's going to be a surprise to most of you if I tell you that I found very competent teams, greatly appreciated by our clients and partners for the quality of the work but also and probably more importantly, for the ability to deliver systems or infrastructures that work and to finish projects. So this really confirms the appreciation that I have from outside based on Technip's reputation when I was not part of Technip but I was working in all the countries where I worked in prior to joining the Company. So I'm very happy to see that the reputation from the partners and from the customers is at the level of the reputation that I could appreciate from outside.

I will not pretend that I have made an exhaustive review of the current and future projects. But I would say that I believe the risk on projects, particularly long term key projects are better controlled today than two or three years ago when the cost in raw material, equipment and human resources started to increase rapidly, as you all know. Now, it takes time to build a lower risk portfolio, but I think we are moving in the right direction. At the same time managing the legacy of the higher risk projects and anticipating the risk profile in future projects. This being said, the size of projects both onshore and offshore will require very close monitoring particularly in the construction phase, which is always the most critical in the project.

Now as far as our strategic options are concerned, I know there are many questions about it, but you will understand that I've been on the job a little bit more than two weeks and that I will need some time to be able to evaluate the current strategy and modify it, if need be, should it be modified. We have started the process, given the framework of ideas and direction to a small group of experts which have the right experience and I expect to formally communicate about the strategic options in the September/October time frame as previously communicated.

But now let's focus on the first quarter results and I would like Olivier Dubois to comment on our financial results. Olivier?

Olivier Dubois - *Technip - CFO*

Okay, thank you Thierry. Good day everybody. Here are the main comments that we can make on the Group financial performance during the first quarter of 2007, starting with the income statement. We enjoyed a strong growth in revenue during this first quarter 2007. Plus 13% on a year on year basis in spite of the effect of the 9% evaluation versus euro of the US dollar and the other set of currencies which had a negative impact of EUR60m on the revenue, minus 3.3% and EUR3m on the operating income. This revenue growth was fuelled by both Onshore Downstream plus 25%, and SURF plus 70% business segment performance. Whereas the offshore facilities revenue dropped as expected by 24% following the completion of some major projects in 2006. Industry revenue was up 4%.

Excluding any income from activity disposal, operating income jumped by 237% compared to first quarter 2006, at EUR108m versus EUR32m one year ago.

Clean operating margin was 6.1% compared to 2% last year. By business segment the balance performance was as follows. A very strong performance in the SURF business in all the regions, but particularly in North Sea and in West Africa where Project [Detition] is going well. Operating margin reached a record level on a quarterly basis at 11.5% versus 8.1% in 2006. This achievement is well in line with our 12% growth. If we compute an EBITA it would have been on a clean basis at 16.7% in Q1 versus 13.4% one year ago.

The continuation of the [weak] of the offshore facilities business segment in comparison with the first quarter 2006, which was impacted by the loss and provisions recorded on a major project now completed in Western Africa. This business segment shows a 5.3% operating margin ratio, which is in the range of 5 to 6% that we announced as a target for this business. Depending on the product mix between spars, fixed and floating platforms and FPSO. The three main projects, mainly the Qatargas II offshore, the Perdido Spar and the Akpo FPSO project are today executed according to schedules and budget.

The major improvement in operating margin ratio in Onshore Downstream compared to Q1 2006 when it was only breakeven and the stability of this margin on a sequential basis have tripled 3.2%. Today most of our main projects have entered into the construction stage, which is especially in the current environment the most risky one. We are extremely cautious in margin recognition for the large onshore project because the availability of the resources of the construction remains the constraint in some areas where a lot of projects have to be executed at the same time. We prefer to keep the competencies and provisions in order to mitigate potential cost overruns.

Finally, Industries business segment reiterates its good performance of last year with a strong 5.1% operating margin ratio. At the Group level, including the past goodwill amortization capital gain generated by the ROVs activity disposal operating income was EUR121.5m to be compared to EUR54m one year earlier. Compared to 2006 the financial results shows its tradition due to the IFRS and change impact of EUR8.4m. Excluding these non-cash financial charges, the improvement was in line with the current financial situation post conversation of the convertible bonds.

That sort of level demonstrates the efficiency of our tax policy. The actual tax rate, which excludes the non-cash goodwill amortization on EUR2.5m on deferred tax assets not previously recognized, was 27.8% versus 30.2%, in line with our medium term target.

Highlighting net income, is up 169% to EUR68.1m.

Concerning EPS, I would like to stress that we have changed the calculation method in order to fully comply with IFRS. Until the end of 2006 we used to divide the restated net income for EPS computation by the number of shares at the end of the period on a fully diluted basis. Now, in compliance with IFRS, the number of shares on a fully diluted basis which will be based -- will be based on the weighted average number of outstanding shares during the period. For comparison purpose the change of method has been applied to the Q1 2006 EPS. But it has had an significant impact. EPS for this quarter, on a diluted basis, more than doubled at EUR0.65 compared to EUR0.32 last year.

Moving now to the balance sheet where there are no major change since the end of 2006. In fact, further increase of our net total cash position that I will comment later. We keep a very sound balance sheet with shareholders' equity of EUR2.4b prior to the payment of the 2006 dividend. Today, shareholders' equity is above EUR2b, a level that we estimate to be consistent with the size of our projects under execution and to come, as well as with the bank guarantee commitment officiated.

Cash generation was sustained during this quarter at EUR91m excluding proceeds from disposals and before share buybacks, thanks to both, cash flow from operations at EUR81m and working capital contribution at EUR54m.

Nevertheless, we must keep in the mind that we have paid the 2006 dividend for a total consideration of EUR275m the May 3, 2007. We are committed to invest EUR350m of capital spending in 2007 mainly in the fleet and the manufacturing facilities expansion programs.

Finally, we benefit from very good payment conditions from our customers and our main Onshore Downstream project. So part of the current cash position will be spent in the coming quarters in line with the settling of this project.

As a consequence of these three elements we should normally have an increase in our net cash position in the coming months, which could be partially offset by the positive contribution of the new project to be awarded.

As a conculsion, it is important to notice that the Group also improved dramatically its economical performance in terms of return. The return on capital employed jumped to 30% on an annualized basis thanks to the improvement of the operating performance, but also due to the reduction of the capital employed by the Group.

Thank you very much and I would like now to turn back the call to Thierry.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you, Olivier. Let me now cover trends and outlook for 2007 and I'll start with our backlog. So our backlog continues to be high and you can see that approximately $4.5b of revenue are already assigned for the remainder of the year. Sorry, I think it's EUR4.5b euros. Sorry for that, already assigned for the remainder of the year and if you add to that first quarter results and growth we should be able to reach our gross target for 2007.

I think it's also important to note that a significant part of our backlog in the Onshore Downstream extends well into 2008 and beyond because of the sheer size of the projects that we are signed up generally in the Middle East.

About 40% of our backlog is in Gas and LNG, which is a very strong position for Technip as this sector is growing rapidly. And Deepwater constitutes about 20% of it. Refining and Petrochemical are well balanced and we'll talk about opportunities later on but we see opportunities in all segments. Close to 50% of the backlog is in the Middle East, mostly onshore and the rest is well balanced between the other areas.

Now if we look at the major contracts that we have on our radar screen and we regularly publish those contracts, these are contracts that we believe could be awarded in the next 12 months and could be awarded to us or our competitors. But we can see that all segments of activity show significant opportunity. So I will not go into the details of each opportunity, but I would like to highlight a few such as the very large contracts in Africa, such as USAN and PAZ FLOR in Angola and Nigeria, for which there is both subsystem and the subsystem, SURF component and an FPSO. These projects have seen some slight delays in the decision, however, they are strategic both for the operating companies and for the West African countries and national companies. Therefore, we believe that a decision will be made sometime this year or in the next few months.

Now Gas and LNG in particular continue to be a strategic development both for our customers and for us. And we are currently working on several major projects, but there are many more projects on the radar screen such as the TRAIN 7 in Nigeria, which is going to be the largest LNG train in the world with a capacity of 8.5m tons per year. Or another project such as OK LNG, which is a [Rusnip] project, also in Nigeria, for which we expect some developments maybe later this year.

Furthermore, Refining and Petrochemical projects also contain a very large component of [PASNOP] plans, particularly for the production of those more refined products, or more sophisticated products close to [Aurel] production in the Middle East in particular. And I think we are extremely well positioned to capture some of this market.

Now, these large projects should not hide the reality of a very large increase of smaller scale projects in all segments and across the world, being in SURF, in Offshore Facilities, in Petrochemical/Refining, LNG/Gas terminals and so forth. So a number of projects of much smaller scale have been decided and are ongoing, so I think this is a very fundamental trend. We see a large increase of infrastructure worldwide. It's a long term trend which underlies the robustness of the oil and gas industry.

So in that context I will confirm the qualitative guidance that we gave earlier this year that our Group revenue would show moderate growth this year. That we anticipate further improvement in operating income from recurring activities, that the backlog and the growing demand enable us to be more selective about the projects we take in, and that we will focus not only on our organic growth but also on identifying opportunities for external growth.

So in this environment I think the priority for the Company is to increase our financial performance through a focus on operational margins for the project teams and the business development teams and we'll focus on return on capital employed for the management group. Financial performance increase through risk anticipation and very rigorous contract management. And number three, an organization that is empowered, accountable and with clear reporting lines. Number four, excellence in project execution with particular attention to the construction phase, as already mentioned by Olivier. And number five, evaluation of business models and in particular the right balance between long term turnkey projects and reimbursable construction contracts. That's particularly for the construction phase.

So that concludes our review and we are now ready to answer your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. [OPERATOR INSTRUCTIONS] The first question comes from Alejandro Demichelis from Merrill Lynch. Please proceed with your question.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Yes, good afternoon, gentlemen. Two questions if I may. First one, we've seen a drop in your depreciation in SURF. I was wondering if that's all related to the disposal that you did earlier this year, or if there is something else in there?

And the second question is Olivier reminded us of the targets that you have on operating margins in SURF and in Facilities, but I don't think that we were reminded about the targets that you are having on the Onshore Downstream business. Maybe you can refresh our minds about that.

Thierry Pilenko - *Technip - Chairman & CEO*

Maybe I'll answer the second question and then let Olivier answer the question on the position.

Olivier Dubois - *Technip - CFO*

Yes, Alejandro please understand, as we mentioned during the last conference call it was the occasion of the release of the full year account in last February, we mentioned that during the last quarter of 2006 we made an accelerated acquisition of the [technical difficulty] based in Angola for $20m.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay? Now as far as our targets for margin in the different businesses, so we like it that a business like the SURF business could attract a 12% margin, everything included. Okay? Including depreciation, amortization and all the costs of the business unit in it. We are at 11.5% this quarter. On the platform and facilities side, barring any surprises, on a steady basis, you can expect around 5 to 6% and we are very close to that this quarter. And on the Onshore Downstream business, this is a business that on a steady basis and in the risk that we manage could attract a 5 to 6% margin. We are not yet there. This is an area where we need to improve our margins. I would not tell you when we'll be at 5% or 6%. But I believe this is an area of improvement and we'll be focused on moving from the current 3% or 3.2% up to 4%, 4.5% and beyond.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Okay, fine, thank you.

Operator

Christyan Malek from Deutsche Bank, please go ahead with your question.

Christyan Malek - *Deutsche Bank - Analyst*

Hi, good afternoon, gentlemen. Three questions, if I may. The first is regarding the EPC costs. Now Thierry, you mentioned you traveled around the world looking at all the operations. Now in your opinion, given the high EPC pricing environment that's, to be honest, resulted in a lot of operators and LMCs returning to the negotiation tables. How concerned are you that your clients will begin to threaten to slice up projects and award bits of the EPIC contract to various subcontractors? Asian subcontractors come to mind, at lower margin.

The second question is really a follow up of your last answer. Now you mentioned 5 to 6% Onshore. Olivier, Mr. Dubois, also mentioned that there are a lot of contingencies that are in place that he's held back in order to neutralize any cost overruns that may occur Onshore. Now let's say those contingencies are exhausted, will you get to 5 to 6%, or is that assuming the contingencies aren't exhausted?

And the third question is regarding the clarity over the acquisitions that you plan to make. Now you've said EUR1b roughly. Is that on businesses that are overlapping with what you do now or entirely separate different in technology and operation?

Thierry Pilenko - *Technip - Chairman & CEO*

Okay, well that's a number of very, very important questions here. I'm not sure I have heard very well the first question, but it was about clients pushing back on costs and having Asian subcontractors coming into the market and so forth? So if I understand well your question, do we see clients concerned about costs? Yes, we do. And this is an area of concern that is by the way not only for clients but also for ourselves as we have seen in the past three years an increase in the cost of raw material, human resources, as well as equipment. As a result of that new projects are more expensive. But we are also in an environment where the cost of hydrocarbon, or the price of hydrocarbon, the price per barrel is much higher and more stable and more visible than it used to be. So yes, we do have discussions about how to reduce those costs, particularly on new projects and there are ways of doing it.

You can do it through descoping in some cases, or you can do it through better understanding the risk profile of the projects.

I take an example. In the classical long term turnkey project we used to commit engineering, procurement and construction in one go, one price. Today, and because of the risk on the construction side in particular, our customers have a tendency to look at projects into several phases and we do that with them. Engineering or the pre-study, engineering and construction, which could be on a long term turnkey basis and then once the price and the risk have been better accessed, something that looks like a target price type of contract. This has one advantage, which is that we better understand what the customers really want and the scope, and also the customer can better assess the risk that either they are ready to take or we are ready to take, which avoids taking contingencies that may not be necessary.

You mentioned Asian subcontractors or Asian -- I believe this is all what we see is that in the FPSO business we have seen the usual competition particularly on the large facilities of FPSO which are the Koreans. But as far as -- I'm not sure what pools of subcontractors you are referring to. As far as Technip's relationship with Asia, we do have very highly skilled partners in Asia which are Japanese companies such as Chiyoda and JGC with which we do build those large LNG plants in the Middle East and other places in particular. So I think at this point in time our customers are not only looking for cheap resources, I think they are really looking for the right resources that can finish the project. And that's one key element that I brought up earlier on, which is the ability to go and engineer the project and deliver the project. And I think so far what we have seen is that the alliances or the joint ventures that Technip has been able to build with Chiyoda and JGC have been pretty successful in advancing those projects.

Christyan Malek - *Deutsche Bank - Analyst*

Just on that point before we go onto the other questions, this blending of risk now through these, I think what you call convertible projects, does that not imply that your pricing power now is somewhat capped in that you'll no longer be able to push the pricing power across '05/'06 through to '07/'08 contracts?

Thierry Pilenko - *Technip - Chairman & CEO*

No, I would not say that. You know it's not just pricing power. We are not selling goods or services. It's about a lot of the value, or the price, if you want. For the customer is in the risk and how to manage the risk. So it's not about pricing power and it's not about the power of relationship anymore. It's about evaluating the risk together with the customer. And particularly it's not only the risk on cost, but it's also the risk on delays as most of the net present value of these plans is based on a certain timetable and therefore any slippage on that timetable has significant impact on the returns. So I would not call it pricing power. I would call it a relationship with the customer where we are ready to sit down and assess the risks.

Now for the second question about the 5 to 6% on the Onshore Downstream, I think this is what we will be able to expect when we get into those contracts, and as we get into those contracts where the risk profile is better understood. For the time being we have taken a fairly prudent approach because as Olivier pointed out, many of our contracts are in the construction phase and our experience with contracts in the construction phase is this is the area where we have some risk to cover. Okay? Where we are dealing with a number of subcontractors and interfaces, so we prefer to have a prudent approach on locking the commission in that business. And I would not at this point in time commit on the timeframe at which we will be able to be in a position to realize a 5 to 6% margin. But I think this business has the potential to make it.

Christyan Malek - *Deutsche Bank - Analyst*

Just sounds to me the 5 to 6% for the target assuming everything goes smoothly and hopefully that will happen --

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Thierry Pilenko - *Technip - Chairman & CEO*

You know we are in a business where some projects go well, some projects average, and some projects have difficulties. 5%, 6% assumes that we manage our risk well, yes, of course. But I think it's not an illusion or we can't contain that at these types of targets. But we have a portfolio of activities, a portfolio of projects. Some of them are older projects, some are new projects in which we are able to negotiate better terms and we have a mixed portfolio at the moment with mixed performance. Okay?

So now as far as your last question is concerned, I know there's been rumors about the acquisition of $1b. Let me clarify here what I mean by acquisition. I think Technip has the platform and the financial resources, the balance sheet to execute an acquisition of a significant size. As an example I think we could have a meaningful acquisition of say, $1b or maybe several of smaller but with an aggregate value of a $1b and I think this is part of our strategic development to look for such acquisitions. And we are going to be actively looking at it. However, at this point in time I would not say that we have identified a target. There are targets that are slightly larger than that, others that are much smaller than that. And as you know what we like is targets that bring us some complementarity in terms of technologies or geographies and so forth. But it is way too early to give you my strategy. All I can say is that Technip has the right platform and the resources to execute that acquisition. But at this point in time we are evaluating opportunities but we are not discussing with anyone.

Christyan Malek - *Deutsche Bank - Analyst*

Okay. Sorry to drag this on but do you not think given the whole issue around delivery and execution that there's somewhat of a bit of a distraction to be looking around the market for potential targets when the key issue now is to execute your projects?

Thierry Pilenko - *Technip - Chairman & CEO*

I agree. It is important that we execute our project properly and our teams are focused on execution. However, I think as a management team we have the responsibility to look a little bit beyond that and start building a portfolio of activities that make sense for Technip. So yes, you're absolutely right. Our priority is profitability. Our priority is execution of projects and the right people, the right motivation, the right organization. Nevertheless, I think we have the financial and human capability to look at targets and the $1b type of target is something within our reach. But as I said before, we don't have a specific discussion at this point in time.

Christyan Malek - *Deutsche Bank - Analyst*

Thank you.

Operator

Tao Ly from JP Morgan. Please go ahead with your question.

Tao Ly - *JP Morgan - Analyst*

Good afternoon, gentlemen. Mr. Pilenko, prior to departure, Daniel Valot had said that Technip would look at acquisitions in the Industries division. I know you're being quite vague on what you might intend to look at in summer, but would you consider looking at acquisition in the Industries division?

And secondly, I just wanted to clarify something that came across on the official news wires this morning, which said Technip says that Saipem remains a threat to the Company. I was just wondering if you could elaborate on that?

Thierry Pilenko - *Technip - Chairman & CEO*

Okay, well, these are two very different questions. First of all, at this point in time, I'm not ruling out anything. However, I mean, there are things that we do well at Technip and the portfolio of activities that I think could expand very naturally in the classical or traditional business of Technip. However, as I said before, it's too early for me to make any comments about the long term strategy, so I don't want to rule out any options at this point in time. So that's all I say at this stage.

Now, Saipem remains a threat, I think it's an interpretation. What happened with Saipem is that back in December of last year, end of November, early December last year, that was a rumor that Saipem could be interested in extending an offer to potentially buy Technip. So this rumor was there for a few days and Saipem have been asked by the AMS to clarify their position. The clarification was that there was no plan at the end of November, early December, to do that. Once this clarification was made, that meant that, for six months, Saipem could actually not make an offer for Technip. Now, at the end of May the six months are over and then Saipem could come back. Now, as far as I know, there was nothing official that came to Technip. Well, it's not as far as I know, I am sure, okay, that came to Technip, and I think the reason for which this came up is just because at the end of May this six month period is over.

Now let me be very clear about that. I think we are a public Company, we have a pretty broad shareholder base, which is both in Europe and the U.S. My take on that is that, you know, I'm not overstretched about those type of rumors. I think what we need to do is make sure we have the right performance, as Christyan pointed out before, that we have the right project execution and the right strategy for the Company. This wide strategy means ourselves looking at potential acquisitions and but, you know, if somebody extends an offer we have the responsibility, as shareholders, to look at this offer. But at this point in time I would say that in our business, which is very rich in capital intellectual, where our main asset is -- are the people that work for us in all the engineering companies, any hostile approach would probably not work very well because it would not keep the long term value of the Company.

So, will consolidation happen? Maybe one day, but I think consolidation would not be very successful if it was in a hostile context. That's my take on it. Now I don't control the strategy of our competitors, or anybody who would like to talk to us. What I try to do is make sure that Technip has the right strategy and the right financial performance, because it should perform well and your stock perform well, it performs well, you have a lower chance of becoming a target.

Tao Ly - *JP Morgan - Analyst*

Okay, thank you.

Operator

Martijn Rats from Morgan Stanley. Please go ahead with your question.

Martijn Rats - *Morgan Stanley - Analyst*

Yes, hello. I have two questions. First of all Chiyoda, when they published their results one or two days ago, was highlighting some execution challenges on their project in Qatar and sounded very bearish on its margin prospects for their year 2008. And I know that this is your main partner on those very same projects in Qatar, and I was hoping you could comment on how that would affect you?

And secondly, again on the theme of execution, the Prime Minister of Vietnam has recently highlighted his, well I would call it his frustration, about the slow the progress on the Dung Quat refinery, which is quite essential for the progress of the Vietnamese economy. And I was also wondering whether you could comment on how well that progress -- how well that project is going as well?

And finally, in one of the slides, you highlight the addressable market is increasing quite quickly for you, but I was wondering how that translates in actual opportunities to take orders given that, perhaps not demand, but your internal capacity may be more of a constraint to take orders? So these were my questions.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay, quite a number of questions, so let me start with the -- try to answer your questions on the LNG and Chiyoda in particular. The first thing I would like to say is yes we are in partnership with Chiyoda in -- particularly on three large projects, Qatargas 2, Qatargas 3 and 4, and Rasgas 2 in Qatar. And Chiyoda is 60% in this joint venture and we have 40% in the joint venture. So we are absolutely aware of what Chiyoda has been saying about resources here.

Now the profile of our two companies, the first point I would like to make is that the profile of our two companies is very different. Chiyoda is very, very focused on energy, this is their main line of business and they are very focused and I wouldn't make comment about how much of their business is in Qatar, because I think this is a question that you should be asking them. But it's obvious that they have more exposure as a percentage of their portfolio than we do.

Now, the fact that Qatar has known resources issues in terms of build up is something that has been discussed for quite some time. We are now in the construction phase on three projects. There are some interdependencies between those three projects and others by the way. And I think Chiyoda just highlighted the difficulties that you see in the construction phase of this project, which again goes in line with what Olivier said, that we have a product approach when we are entering in the construction phase of our projects.

So those resultant issues could be as simple as having access to cement, for example. We need about 800 tons of cement a day in Qatar for our three projects. And there was a period, not so long ago, but there was a period when there was no cement for example. Then you have the issues about finding the right vendors and so forth. That's part of proper project management and that's why you have the standard to have a very prudent approach about how we really can manage margins on these projects until we have the full visibility on the construction.

Now, as far as Vietnam is concerned, it's a slightly different shoe. The Vietnam refinery, as you pointed out, it's absolutely right that it's a strategic asset for the country. It's a large investment and I think it's going to be the largest refinery in Vietnam and certainly the most recent refinery in Vietnam. So, what has happened in Vietnam is that our clients and authorities -- the local authorities have found out that the subcontractors that, for many of them are under the direct control of our clients, do not have the productivity that they expected and, therefore, they expect some delays on this refinery. So, obviously, we are closely associated to manage the effects of those delays on the refinery with our clients. But I think the strategic importance of the refinery is there, and the engineering and procurement have gone extremely smoothly so far, so we just have to manage carefully the construction phase. Okay.

Operator

We now have a question from Thomas Dietz from Thomas Dietz. Please go ahead with your question.

Thomas Dietz - *ABN Amro - Analyst*

Hi, it's Thomas Dietz from ABN Amro. I have a few questions, if I may. Just on -- you were saying that you were expecting growth in the top lines for this year. I was just wondering if you could give us a bit more clarity, whether that's around 5% or 5 to 10%?

Then, second question, I found the conversation very interesting and your comments about risk management, and I was wondering whether you could elaborate a bit more on that and whether you see any of those risks that could be transferred to the client?

And thirdly, I was wondering whether you could tell us a bit about your joint venture with Subsea 7 in Asia and how that is progressing? Thanks

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Thierry Pilenko - *Technip - Chairman & CEO*

Again, there are a number of very different questions. So, we say moderate, and we say that we would not give a specific number. But I think some of the numbers you've given are in the ballpark. So that's -- we are not going to go in the guidance quantitative guidance again because this is something where people just divide by four and every quarter they get into that game, and their models, and so forth. I don't think it's really important. I think what is important is to understand what are the underlying strengths and opportunities of our business and the underlying risk. And I hope that they'll be able to convey that to you.

Let me answer the question about Subsea 7, because it's pretty easy to answer. So, it's a joint venture that has been put together not that long ago. Probably a year, is that correct Bernard? Yes, a year ago. So I would say it's a little bit too early to say whether it has had all the impact yet. But what I can tell you is that we are working extremely well with Subsea 7 in that joint venture and that the assets that we have there are fully busy, fully occupied on high quality projects. So, so far, so good. Okay

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Thomas Dietz - *ABN Amro - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman & CEO*

As far as risk transfer to clients, I think again I would like to describe some of the processes that we have tried and experimented in environments where we are -- particularly the construction costs are difficult to evaluate. And I'm talking about an environment with either very little resources or where the cost of human resources could be very high. A typical example would be Canada. In Canada we have -- we are operating for example in the tar sands, and this is north of Edmonton in a very positively remote area where there are very limited resources. Same thing will happen in Australia and other parts of the world where the cost of labor is more unpredictable.

So, what we are trying to do to mitigate the risk -- our risk, but also make sure that our clients understand really what is the cost of a project, is a good several phases, which is instead, and I think I described that before, instead of entering straight on with a lump sum turnkey project that encompasses engineering, procurement and construction, we do that in steps. We do a feed, we refine the model with the customer, we work during the phases of engineering and procurement on a lump sum turnkey base. Once we have advanced enough into the project then we can make a commitment. We as contractor can make the commitment to the project. That's the way to have a better visibility on the project, understand better the client's need and reduce our risk and reduce their risk at the same time, because everybody understands each other better.

So, this is the type of evolution that we are seeing in the lump sum turnkey projects. I'm not saying that this is necessarily the model that we work always in the future. In some cases it will not make sense to work, particularly in the construction phase, on a turnkey basis -- or lump sum basis. We may want to go as [possible]. But this is how we are trying to mitigate those issues by adding a much more proactive approach.

Now, in some markets this will not be acceptable by the customers, and this is why I'm saying that we will have to be selective with the type of projects we want to take in which markets. And we already know that there are some markets where we would not take the LSTK approach for the construction phase for example, because of the unpredictability of the risk on human resources. We may have done it in the past. We may have suffered from it in the past. Now it's going to be clear that there will be a lot of discipline about what we do and we don't do in terms of where we work in construction in lump sum turnkey.

Thomas Dietz - *ABN Amro - Analyst*

Okay, and when you are at this more advanced stage in the project, how difficult are negotiations? Certainly I can imagine that you have different views on what costs should be than your clients, I guess.

Thierry Pilenko - *Technip - Chairman & CEO*

Well, we are not really talking about open books here, but it's really to try to refine the scoping and the issues about how the general environment and -- Bernard would you like to add something about --?

Bernard di Tullio - *Technip - President Oil & Gas*

Yes, because straight at the beginning of the project now or major project coming up, as Thierry said in I would say a difficult area, we agree with the clients which we are going to do the job with them, but not on a strict lump sum turnkey. So we progress with the project. We progress with the cost. We continue to scope when the need of the client to have a proper project and, at the end of the day we end up with, as we said, a solution like the target price and, therefore, construction, or overall target price I would say is really impossible if needed. So it's an ongoing discussion with the client. Need to all find a common interest in working together and finalize within the schedule and the appropriate costs for the project or the plant.

Thomas Dietz - *ABN Amro - Analyst*

Okay, and that is not an obstacle in competitive terms versus other companies in the market? Your competitors they are having the same approach?

Thierry Pilenko - *Technip - Chairman & CEO*

Some of our competitors are having this approach. Some of our competitors are -- may take the risk, but I think we are today -- I mean we had a question earlier today about pricing power. I don't think it's a question about pricing power. It's a question of today we have the ability to tell the customer if we want to engage and commit to a project let's sit down and look at the risks together. Okay, which is not systematic. It's not all the customers. But very often particularly with the larger and more complex projects we have that situation. And I think it is healthy because it avoids that we take a slight contingency that could scare the customer, and it helps because we understand the scope of the project together much better and we can appreciate, and we can have the teams working together much earlier in the process.

This is an approach that we are doing on a project that we have in the pipeline, Onshore Downstream in West Africa as we speak.

Thomas Dietz - *ABN Amro - Analyst*

Okay, so you're basically reviewing the initial cost assessment that has been done in preparation of the tender phase by outside consultants?

Thierry Pilenko - *Technip - Chairman & CEO*

No, it's a little bit more complex than that. You receive a tender with a certain scope and you start evaluating the overall cost, start discussing with the customer and then sit down. Is there anything in the scope that can either be delayed or changed to optimize the costs? So it's a much more collaborative approach.

Thomas Dietz - *ABN Amro - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman & CEO*

But it doesn't mean that this is the model that works everywhere, all the time. But we see that model coming more and more because of the sheer size of the projects and because of the increase in costs.

Thomas Dietz - *ABN Amro - Analyst*

Okay, thank you very much for that.

Operator

Stephane Soussan from Exane. Please go ahead with your question.

Stephane Soussan - *Exane BNP - Analyst*

Good afternoon. First question on the first quarter margin which was good. Usually first quarter it is the weakest quarter for R&D division. Can we make the same assumption for this year?

Thierry Pilenko - *Technip - Chairman & CEO*

The first quarter is the weakest?

Stephane Soussan - *Exane BNP - Analyst*

Yes, surely.

Thierry Pilenko - *Technip - Chairman & CEO*

We have a good quarter in the first quarter, but if I start telling you that this is the weakest, then I'm going to give you a guidance. So what I'd like to say is that this is a quarter where this performance, and here I'm talking about the 11.5% of performance, is a pure operational performance from projects. Okay, there is no exceptional item coming from past projects that would have improved the margin and so forth. Type of recurring margin that usually [technical difficulty]. Actually these margins, as we said, can be pushed into 12% on a recurring basis. So nothing exceptional now, I will not make comments about whether this is the weakest of the year, I think we --

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Stephane Soussan - *Exane BNP - Analyst*

Okay, the second question. Could you give us on the costs on your project and maybe the -- if you still expect a conversion to a lump sum contract? And also on the OK LNG project, I think on the newswire this morning, maybe you say that you expected the award in the coming weeks, while I thought it was delayed for several months maybe. Could you maybe clarify on that?

Thierry Pilenko - *Technip - Chairman & CEO*

That's a very good idea that you have the question, because I think there was a little bit of confusion about the LNG. But let's start with [Cosanea]. So on [Cosanea] we are still working on the lump sum turnkey transfer. However, I'm going to talk about it when it happens because I think we have been talking about it for too long and my philosophy about communicating on this project and other to communicate when we are about to sign or when we have signed than communicate too much in advance. We are still hopeful that this may happen, but I'm not going to commit on the when and how, because I prefer to communicate on contracts when we have a much higher degree of certainty. That's my take on this one.

On OK LNG, let me clarify what was said here. OK LNG is the strategic project for Nigeria. There where rumors of discussions that the cold fact of obtaining OK LNG could be signed before the elections in Nigeria. Okay. This hasn't happened before the elections, and therefore, Technip's pressure for the contract to be signed was probably less after the election than it was before the election for all kinds of political reasons that you can imagine. Now this project is strategic, and I think it falls in the category of projects where the client has seen that the first part presents, because of the risk and particularly if it's a fast built construction in a completely virgin area, therefore the first part was showing a very high cost. So this is a typical project where the client is coming back and trying to look at ways of either reducing the scope or reducing the risk profile so that we can execute the project at the lower costs. Okay.

So I think we need to clarify something about the OR. When is the OR big project going to be made? It's probably going to take several months like our customers have said it, okay because it requires the rescoping of the project at this point in time. Now we are discussing with the customer, we are engaging to the re-evaluation of that project, and particularly the scope of that project. And as a result of that we could have the first phase, which is what I was describing before, getting together, reviewing the plan, reviewing the costs, rescoping the work as a short term contract, if you want, in the next few weeks. And then the large contract maybe signed later on.

But I am not going to say that we expect this in nature of a large lump sum turnkey on OK LNG in the next few weeks because that would not be the reality. What I can say is that we are very close to the customer. We work with them on trying to reduce the costs and understanding the scope and that the day we will have the contract signed, whether it is for the first phase or more, we will communicate on that. But at this point in time we haven't signed the contract.

Stephane Soussan - *Exane BNP - Analyst*

Thank you. A very last quick question on the heavy oil refinery project in Canada. Your target is for which client and which project?

Thierry Pilenko - *Technip - Chairman & CEO*

Well, we normally don't give specific names of customers, but this one is pretty well know. This is CNRL and we have two projects in Canada at the moment with CNRL. One is a Nigerian project, the other one is a Qatar and if we -- oh, the future -- you are talking about future projects?

Stephane Soussan - *Exane BNP - Analyst*

Yes the one is on your slide 17.

Thierry Pilenko - *Technip - Chairman & CEO*

Sorry, sorry, sorry, sorry. Excuse me. I thought you were talking about the past projects. Excuse me. So, we have a couple of projects in the tar sands and that includes both Shell and PetroCanada.

Stephane Soussan - *Exane BNP - Analyst*

Okay, thank you.

Operator

Mick Pickup from Lehman Brothers. Please go ahead with your question.

Mick Pickup - *Lehman Brothers - Analyst*

Good afternoon gents. A couple of questions if I may. First the old Facilities, obviously backlog has dropped again, but backlog goes up and down. But looking at your accessible market slide it seems that the Offshore Facilities accessible market has dropped somewhat from the start of this year and, indeed year on year. Can you just talk about your expectations in that Facilities business?

Secondly just, sorry to harp back to this, but you talked about 5 to 6% in Onshore Downstream. Now that's the target that was given to us at the investor day back in 2004, and since then we've gone through two years when we've been told that projects have been derisked, margins have been improving and now we're back to 5 to 6% longer run. Now, either what we've been told for the last two years hasn't quite been the outcome you are now expecting, or the derisking has not really happened. So could you just explain why we are at that 5 to 6% given that's the sort of level we were looking at two years ago?

Thierry Pilenko - *Technip - Chairman & CEO*

Okay, let me answer the question on backlog. You know the backlog on the property basis is not very meaningful. You just need one project and suddenly your backlog profile may change completely, but clearly given the size of the project.

On the Offshore Facilities side, the reason for which in the accessible market we see a decrease is because we are talking about six months' visibility. And, at this point in time, I think that a couple of projects, particularly in West Africa for FPSO are slipping beyond six months. So we are following our rules. By the way we are working on this properly, working actively on trying to get these projects, but they are on the radar screen but they are not in the next six months, so that's why.

I think in terms of facilities we continue to see a number of opportunities both large and small -- and small opportunities. You know, 5 to 6% I think it's -- going back to the margin on Onshore Downstream. I can understand a little bit of the frustration, because I would love to see 5 to 6% already today. But this is a long journey. Probably it takes longer than what we expected two years ago. But I think this is something that we need to have in mind and that we need to focus our pens on.

Okay, now were all the contracts derisked two years ago? I don't think so. Are all the contracts derisked today? I don't think so. That would be unfair to tell you that all our contracts are now in very, very favorable situation. What I am saying is that on the journey to get better contracts and better terms we are making some inroads. But you can always have a surprise, particularly in the construction phase, and any construction company, engineering company would tell you the same. So this is why, I haven't been here for very long, but I can tell you that I've already made decisions about the places where we can work in lump sum turnkey, in the construction phase and places where we cannot work because of the unpredictability of labor costs or, you know, lots of conditions and so forth. And I'm not going to make a list here, but for the reviews of those projects I can tell you it's very clear that there are countries, or local environments, where you will not take this type of risk anymore. Now are all the contracts derisked? Obviously not, I mean we are in a risky business otherwise we would be -- we just would be down and in the bag. But we are on that kind of journey. It is however too early for me to tell you when this is going to happen.

Okay, I want to be very straight with you. I think it's achievable, but I don't want to tell you its going to happen, you know, end of this year or beginning of next year. Give me a little bit more time to see what are really the upside opportunities and the risks there.

Mick Pickup - *Lehman Brothers - Analyst*

Okay, thank you. And just one quick housekeeping. You mentioned Chiyoda have a large percent in Qatar. What percentage of your backlog is in Qatar at the moment?

Thierry Pilenko - *Technip - Chairman & CEO*

Sorry, what is the question again? What is --?

Mick Pickup - *Lehman Brothers - Analyst*

What percentage of your backlog is in Qatar at the moment?

Thierry Pilenko - *Technip - Chairman & CEO*

It's about 30% of our backlog in Qatar. But -- Olivier do you have -- I think it's about 30%

Mick Pickup - *Lehman Brothers - Analyst*

Okay, that's near enough, thanks.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay?

Mick Pickup - *Lehman Brothers - Analyst*

Yes.

Thierry Pilenko - *Technip - Chairman & CEO*

Alright, we're going to take one more question.

Operator

Ruairidh Stewart from Simons Company. Please go ahead with your question

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Ruairidh Stewart - *Simmons and Company - Analyst*

Hi, Ruairidh Stewart from Simmons and Company. I just had a broader question. Mr. Pilenko, you've had 20 plus years experience in various service companies and some of those with challenged structures, but generally higher margined businesses, more product orientated businesses. I just wondered what your view of the V&C industry structurally is, and how you would think about examining and facing some of the challenges that perhaps the V&C industry faces, despite being in a very positive environment at the moment?

Thierry Pilenko - *Technip - Chairman & CEO*

That's a very good question, and that's part of the questions that we have to address as part of our long term strategy. Let me tell you very briefly how I approach that. I think this is the business in which we should look at opportunities to increase our technology content across the board, both offshore and onshore in particular, because we at technology is always an opportunity to attract better margins. And, you know, my background is very much in technologies and technology development.

Now, structurally, what we see today is that the programs or the projects are getting larger and larger. They often require that contractors get together in a joint venture, two or three. The example of Vietnam, for example we have only 40% in the Vietnam refinery because we are getting together with other significant contractors.

So, at some stage, as the projects are getting larger and as the management of interface between different companies may become cumbersome from our -- for our customers and for ourselves, consolidation may make sense. Okay. But I think it is way too early to say how it's going to happen. I've seen consolidation, as you probably know, happen in other sectors and consolidation, whether it's in a technology intensive or people intensive sector has to happen in a very friendly context. So that's going to be key, and it also has to provide the right level of complementarities and forming technologies so --. That's all I would say in terms of structural approach. For the rest you'll have to be a little bit patient and wait until I am ready to communicate on long term strategy, which I would like to say that I intend to do in September/October timeframe.

Ruairidh Stewart - *Simmons and Company - Analyst*

Good, thanks very much.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you very much. So, I'd like to thank you for attending our call today and I'd like to go back to our performance this quarter. So revenue was up 13%, so in line with the growth target that we had given ourselves. Our earning per share up 103% at EUR0.65. Strong performance in SURF, as Mr. Soussan pointed out and, finally, we see very high tendering activities in all business segments and in all regions, which is very positive for our industry.

So thank you very much, and I'm looking forward to talking to you next quarter. Have a good day.

Xavier d'Ouince - *Technip - IR Manager*

Ladies and gentlemen, this concludes today's conference call. And we would like to thank you all for your participation. As a reminder a reply of this call will be available on our website in about two hours. You are invited to contact Technip Investor Relations if you have any question or require additional information.

Once again, thank you for your participation and please enjoy the rest of your day.
