FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, everyone, and welcome to the conference call for Technip 2006 results. This conference is being recorded. At this time all participants are in a listen-only mode. Later there will be a question and answer session. I would now like to turn the call over to Xavier D'Ouince, Investor Relations Manager. Please go ahead, sir.

Xavier D'Ouince - *Technip - IR Manager*

Good day, ladies and gentlemen, and thank you for participating in Technip's 2006 results conference call. Our 2006 accounts, as well as the 2005 comparison, can be found on today's earnings press release and slide presentation which are available on our website, technip.com.

Mr. Daniel Valot, Technip's Chairman and CEO, is hosting today's call. He is joined by Mr. Thierry Pilenko, Deputy General Manager, the Group CFO of Technip, Olivier Dubois, and as well as other members of Technip's Executive Committee.

I would like to remind participants that statements in today's press release and slide presentation, as well as through made during this conference call, which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Reader and listener are strongly encouraged to refer to the disclaimers which are integral 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 turn the call to Mr. Daniel Valot, Chairman and CEO of Technip.

Daniel Valot - *Technip - Chairman and CEO*

Okay. Thank you, Xavier. Good day, all of you. I'll just make a very short introduction and then we'll start with the questions and answers. First, thank you all of us for being with us today. We appreciate your interest in the business of this Company.

So, the main numbers, you've seen them, I suppose, but I will nevertheless make a quick summary. We've beaten the guidance slightly this year. You remember the guidance was revenues of EUR6.8b for the full year. In fact, we achieved slightly above EUR6.9b. And in terms of operating income, our guidance called for an operating margin ratio equal or above 5%. Eventually, we achieved 5.2%.

So it has been a very strong year for Technip, coming after a year, 2005, which had been, you will remember, a little bit disappointing. This year is a strong year. Generation of cash is very strong. The net income is twice bigger than last year and our backlog stands still above EUR10b, so at a very high level. We have been able to stabilize it compared to what it was one year before.

For the upcoming year, 2007, we've decided, together with Thierry Pilenko and the Board, we've taken two executive decisions. The first one is to produce numbers which will be better and better each quarter. The second one is that we will no more release any guidance. We believe this guidance exercise is not really appropriate in our kind of business, so it is much better to give you some qualitative indications about the trends which are developed, being understood that you'd be posted each quarter after quarter on the coverage you are making and you will be able to exercise your judgment.

So, basically for next year what we are forecasting is slightly, well, a more moderate growth in revenues than the one we had last year. Last year was -- it was a bigger surge in revenues, of 29%. Given the fact that our backlog has been stabilized this year compared to past year, we are anticipating a growth in revenues which will be relatively moderate.

On this moderate growth in revenues, we are forecasting also a new improvement in operating income. We believe our backlog, which has been stabilized in 2006, should again be on the rising mode this coming year, as we want this growth to be reasonable, manageable and so we will focus on the most attractive prospects. And, in addition to our internal growth, our intention is to generate, if possible, external growth through selected acquisitions.

So that's, in a nutshell, what we have been achieving in 2006 and what we are planning for 2007. Now, together with my colleagues, we are ready to take your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you. [OPERATOR INSTRUCTIONS]. The first question comes from Mr. Christyan Malek with Deutsche Bank.

Christyan Malek - *Deutsche Bank - Analyst*

Good afternoon, gentlemen. Good afternoon to Thierry Pilenko. Just three questions, if I may, mostly around execution and delivery. First is, on variation orders and change orders, can you perhaps provide some more detail on how you account for variation orders regarding customer disputes? Do you book the value of orders fully and then write them down when they are not successful, as you have done in the past or is there a different strategy now?

The second question is on risk mitigation policies. Have you put in place any new policies to counter against the problems that surfaced with some of your contracts last year? And can you walk us through them?

And thirdly, what would you describe as your major strength and advantage when it comes to winning new contracts, especially onshore, and particularly in light of Saipem arguably threatening to increase market share with their Snamprogetti acquisition? Thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you. I'm sorry, I didn't catch your second question. I'll find a way to answer the first one. You asked two questions about the way we account for variation orders and change orders. It's very straightforward. We don't put any revenues coming from change orders or variation orders until we have a written agreement by the customer on this change order or variation order. That's a very simple rule. We don't anticipate. We don't make any -- well, of course we make guesses, educated guesses on what could be the outcome of the discussions we had with our customers. But as long as we don't have the written agreement by our customers on additional revenues, we don't book anything. Okay?

Christyan Malek - *Deutsche Bank - Analyst*

Yes.

Daniel Valot - *Technip - Chairman and CEO*

Okay. On your second question, I'm sorry, I didn't --

Christyan Malek - *Deutsche Bank - Analyst*

It's regarding any -- what sort of risk mitigation policies have you put in place or do you plan to put in place, maybe perhaps directed more towards [a tariff] link as well, to counter against the problems that surfaced with some of your contracts last year? Can you be explicit?

Daniel Valot - *Technip - Chairman and CEO*

Yes, well, several things have been put in place in order to mitigate those risks. We have -- the first risk is on the volatility of our -- of the prices of raw materials. So on this one, and more generally speaking, volatility on prices, delivery times for raw materials, for equipment, for construction services provided by third parties, and so on and so forth.

So, on this arena, the mitigating steps are the following ones. First, we have reduced the validity of our offers to our clients. When -- a few years ago, when we were offering a price on a project, we used to have an offer which would be valid for five months, six months, even more than that. Today the validity of our offers is strictly limited to a maximum of 60 days because we don't want to take the risk of big variations in the cost of raw material or equipment while we are under offer.

So some of our clients don't like it but they have to accept it anyway. And most of our competitors are doing the same anyway because they are facing the same type of risk. So now the limit of our -- validity of our offers is limited to 30 days or at the most 60 days, which means that if the customer wants to take more time to make a decision they have to come back to us, ask for an extension of the validity of this offer. And of course at this time it's up to us to update our price.

Second thing, in our prices, in the prices we are offering, we put usually a higher level of contingencies than we did before in order to cope with these risks. We are also, in some cases, for the most, I would say, speculative items we tend to leave them to the client to provide those as company-provided items. It was the time, for instance -- there was a time when titanium was in very short supply, so any time we had titanium components in our installations we would say to the client we don't take the risk of this stuff, take it, buy it and provide it to the project as you can any provided item, and it worked.

From time to time we can have some kind of indexation clauses with the client. And what else, we are also mitigating the foreign exchange risk in a much more efficient way than before by shooting for multi-currency contracts which are now generally accepted by our clients, while still two or three years ago those guys would not speak of anything else than 100% dollar -- U.S. dollar denominated contract.

So we have taken a number of steps in order to mitigate our risks, especially in the onshore downstream business, but also in the other business segments in which we are active.

Christyan Malek - *Deutsche Bank - Analyst*

And just while you're on that point, can I be clear, the earnings that are derived from the projects underneath those new contingencies, are those all from the beginning of Q1 '07 or do we have old contracts under old terms still materializing in the next couple of quarters?

Daniel Valot - *Technip - Chairman and CEO*

Oh yes, sure. You know the length of execution of our contracts for the big long-term turnkey projects is typically around three years. Some of them are even longer than that. They can be executed over 40 months or a little bit more. So we are still today in our accounts, during the first quarter of 2007, you will still have numbers coming from projects which were started three years ago, under more -- well, generally speaking, less favorable terms than the ones we have been able to get in the contracts signed last year or the year before.

Christyan Malek - *Deutsche Bank - Analyst*

Would it be fair to say that there could be some existing change orders of the like of what we saw in the beginning of last year still lurking around?

Daniel Valot - *Technip - Chairman and CEO*

Well, one thing you need to understand is that change orders are part of the normal life of contracts. What is not part of the normal life of contracts is claims.

Christyan Malek - *Deutsche Bank - Analyst*

Okay, I meant claims. Sorry.

Daniel Valot - *Technip - Chairman and CEO*

Yes, but change orders are most of the time introduced by the client themselves. They decide to change the scope of the project or the specifications of the projects or to add one unit or to change the location of this tank or whatever. So each time they do those kinds of changes or each time we propose a change because we believe the design would be better if we introduced this or that change, that leads to a change order, a variation order. And that's the normal life of business in our trade.

What is a little bit different is then when you are suffering from various causes which are not directly linked to a change in the scope of the contract and you claim from the client to get your compensation. So we have had on a number of big projects which were affected mainly by the big increase in raw material costs in the past three years. We suffered massive cost overruns and we thought that it would be good if we were able to share the burden for these cost overruns with our clients. So we had -- we introduced the claims in order to get some compensation. And that's the negotiations which, for most of the projects, are still underway and will probably generate some positive results during the coming year.

I would say that it's very likely that for the new contracts we have been taking in the past couple of years, since we are now better organized to cope with the raw material cost risk, there will be less room for new claims. But there will still be change orders from time to time on contracts. That's the normal way of life on our projects.

Christyan Malek - *Deutsche Bank - Analyst*

Yes, but are there any existing claims, that was my question?

Daniel Valot - *Technip - Chairman and CEO*

Oh yes, sure.

Christyan Malek - *Deutsche Bank - Analyst*

Right. So they're quite --

Daniel Valot - *Technip - Chairman and CEO*

Sure there are existing claims. The most important ones are -- we have been giving some information on those in the slides which have been put on our site. We have in particular two big claims which are still under discussions with the clients in the SURF business. One is on a project in Egypt called Simian Sapphire. The other one is on a project in Angola called Dalia. So those are still under discussion with the client.

Christyan Malek - *Deutsche Bank - Analyst*

Great. And sorry, on the last question, Saipem threatening market share with Snamprogetti?

Daniel Valot - *Technip - Chairman and CEO*

Well, I would say that for us it's probably good news to have Snamprogetti being taken over by Saipem because, frankly speaking, in the past years many, many times we had the feeling that Snamprogetti, from time to time at least, was able to get new jobs at, I would say, distressed prices or being very aggressive on pricing. We do hope that with the Snamprogetti being now under the management of Saipem we will have in front of us a more conservative way of doing business, so that would -- should be, generally speaking, better for competitors and especially for us.

Christyan Malek - *Deutsche Bank - Analyst*

Thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. [Ichbar Naseem] of Lehman Brothers. Please go ahead with your question.

Mick Pickup - *Lehman Brothers - Analyst*

Hi. It's not Ichbar. It's Mick here. A couple of questions, gents. You talked about moderate growth in revenues but first backlog down 10% year on year, onshore down 7% year on year. What's different to come in during this year to actually deliver revenues in [the shape] to bring that through?

And secondly, I noticed another big Sarb Ox charge this quarter. Can you just tell me when that process is going to be finished and what I need to expect for you during 2007 for Sarb Ox?

Daniel Valot - *Technip - Chairman and CEO*

Okay. Well, we said we are expecting moderate growth in revenues because from our budgeting exercise comes a kind of moderate growth in revenues. And why is this moderate and not a sharp increase? It's moderate because, as you pointed out, our backlog went down last year compared to the year before. So still it's a very high backlog compared to what we used to have several years ago. So we are still expecting the growth in revenues because the most important project which we got in 2005 will be in there, full-fledged execution, reaching their third year of execution, so that will add revenues to the Company. But overall the increase will be rather moderate. How moderate will that be? Frankly speaking, I don't know. It will depend, of course, on our capacity to grab new business during this upcoming year.

On the Sox charges, we believe that we are at the end of the process of the implementation of these procedures in the Company. It will have cost us close to EUR15m in the year 2006. For the coming year, starting in 2007, it will be a kind of maintenance cost in order to maintain the system. And it's of course a little bit difficult to predict but we figure that it should be a recurring cost of about EUR3m a year, starting from now.

Mick Pickup - *Lehman Brothers - Analyst*

Yes. And can I just follow up then, because obviously you've spent a great deal of time over recent years explaining the way you account for projects. And if you are going to see moderate growth in revenues, then we should see substantial growth in margin. As you said, more projects are in their third year and delivering margin. So I don't quite get the correlation between a moderate growth in revenues and not a big growth in operating margin.

Daniel Valot - *Technip - Chairman and CEO*

You are perfectly right. But I want to be nice with my successor, so I don't want to put too big targets in front of him. But you are perfectly right. In 2006 we had a massive increase in revenues, close to 30%, and so that was not good for the average operating margin ratio though we are to push it slightly ahead of 5%. If we have a moderate growth in revenues next year, we should expect to have a better operating margin; that's very true. So, barring any major disaster on a big project, the logic of our business and the way we are accounting for our business is that with this moderate growth in revenues should come a nice development in operating margin.

Mick Pickup - *Lehman Brothers - Analyst*

And then the follow up is if you expect backlog to grow this year, do we expect slower growth into 2008 again?

Daniel Valot - *Technip - Chairman and CEO*

Would you allow me to leave this question for my successor for the next conf call, when you'll have the first quarter numbers?

Mick Pickup - *Lehman Brothers - Analyst*

Most certainly.

Daniel Valot - *Technip - Chairman and CEO*

It's simply too early to start to talk about 2008.

Mick Pickup - *Lehman Brothers - Analyst*

Okay, thank you very much.

Daniel Valot - *Technip - Chairman and CEO*

Thanks.

Operator

Mr. Tao Ly of JPMorgan. Please go ahead with your question.

Tao Ly - *JPMorgan - Analyst*

Hello. Can you hear me?

Daniel Valot - *Technip - Chairman and CEO*

Yes.

Tao Ly - *JPMorgan - Analyst*

Perfect. Sorry about that. You mentioned previously that you are expecting claims relating to Simian Sapphire and Dalia. I suppose my first question is it doesn't sound like you've closed negotiations on those projects. What about Pohokura out in New Zealand?

And a follow up to that is if there wasn't revenue relating to claims included in the 4Q SURF result, why were margins so high? My understanding was that work in Algarheim in Norway and Dalia allowed an 11% margin in 3Q but these projects didn't contribute significantly in the fourth quarter.

And secondly, really it's a question relating to the contribution of your new projects, which are booked at zero or little profit. Could you give us an update on your weighted average completion figures for each division, onshore, offshore, construction and SURF, and also an idea of the percentage of projects -- of revenue in the onshore division for which profit is being booked at zero -- revenues are being booked at zero relative profit?

Daniel Valot - *Technip - Chairman and CEO*

Okay. On Pohokura, there was a dispute with the client. It has been settled and the project is behind us now; the installation is complete. And anyway, what was at stake was much more limited than what we have at stake on Simian Sapphire and Dalia.

On the fourth quarter SURF margin, you have been surprised by our fourth quarter SURF margins, which are pretty good, especially compared to some of our competitors. So it is true that there was some bad weather in the North Sea and in Brazil during the fourth quarter. It didn't have any significant impact on our business as far as we are concerned. It might have had an impact on the business of some of our competitors, but not on ours.

And another point is that if you look at the -- well, basically the bad weather is something which is important traditionally in the North Sea during the fourth quarter of the year and the first quarter of the year. It is a fact that the share of the business we do in the North Sea is going down. If you look at -- for the full year of 2006, the share of our SURF revenues arising from the North Sea is slightly less than 40%. And during the fourth quarter it was only 30%. So we had, during the fourth quarter, a number of projects which have been developed in other parts of the world and which are generating very decent margins.

Last point, the -- our operations were such that we still had a very high level of utilization of our vessels during the fourth quarter. Last and final point on this item, we didn't have, during the fourth quarter, any significant non-recurring income in the SURF business. So the 11% margin you can see comes from normal operations.

On your next question, which is weighted average completion rate, we didn't compute that so I don't have that on my mind. We can ask Xavier to work on that and to give you a phone call to give you some indications after he has gathered the data.

Your last question was about the percentage of revenues accruing from new contracts. That's something which we've described in one of our appendixes in our presentations. No? They have not been released, so okay. It will be a pleasure for me to give this information to you.

Tao Ly - *JPMorgan - Analyst*

Fantastic.

Daniel Valot - *Technip - Chairman and CEO*

All right. Our onshore downstream story. First, a quick reminder, in 2005 order intake in onshore downstream went up 129%, 129%, to EUR5.7b. So a massive upsurge, mainly driven by the big LNG projects. The end result was that at the end of 2005 our backlog in this onshore downstream business segment was up 90%, 90, nine-zero, to the very high level of EUR7.1b. So, a massive unprecedented upsurge in the backlog.

Okay. Then what happens the following year, which is the year 2006. A massive increase in revenues. We are for the full year with an increase of 43% and it's even more spectacular if you look at it on a quarterly basis. During the first quarter of 2005 revenues in the onshore downstream segment were around EUR500m. In the last quarter of 2006 revenues in the onshore downstream division is about EUR1b, so massive increase. And the share of revenues during each one of those 2006 quarters coming from contracts which were put in force in the previous 18 months has been, during the first quarter, 71%.

In other words, during the first quarter of 2006, on the EUR739m revenues we had in the onshore downstream business segment, 71% of those revenues came from contracts which have been started in the past 18 months. So, on those contracts, as you know, and following our accounting rules, we recognize zero or very little margins. So during this first quarter we had 71% fresh, new revenues and our operating margin ratio as a result was close to zero; it was 0.2%.

Second quarter, the proportion of revenues coming from new contracts fell to 60%, still a very high percentage. Our operating margin ratio was as an average 2% during the second quarter. Third quarter, proportion of revenues coming from new contracts was 50%, operating margin ratio reached 3.1%. Fourth quarter, proportion of revenues from new contracts 33%, operating margin ratio a little bit up, to 3.2%.

And this suggests that normally, as we go, as we -- those new contracts become a bit older, enter into the second year of execution then third year of execution, you would expect the operating margin ratio to continue to rise. I wouldn't say quarter after quarter, because a specific quarter is meaningless in our industry, but over the year it should continue to grow. Okay?

Tao Ly - *JPMorgan - Analyst*

Thank you very much for your answers; very comprehensive.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. David Phillips of HSBC. Please go ahead.

David Phillips - *HSBC - Analyst*

Thank you. Hi. I've got a couple of questions here. Firstly, just looking at the recent Exxon Qatar GTL story, do you have any tendering costs that were linked to that that we should be aware of? Perhaps, if they weren't a material amount, then obviously it's not an issue at all. And --

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Daniel Valot - *Technip - Chairman and CEO*

The short answer is no.

David Phillips - *HSBC - Analyst*

Okay, easy. Very easy indeed.

Daniel Valot - *Technip - Chairman and CEO*

The answer is no. We decided for quite some time not to follow the Shell GTL project, the Pearl project.

David Phillips - *HSBC - Analyst*

Yes.

Daniel Valot - *Technip - Chairman and CEO*

Neither the Exxon project.

David Phillips - *HSBC - Analyst*

Okay.

Daniel Valot - *Technip - Chairman and CEO*

So we had no bidding costs, no commercial costs.

David Phillips - *HSBC - Analyst*

Thank you. That's very clear. And just following on from that, are there any other areas in the downstream business that you -- where you have seen maybe some similar concerns coming up about costs? I'm thinking -- maybe not LNG, that looks to be relatively safe. But I wondered if any other businesses in the -- maybe looking downstream into some of the chemical segments, where you are seeing maybe a little bit less excitement in terms of chasing new contracts from the customer side?

Secondly, looking at the contract structure overall, I just wondered, from a very simple perspective, your -- whether the growth you have at the moment and the outlook makes you have any different preference for a mixture of a lump sum versus cost-plus or reimbursable style and what do you think is an ideal mix for that?

And finally, your presentation on the web, there is a few nice slides on the fleet additions you plan in the next couple of years. I just wondered if the sub-sea equipment and installation cycle is as strong as some people expect for the next few years. Do you think you will need to add some further vessels to this to keep up with the growth of the market? And do you tend to favor only new vessels or would you rather extend your charter fleet? Thank you.

Daniel Valot - *Technip - Chairman and CEO*

All right. Quite a lot of questions. So, on Exxon GTL I answered. Are there any other projects which are going into the same pattern, which is costs being too expensive and the client deciding to postpone the project? Of course there are some other projects which are following the same path. And in some respects I would say that's really good news for us. It means that the cycle is going to last longer than everybody thought because some projects will be delayed but will have to be made anyway. So that will probably provide us an opportunity to get a lot of business for a longer period of time than we anticipated.

You asked me if there were any examples of this kind of stuff accruing lately. I would say probably the most striking example is what happened on the Kuwaiti new refinery, which is one of the projects we show on the slide 21 on our radar screen. So that's a massive project, a 600,000 barrels a day refinery to be built in Kuwait, for which the Kuwaitis have decided to allow a budget of about $6b. When they opened the offers they received and they were a bit surprised that those offers amounted to $15b compared to their budget of $6b. So they were pretty shocked and decided to rework on this project.

Basically what happened was that, since the terms and conditions proposed by the Kuwaitis were extremely tough, there was a very limited number of competitors who answered those -- their tender. And, given the fact that their terms and conditions were extremely tough, those competitors put probably very big contingencies in their price, so that at the end of the day the price was ridiculously high.

So that will be re-tendered after the Kuwaitis have decided to adopt a new bidding strategy. But this kind of thing happens very frequently now. You've probably seen the survey made by the CERA, the Cambridge Energy Research Institute, which shows that, according to their estimate, the capital cost of the upstream project has rose some 52% in the past two years. I don't know how accurate this estimation is but it shows that there is a real problem of inflation in this arena.

Do -- are we shooting for a different balance between long-term turnkey and costs plus fee contacts? Yes. We are in the process of increasing the proportion of costs plus fee contracts in our portfolio. You've probably noticed that in the past year we've announced the signature of several contracts which are on a reimbursable mode, such as the contract for the Jubail refinery in Saudi Arabia. We have also a contract for the Barrancabermeja refinery in Colombia. We have several projects in Australia for which we are shooting for reimbursable costs plus fee mode rather than long-term turnkey.

Today the long-term turnkey business in our overall revenues is something like 10 to 15%. We don't have any precise target in mind but if we can grow this proportion to something a bit bigger we'll be overall safer in our Company.

Your last question was about further vessels, do we need further additional vessels on top of the ones we've announced so far. I would say probably yes but not really to extend the fleet capacity. It will be much more a kind of replacement because some of our vessels are coming pretty oldish now, so we will need to look at their replacement if we want to keep a fleet which will be not only with a sufficient size but also a good quality. So we'll add in the coming years, in addition to the vessels we've announced already, to replace some of our aging vessels. But we still have a little bit of time for that. That's not something we need to invest on in the -- this year or next year. We'll have a couple of years before deciding to replace this or that vessel.

David Phillips - *HSBC - Analyst*

All right. Thank you. Very helpful.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. James Hubbard of UBS, please go ahead.

James Hubbard - *UBS - Analyst*

Hi, good afternoon. Two questions. You talk on your video conference thing you had on the web this morning about growing the industry's presence and several sizeable acquisitions planned or on the radar for this year. Can you just remind us what is the logic behind growing this industry's division? What is it that you see there that makes you think that it's an attractive area that you'd want to deploy your cash into?

And then, secondly, on the special dividend that you've announced today, what is the thought process that drives the number of just over EUR2 a share? And, as we look forward, can we talk about a target gearing that you might have in mind and then any excess cash implied by that gearing could come back in the form of special dividends in the future?

Daniel Valot - *Technip - Chairman and CEO*

You're greedy, my friend. On industries, the rationale behind this deciding to grow our industries business is very simple. It's that we don't think it's good to be 100% dependent on one industry, so we don't want to be 100% dependent on the cycles of the oil and gas business. Today the market is extremely good in this oil and gas business but that won't last forever.

So, since we have some expertise, competence and references in various industries, we believe it would be good, while we are pocketing the dividends of this massive increase in the oil and gas business, that we prepare the future and we increase our positions in various industries in which we have today a good knowledge but a limited presence. We are not a big player in those areas and I think it could be better for us to become a bigger player. So that's the rationale behind this concept.

Special dividend. Why did we decide to pay a special dividend? Just because we decided one year ago that the extra cash made available following the conversion of the convertible bonds would be returned to our shareholders. So when the convertible bonds were converted we had EUR600m of cash which was not going to be spent to reimburse, to pay back those convertible bonds and so we decided that the proper thing to do was to return it to our shareholders.

So we started this process through share buybacks on the market, so we bought back shares since April last year in the tune of EUR360m. And so, in order to complete this program, we decided to pay this extra dividend of EUR2.10 per share, which will complement this EUR360m and make something pretty close to EUR600m. So that's the completion of the program we decided to start.

Do we have a target in terms of gearing? Yes, we are targeting something around 50%. This year, if the shareholders meeting follow our proposal, they will decide to pay a regular dividend of EUR1.05 per share. You remember that our earnings per share is EUR1.95, so we are slightly above 50% and we'd like to keep it this way in the coming years. We have of course to take care of the fact that we need also to have some money in order to finance our capital spending. We'll have a massive capital spending program in 2007 and probably also in 2008.

So I wouldn't say that everything above this gearing will be returned to our shareholders. We need to be very careful, keep some financial flexibility to finance our capital expenditures and we need also to be able to finance acquisitions, as I said, probably in the industries area but also there are some good opportunities in the oil and gas business.

James Hubbard - *UBS - Analyst*

Yes. I'm thinking of gearing in the form of debt rather than a payout ratio, rather than a dividend payout ratio, financial gearing -- at the moment you're still going to be net cash, even after this special dividend, unless you -- depending on how many acquisitions you do. But would you consider some financial gearing in the form of a net debt position rather than net cash?

Daniel Valot - *Technip - Chairman and CEO*

I've always said that in our industry we can survive very well with a gearing ratio of something like 20 or 30% and that's something which is palatable. This being said, and that's contrary to many of financial analyst observers, I'm not convinced at all that in our industry having a net cash position is a sin. I believe it's an advantage to be with a strong cash position in the business we are in, in which there are big fluctuations.

So on -- generally speaking we can live with a gearing ratio of about 20, 30%. It happens that today we are with a very strong cash position. It will be reduced a little bit after the payment of this special dividend. It will be reduced also because of the capital spending program we have to finance and that's -- for the time being that's okay.

James Hubbard - *UBS - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Yes. Katherine Tonks of Credit Suisse, please go ahead with your question.

Katherine Tonks - *Credit Suisse - Analyst*

Good afternoon. I just wanted to ask about the SURF division. The EBIT -- sorry, the depreciation seems very high and implies a very high EBITDA margin. I wondered if you could either explain why the EBITDA margin is very high and/or the depreciation is so high.

And then when we're thinking about 2007, should we use that EBITDA margin as a base going forward or should we use the EBIT margin as our reference point? Thank you.

Daniel Valot - *Technip - Chairman and CEO*

Sorry, I didn't catch the end of your second -- your comment. You said should we use the EBIT margin as the --?

Xavier D'Ouince - *Technip - IR Manager*

The reference.

Daniel Valot - *Technip - Chairman and CEO*

The reference. Oh yes, we use the EBIT margin as a reference but we have some other competitors to compare that EBITDA margin in the SURF business. That's the reason why we gave this indication for comparison purposes only. For some of you perhaps it's more convenient to use the EBITDA concept to compare competitors. So that's the reason why we gave this indication.

I'm very glad you said that our SURF margins are good. From time to time we don't hear the same thing from some of your colleagues. So it's true that the depreciation is a bit on the high side these days. It's fluctuating a little bit. But the overall conclusion, the bottom line is that we had during the fourth quarter 2006 an EBITDA margin which was pretty close to 19%. Some of our competitors are even above 20%, so I do believe this level of margin is just consistent with the nature of the business, which is a business in which there is more risk than in other lines of business because of the sea conditions, and also because it's a highly capitalistic business.

Katherine Tonks - *Credit Suisse - Analyst*

Could you perhaps say why the EBITDA margin jumped from 16% to 19%? It seems like a very big jump. Is it all pricing? I was under the impression that vessel utilization was already pretty high in Q3. So --

Daniel Valot - *Technip - Chairman and CEO*

No. If your question is about us explaining why there is a difference between one quarter and another one, I would say it's impossible to make educated comments on that. Our business is a discontinued business in which we handle relatively big projects. So depending on the time at which a project is awarded to us, depending on the time at which a project is completed by us, you can have a big impact on the quarter numbers.

I think what is interesting is to look at the numbers on a yearly basis, to look at the trend from one quarter to another one. But there are a lot of small differences from one quarter to another one for which really it would be useless to try to explain them. It comes from the fact that probably during the fourth quarter we had been completing this or that project in West Africa or in Brazil and so, having completed the project, we've been able to take -- to put in our accounts the last piece of margin.

It can come also from the fact that one year ago we completed a big project, we were still under guarantee between the provisional acceptance and the final acceptance. And then, during the quarter, the final acceptance has been released by the client, so we are able to take back the provisions we had during this guarantee period. A lot of things like this. So really, in our business please don't look too closely at the quarterly numbers. In fact, we should not release numbers on a quarterly basis. It's not very significant.

Katherine Tonks - *Credit Suisse - Analyst*

Okay, thank you very much.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. Paul Andriessen of Fortis. Please go ahead.

Paul Andriessen - *Fortis - Analyst*

Yes, good afternoon, gentlemen. Paul Andriessen, Fortis. I've just a few questions. Given volatility in the SURF depreciation in Q4, could you give us some guidance for the total depreciation number 2007?

Then, with regard to your CapEx breakdown as you've given it for 2007 on slide 17, could you comment on the large non-fleet investments because I suppose there is not any acquisitions included there?

And then a last question, because I must say the improvement in the operating margin quarter on quarter in onshore downstream looks a bit weakish. If I move away from that, could you at least comment on how the four large LNG projects are currently progressing and also if they are still moving towards, let's say, the margins you had in mind originally?

Daniel Valot - *Technip - Chairman and CEO*

All right. Depreciation on SURF 2007, 2006 we had EUR132m. It will go up again this year, 2007, so for your model or whatever let's -- you can take something like EUR150m. We are on the rise because the capital spending is on the rise.

Non-fleet capital spending, as you've seen from the slide we've shown on the EUR350m targeted for this year, about half of it is fleet and the rest is non-fleet. Non-fleet is what? It's the factories, the two factories in Vitoria and in Le Trait for which you've got detailed numbers in the slide 15 related to the capital spending in 2007 linked to the capacity extension program. So we can see that it's close to EUR25m for each one of the two factories. Then, in addition to that, you've got regular maintenance CapEx, especially in the umbilical plants and in the yard in Pori. Then you've got limited capital spending for the onshore downstream division; it's mostly computers and offices. And then you've got the IT, which is also consuming capital spending each year. But there is nothing like an acquisition inside, if this is your question.

Paul Andriessen - *Fortis - Analyst*

Okay.

Daniel Valot - *Technip - Chairman and CEO*

Okay? On the LNG projects, the LNG -- our LNG projects are developing nicely, both in Qatar and in Yemen. You've probably seen, or if you've not seen it perhaps I can give you this indication, the client in Qatar expressed himself in the Gulf Times on February 14, so a few days ago. The Chairman and Chief Executive Officer of Qatargas, Mr. Faisal Al-Suwaidi, made comments about the projects which are developed in Qatargas. And he said that the Qatargas is four trains. The two other trains are with RasGas. He said the four trains will start up on schedule. So the client said the four trains will start up on schedule and he's perfectly right. The first shipment of LNG will take place during the first half of 2008, as was forecasted since the beginning of this project.

In terms of costs, we had no bad surprise during the initial execution phase, so on the engineering and procurement we are on track. Now we are in the middle of construction for those projects. Construction will last still some time. So I don't know how it will be develop but so far it's running well.

Paul Andriessen - *Fortis - Analyst*

Okay. Thank you very much.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. Michael Ridley of Citigroup. Please go ahead with your question.

Michael Ridley - *Citigroup - Analyst*

Yes, thanks very much for your time. I wanted to ask, on the credit side you trumpet very much your cash pile of EUR2.4b but certainly S&P doesn't actually count this all as cash on the grounds that some of it is prepayments and also that it's your -- that it's at a project level basis [technical difficulty] [manage still] to claim you're in a net debt position. Do you give a figure for cash at the parent level as opposed to down at the project level? And have you got any comments on your rating and the negative outlook that you still have?

Daniel Valot - *Technip - Chairman and CEO*

That's a question for the CFO. Okay. Olivier, go ahead.

Olivier Dubois - *Technip - CFO*

Actually the EUR2.4b are real cash, even if this cash is coming from not advance payment but I would say advance billing compared with the physical progress of the project. It's actual cash which is either booked within the project accounts or booked in our -- any affiliate or parent company accounts. So I can tell you that all this cash is accessible to us, even if it is managed through the joint venture that we can have with partner for the project management.

Daniel Valot - *Technip - Chairman and CEO*

[I look at] Standard & Poor's the way they look at it.

Jean-Paul Suadierre - *Technip*

They take possibly EUR1.2b at the end of September 2006 as being a debt [inaudible].

Daniel Valot - *Technip - Chairman and CEO*

Really?

Jean-Paul Suadierre - *Technip*

Yes. [Inaudible] to our Company in cash.

Daniel Valot - *Technip - Chairman and CEO*

So you've got the answer right. I'm not sure you heard it but --

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Michael Ridley - *Citigroup - Analyst*

No, I didn't quite hear that from your [multiple speakers].

Daniel Valot - *Technip - Chairman and CEO*

[From Jean-Paul Suadierre]. So he said at the end of September, at the time when we showed a net cash of -- well, we had a gross cash position of EUR2.1b or EUR2.2b, he said that Standard and Poor's decided in their infinite wisdom that half of it was in fact a debt. Okay. So it's their infinite wisdom. I don't have any comment to add to that.

Michael Ridley - *Citigroup - Analyst*

Is it the idea that some of this cash is restricted cash, i.e. trapped?

Daniel Valot - *Technip - Chairman and CEO*

No, no. The idea is that -- and it's an idea which has been around us for many, many years. I'm very sorry; I'm going to quit this Company in two months I would not have been able to kill this idea. I've been fighting for eight years. I've been unable to kill it. The idea comes from the fact that on the projects we are making most of the time we are given by the client, because we ask for it, a down payment. So the day we sign the contract, we get a down payment, which can be very sizeable money when it's 5% of a big contract, makes a lot of money. Okay.

Then, in order to be on the safe side, to protect ourselves against the risk of I don't know what, political risk in the country or the client decided to stop the project or whatever, or revolution or whatever, we -- most of the time we fight in our negotiations with the client in order to get a positive cash flow curve, which means that most of the time we are paid in advance to our own spending towards our suppliers.

Okay. Knowing that, some observers and the -- including S&P, decide that this money is not ours, it's the client's money because it has been paid to us in advance to our own spending. Well, that's the way they look at it. In my view, it's silly. This money has been paid to us as consideration for the job we are making.

Michael Ridley - *Citigroup - Analyst*

Yes.

Daniel Valot - *Technip - Chairman and CEO*

It's true that if we stop a project we are paid a down payment on the Monday, on the Tuesday the client decides to cancel the contract; we will have to pay back this advance payment. Okay? That kind of situation never happens; never happens. So it's a very theoretical case which leads some of those guys to decide that this money, yes, it's in our books, in our wallet, but it's not really ours.

Frankly speaking, basically, if we talk about the advance payment we get each time we sign a contract, yes, it is something which would have to be returned to the client if they decided the following morning to cancel the project. But this kind of situation never happens. So it's a very theoretical thing and, frankly speaking, I'm glad you raised the question because I did not even know myself that S&P had decided that half of our cash position was not cash but debt. So I'm pleased to learn about it from -- if you want to have my viewpoint very bluntly, I think it is stupid.

Michael Ridley - *Citigroup - Analyst*

Okay. Thanks very much. Can I ask a follow-up question, then? Given your large cash position, have you given a thought to whether your outstanding bond may be too large and you want to buy some of it back, or you're very happy to have a EUR650m bond outstanding?

Daniel Valot - *Technip - Chairman and CEO*

Well, I would say that that's something which has crossed our minds. This being said, today the carrying cost of this money is not that high and there is not a big difference between the price we pay and the interest rate we pay on those bonds, which is at 4.5%, 4.6%, and the interest we get on our cash, which is 3.5%, 3.7%. So you can see the carrying cost is very limited.

Michael Ridley - *Citigroup - Analyst*

Okay.

Daniel Valot - *Technip - Chairman and CEO*

Those bonds are valid until 2011.

Michael Ridley - *Citigroup - Analyst*

Yes.

Daniel Valot - *Technip - Chairman and CEO*

At a fixed rate. So I think it's a bargain. It's a good safety net for us. So we'd rather keep it.

Michael Ridley - *Citigroup - Analyst*

Thank you very much for your time.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. Andrew Dobbing of Cazenove. Please go ahead.

Andrew Dobbing - *Cazenove - Analyst*

Yes. Just one very simple question. Could you provide some details on the cost and the type of the pipe-laying vessel you're building? There's a small picture there. I guess it's a flexible pipe-laying vessel. Thank you.

Daniel Valot - *Technip - Chairman and CEO*

No, it's a rigid pipe-laying vessel and the first one we are showing on the slide 16, the deepwater pipelay, right? That's the one you -- for delivery in 2010. That's the one you are mentioning?

Andrew Dobbing - *Cazenove - Analyst*

Okay, yes.

Daniel Valot - *Technip - Chairman and CEO*

Yes. Okay. So we are not at the end of the process on this one. We are still reviewing. It will be a reel lay piper, so for the rigid pipelines mainly in --

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Andrew Dobbing - *Cazenove - Analyst*

So it will be small diameter pipe? It will be fairly small diameter pipe rather than large diameter pipe?

Daniel Valot - *Technip - Chairman and CEO*

It's not intended for the trunk lines. It will be again for the infill, the production lines. So I don't know what the maximum will be, probably something like 18 inches or something like this, like the other ones.

Andrew Dobbing - *Cazenove - Analyst*

Okay.

Daniel Valot - *Technip - Chairman and CEO*

In terms of estimation, we are not yet at the end of the study but we do believe it will be somewhere between EUR200m and EUR250m.

Andrew Dobbing - *Cazenove - Analyst*

That's all I need. Thanks very much.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. Alejandro Demichelis of Merrill Lynch. Please go ahead.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Yes, hello. Just one question. Maybe you can update us on the Khursaniyah project because we have been expecting the conversion of the open book [inaudible] there.

Daniel Valot - *Technip - Chairman and CEO*

We do, we do, we do. We finished, I think, for many, many months now. Well, as you probably remember, this contract started as a service contract and the agreement was that after a certain period of time we -- once we've developed the engineering, secured the procurement, we would work on an open book basis with the client. So after a while we would, well, compute all the costs, actual and expected. So, agreed. On the technical cost of the project we would then close the so-called open book and add to the technical cost the pre-agreed margin. So that was the understanding.

The fact of the matter is that the cost of the project while we've been developing the engineering has been increasing probably far in excess of what was the budget of the client. So Saudi Aramco has some difficulties to understand and to accept the cost of this project as it is today, so they have been hiring auditors in order to check in detail the estimates and so on and so forth. So we are still in this process, which is a very long and cumbersome process. I'm still expecting this project to be converted in a long-term turnkey in the near future. But it would have been a much longer process and much more tiring process than what we thought at the beginning.

Alejandro Demichelis - *Merrill Lynch - Analyst*

So when you're saying that you can increase your backlog further, is that having in mind that the Khursaniyah project will be converted into an EPC contract?

Daniel Valot - *Technip - Chairman and CEO*

No. When we say that we believe our backlog is increasing further, we don't take this conversion into account. So if it -- if the conversion takes place, it will come on top of it; it will be the cherry on the pie.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Okay, that's fine. Thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

[Mr. Leon Serin] of Indus Capital, please go ahead with your question.

Leon Serin - *Indus Capital - Analyst*

Hello. I just wanted to ask you to maybe comment qualitatively on how you see bidding activity in onshore developing and if we should expect that your backlog in onshore will grow at about the same rate as your backlog offshore.

Daniel Valot - *Technip - Chairman and CEO*

Very difficult to make predictions on the way the backlog is going to develop by business segment this year. I'd say that it's even getting more unpredictable as we go because the size of the project is getting bigger. So the trend for each segment is very difficult to predict. It depends on one, two, three massive projects which are either awarded to us or not.

Generally speaking, I would say that we expect to see a recovery in backlog in the offshore facilities business segment, in which there were very little new projects awarded in 2006 and there are some massive projects which will be awarded in 2007. In the SURF we are confident that there is plenty of business and we'll have good opportunities to replenish our backlog during the year. In the onshore downstream business, it can go either way. It's very dependent on a couple of very large contracts which can be awarded to us or not. So we can very well have a backlog going down or sharply up or moderately up. I would say my guess is that it will go up but it will be, once again, very much dependent on a few very large projects.

Leon Serin - *Indus Capital - Analyst*

Thank you very much.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. Ichbar Naseem of Lehman Brothers. Please go ahead.

Mick Pickup - *Lehman Brothers - Analyst*

Hi, gents. It's Mick here again. I'm just following up on Katherine's question. I didn't catch the answer. You were talking about the depreciation in SURF. Why is 4Q depreciation in SURF so much higher than 3Q depreciation in SURF? I understand going forward but what came in in 4Q? And thank you on the cash. I understand; I'm silly and stupid.

Daniel Valot - *Technip - Chairman and CEO*

I'm sorry, on the cash?

Mick Pickup - *Lehman Brothers - Analyst*

I just -- I appreciate being silly and stupid. Thank you.

Daniel Valot - *Technip - Chairman and CEO*

No. I was not pointing this appreciation to you. I wouldn't dare to do it. No, I'm just saying that, frankly speaking, S&P deciding that half of our cash is not real cash but is due to -- owed to our clients doesn't make sense, in my view. We can argue on the fact that this cash belongs to us fully and we had this kind of discussion with you in the past. I accept the discussion but having a kind of [inaudible], an order coming from an outsider saying my decision is that half of your cash is not yours, that's something which I believe doesn't make sense. No.

Mick Pickup - *Lehman Brothers - Analyst*

And on depreciation?

Daniel Valot - *Technip - Chairman and CEO*

Well, we had an extra depreciation at the end of the year we decided to do on the spool base in Angola.

Mick Pickup - *Lehman Brothers - Analyst*

Okay.

Daniel Valot - *Technip - Chairman and CEO*

That's it. So that's a kind of one-off item.

Mick Pickup - *Lehman Brothers - Analyst*

And why would you do that when there's so much work coming in the country?

Daniel Valot - *Technip - Chairman and CEO*

Sorry?

Mick Pickup - *Lehman Brothers - Analyst*

Why would you do that when the outlook for work in Angola [multiple speakers]?

Daniel Valot - *Technip - Chairman and CEO*

Well, we decided to do that because the construction cost of this spool base was rather expensive and so we said it would be better to make a kind of write-off than live with it.

Mick Pickup - *Lehman Brothers - Analyst*

Okay, thanks.

Daniel Valot - *Technip - Chairman and CEO*

Okay.

Operator

There are no further questions at this time. Please continue.

Xavier D'Ouince - *Technip - IR Manager*

Ladies and gentlemen, this concludes today's conference call and we would like to thank you for your participation. As a remember, a replay of this call will be available on our website in about two hours. You are invited to contact Technip investor relations should you have any questions or require additional information. Once again, thank you for your participation and please enjoy the rest of your day.

Daniel Valot - *Technip - Chairman and CEO*

Okay, thank you very much.

Operator

Thank you for your participation in today's results conference call. We'd like to clarify that a replay of this call will be available within the next two hours. The replay will be on our website, www.technip.com, in the investor relations section or by dialing +44 0207 806 1970 using the confirmation code 2450685# or by dialing +33 01 71 23 0248 using the confirmation code 2450685# or by dialing +1 718 354 1112 using the confirmation code 2450685#. The replay will be available for seven days. Thank you and goodbye. You may now disconnect.
