FINAL TRANSCRIPT

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PRESENTATION

Operator

Hello everyone. And welcome to the conference call for Technip's first quarter 2006 results. This conference is being recorded. [OPERATOR INSTRUCTIONS]. I would now like to turn the call over to Christopher Welton, Vice President of Investor Relations. Please go ahead sir.

Christopher Welton - *Technip - VP IR*

Thank you very much. Good day ladies and gentlemen. And thank you for participating in today's first quarter 2006 results conference call. First quarter accounts can be found in 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 the Group CFO Olivier Dubois, as well as other members of Technip's Executive Committee.

Just before we start, I would also like to remind you, as usual that participants that statements in today's press release, and slide presentation, as well as those made during this conference call, which are not historical fact are indeed, 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 an integral part of today's earnings press release and slide presentation.

Also finally, 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 over to our Chairman and CEO Daniel Valot.

Daniel Valot - *Technip - Chairman & CEO*

Well good day all of you. I just stress the main features of this first quarter. And then we will move to the Q&A. So the main numbers coming out of this first quarter are the following ones.

The backlog is up, very sharply, compared to the end of the first quarter 2006 at 11.6b. It's even slightly above the level we had achieved at the end of 2005, which means that the business is very -- the business trends are still very positive in all markets.

The revenues are up 31% compared to first quarter last year. And that comes, obviously, as the result of the very sharp increase in the contract awards we enjoyed last year.

At the operating income level, the progress is much slower. The progress we made by 7%. And this comes, primarily, from a relatively low performance in the Onshore-Downstream segment, as well as in the Offshore Platform segments. Although, in this area, it's offset by the capital gain we made on the sale of our yard in Corpus Christi.

At the net income level the progress is 16.6%, and that comes from both the improvement in operating income. And the vast improvement in the tax rate we have to pay.

And at the level of the net income per share, the progress is 22.6%, so hopefully, we have a very attractively, strong numbers. Although as we said before, we were expecting for this first quarter a relatively moderate progress in operating income. And we do believe we will have the same thing continuing during the second quarter.

We are expecting, for the full-year, to achieve our target, which is unchanged, it's an operating income of 240m at least. But, as we said, given the tensions, which have been developing on the market, this target is looking for us, more and more challenging as we go. Nevertheless, for the time being, we believe it's still something which is valid as a target.

So that's the extent of my comments. And now I turn the table to you, in order to get to the Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you. [OPERATOR INSTRUCTIONS]. The first question comes from Mr. James Hubbard from UBS. Mr. Hubbard please go ahead with your question.

James Hubbard - *UBS - Analyst*

Thanks. Good afternoon. Three questions, if that's okay? Firstly the Facilities result for Q1, on an underlying basis, if I take out the gain on sale of assets, seems to be weak. Can you just identify for us, or clarify if that's a one-off issue? That is related to contract issues from 2003, or dispute of a client payment? Or is it a fair reflection of the ongoing business there?

And then --.

Daniel Valot - *Technip - Chairman & CEO*

[Inaudible]. Sorry. Go ahead, okay.

James Hubbard - *UBS - Analyst*

The second question is that, I think it's well understood the Onshore situation this quarter, in that the '03 contracts have been subject to costs escalating in the meantime. I am just wondering, as we go forward, how exposed are the 2004 and 2005 contracts you've won next year and the year after? If next year we are sitting here and we say, oh costs have escalated again, are you much more hedged against cost increases going forward?

And then finally can you give any guidance on, how much of your 1.3b net cash you intend to use to buyback shares, and over what time period?

Daniel Valot - *Technip - Chairman & CEO*

Okay. On the Offshore Facilities I am pretty confident we will achieve a positive operating income this year. What you -- what needs to be understood, is that, at any given period of time, our margins are not difference between costs and revenues. It's mainly, an addition of the best estimates we can make on the revenues, and costs, at termination, on the various contracts which are under execution. So the -- it's just an addition of estimates.

How these estimates are made? They are made, based on, what the accounting rules say, which are -- which is first on the costs. You take the worst estimate you can make. What is the conservative way to look at the costs at termination? And on the revenue side, you take the less optimistic view of the revenues, which are going to be paid on that contract. Which means, and this trend has been further strengthened by the new accounting standards.

So if we take the first quarter Offshore Facilities, there are a couple of contracts on which we had to take into account some cost overruns. The corresponding changeovers have not yet been signed by the client. And since they have not been signed by the client, we cannot take them into account although we are pretty sure they will come.

So I am not at all worried by this situation on the Facilities during the first quarter. I believe that, during the year, we will end up with a situation which, will be looked at as very much satisfactory.

On your second question, it's a tough question. Onshore-Downstream has been hit. The contracts we were -- which were signed in 2003, have been hit by the increase in raw material costs, in the cost of equipment, on the various things which have been getting more prioritized than before.

And so the operation is well on the new contracts you have signed in 2004, 2005, what can be said about their resilience, in front of continuing volatility in raw material cost, and equipment cost? And are we sure that next year we won't be here telling you, sorry same story again. The price of steel has been running up and the price of the compressors has been running. So our margins are not as good as they should be. It's a very difficult question. It's a tough one also, because it's not that easy to answer.

What I would say is that after the turmoil that we've been through in 2003, 2004 on the raw material cost and equipment cost, of course, we've changed our way of doing business. We try to adapt our contracting strategy to this new environment.

So to give you just a few examples, today when we give an offer to a client, we get it with a very limited period of validity. Our offers are valid for 60 days at best. And we make sure that in front of this price we put on the table for the client we have, from the main equipment suppliers, some kind of pre-commitment, which will be valid at least 60 days to. So that, if we get the contract, we then come back to the suppliers, and freeze these negotiation prices.

So that's the way to mitigate the risk, which we had on the previous contracts. In which, most of the time, the validity of the prices was four months, five months, six months. And then, of course, in the meantime, the market conditions could very much change for the main raw materials, and equipments.

Another example, is that on those new contracts, signed in 2004, 2005. Given the new competitive environment, we've been able to secure much higher contingencies in our prices so that we are better protected against volatility in raw material cost, or in the construction costs.

So altogether, I am not going to say that the risk is lower, on those new contracts. The risk is probably bigger because those contracts are themselves bigger. But we have -- we are much better protected than we were before. And we are more able, given the pricing on those new contracts, and the way we've been working with our suppliers and sub-contractors, we are very -- in a much better position, to absorb the shocks which can come from the volatility on the raw material costs, equipment and the cost of construction.

On your last question, which is the share buyback, we have today a net cash position of about 1.3b. And we believe that out of this 1.3b some -- the excess cash, the cash we don't need to run the Company day in, day out is today something like 600m. So that's our best estimation today. And obviously this estimation can change over time, especially if we have to do, in some time from now, some little acquisition. That could change the way we look at the excess cash. But today, we would say the excess cash is about 600m. And it's the intention of the Company to return this cash to shareholders.

How will we do it? It's not yet completely finalized, but we intend to start doing it through a new buyback program on the market. Which we will start as early as next week, since we got the authorization from the Shareholders Meeting at the end of April to start it.

So we will start this share buyback program as quickly as possible. And our intention, once again over time, will be to return to our shareholders all the excess cash we have, which is currently estimated at about 600m.

James Hubbard - *UBS - Analyst*

Okay. Very good. Thank you. Could I just have one follow question? Those contract terms you just described and the new environments, does that apply to all 2004 and 2005 awards? Is that a fair understanding?

Daniel Valot - *Technip - Chairman & CEO*

Well it's the general trend. Not the -- each contract is different. But I would say that, generally speaking, we've been able to negotiate much better terms and conditions on most contracts.

And, for instance, there are now, on some of the largest contracts we have. We are working on a multi-currency environment, which means that the price which is paid by our clients is a mix of dollars, euros, sterling pounds, in line with our cost structure.

So that has eliminated the whole foreign exchange risk, which was in our folders before. So it's not the case on all contracts, but on some of them, and on many of them it's the situation today.

So I would say, very generally speaking, on most of those contracts. We are in a, I believe, in a much happier situation than the one we had on the contracts signed in 2003 for which we were not at all, at all equipped to cope with still price rising by 100% in a couple of months. We could not cope with this situation, which was complicated and unexpected.

Now this relativity on the prices is something which is expected. So we are -- we have changed our methods of doing business, in such a way that, I believe, today we are better protected.

James Hubbard - *UBS - Analyst*

Okay. Thank you very much.

Daniel Valot - *Technip - Chairman & CEO*

Thank you.

Operator

Miss Katherine Tonks of Credit Suisse. Please go ahead with your question.

Katherine Tonks - *Credit Suisse - Analyst*

Good afternoon. You mentioned pre-commitments from sub-contractors, and equipment suppliers. Can you confirm that you have commitments from all of your -- from the sub-contractors, covering all the sub-contracts in your back stock already? Or is there some element that is outstanding, still to be summed up from sub-contractors?

And then secondly, could you maybe discuss, or clarify the main challenges on the big contracts that, you've been awarded in 2005? Possibly any logistical challenges or the things that we should watch out for in the next couple of years? Thank you.

Daniel Valot - *Technip - Chairman & CEO*

Alright, on your first question I think it's a little bit more complicated -- I am not sure I fully understood the question. But if I am wrong please correct me.

I understand your question is have you secured everything on the existing backlog, as regards your suppliers and sub-contractors? Obviously not. There is a big portion of the supplies and the sub-contracts, which can be negotiated and secured as long as the engineering has not progressed enough. Don't forget its engineering, procurement, construction.

So we have -- you have to do first the engineering, in order to basically define what you need, and then you purchase. Obviously, on most projects, there are a few critical equipments, which are, or generally called long-lead items, which are well defined even before you start the execution of the contract. So I am talking about those ones. So for everything which can be one way or another secured prior to the [throughout] the contract, yes we try to secure it.

There is another problem, which can be supplied only once the engineering has progressed enough. And there, we are mostly relying on the fact that first we try to push to the -- on the shoulders of our clients, the most difficult procurement tasks. For instance, to give you an example, on the market place those -- this last year one thing was becoming not only extremely expensive, but almost impossible to find. It was titanium. Titanium was becoming a very tricky thing to find.

Okay. So on all contracts in which there were titanium or titanium-based equipment to be supplied we said to our suppliers it's your business to supply it. We cannot take under a long-term subsidy contract, the risk of finding this bloody stuff, which is very difficult to find on the market. So that's a way to rebalance the way the risks are spread between the owners and the contractors.

So everything we could do in order to reduce our risks and to limit the volatility has been done. Now there is obviously, a reminder, a reminder, which is this the equipment and the metals which can be supplied only once engineering is advanced enough. And there the way we cope with it is that we add in our pricing much higher installation and contingencies than before, in order to accommodate the volatility, which can take place on this equipment.

I don't know if that answers your question or not.

Katherine Tonks - *Credit Suisse - Analyst*

Are there any contracts where you are aware that the -- or you suspect the risk is slightly higher than average, where the contingencies may not cover the price of the sub-contractor? Or the equipment that needs to be supplied?

Daniel Valot - *Technip - Chairman & CEO*

Well, I would say that, generally speaking on the new contracts we have started and for those four weeks today, the procurement stage is advanced enough. We didn't have the kind of nice surprises we had in the past on the contracts started in 2003.

I am not saying everything is perfectly in line with our estimate. But the procurement campaigns these days are all together in line with our pricing estimate. I am not saying that we are 100% protected. Obviously the one area of concern we have, one area in which we are still at risk, is over-reaching, over-reaching in the construction activities.

There are so many projects, especially in oil and gas projects, being built around the world these days. And especially in some specific areas like The Middle East, Canada some places in which there are many, many projects that, the construction companies, the construction sub-contractors, are a bit over-stretched. And so that's something which we would like to continue to monitor, and to manage as closely as possible. But it's still an area of risk.

Katherine Tonks - *Credit Suisse - Analyst*

Thank you. Thank you very much.

Daniel Valot - *Technip - Chairman & CEO*

Thank you.

Operator

Mr. Martijn Rats of Morgan Stanley, please go ahead with your question.

Martijn Rats - *Morgan Stanley - Analyst*

Good afternoon. I have three questions, if I may?

Daniel Valot - *Technip - Chairman & CEO*

Yes.

Martijn Rats - *Morgan Stanley - Analyst*

One and -- you won a lot of project in 2005, and year to date that, you are doing together with your partners. And I was wondering whether you are, in any way, exposed to cost control of your partners, with regards to your own earnings? Or whether in every contract you've clearly split not only the activities, but also the financial rewards of every project between you and your partners?

And secondly, last September you announced that, you had simplified your organizational structure and created the operations division to deal with the -- deal more effectively with the growth of the firm. Would you say that that effort, that restructuring efforts has not delivered the results that you initially expected?

And finally, now that the convertible is out of the balance sheet, can you give some guidance on where net financial expenses will go in the next few quarters?

Daniel Valot - *Technip - Chairman & CEO*

On what? Sorry.

Martijn Rats - *Morgan Stanley - Analyst*

Where net financial expenses will go, now that the convertible --?

Daniel Valot - *Technip - Chairman & CEO*

Net financial expenses, okay, alright, alright. Well on your first question, the answer is in principal is very simple. The fact that we are working on the JV agreement does not mean that we give the keys of our safe box to our partner. We love our partners. We are very much in love with them. But most of the time in the way the JV's are structured, Technip does insist, even when we are the leader in the JV, to have the job of the cost controller, or the job of the financial manager of the JV is given to a Technip Company. That's something on which we are extremely keen. And anyway we never give free access to our partners, to our pockets. You can be sure that is something on which we are extremely cautious.

You mentioned changing organization, and the creation of the operational divisions. Well the head of the Operational Divisions is with us. So if I were rude, I would say in front of everybody that no it didn't deliver what we were expecting from it. But not that's -- I am just joking.

What I want to stress is that, I believe the new organization, which will prove to be more efficient than the former one because previously we had an organization centered on our business segments. You remember we had a Head of the Offshore division, and a Head of the Onshore-Downstream, and a Head of the Industries division. And the results was that, for instance, the guiding chart of the Offshore division had to manage both the business, negotiation with the clients for new contracts, checking that the contracts are in good order, and so on and so forth. And was also supposed to have, enough time and energy to manage, on the long-run, the assets of the division, which are basically the plants, the vessels and so on and so forth.

Now properly speaking, I don't believe somebody in charge of the business, in our kind of business, can be -- which makes flying to various parts of the world, having negotiations, meetings with the clients, jumping in the next -- on the next plane and so on and so forth, could have enough time, and I would say, visibility to seriously take care of the fleet, of the plants and so on and so forth.

So we decided to disconnect the business, which is something which is day to day running from one priority to another one. We decided to de-associate that from operation management. And which is to basically asset management. So I do believe that this is a much -- this will be a much more efficient organization.

And we are, in terms of efficiency so far, we've been able to cope with the increase in our business. There has been a big increase in engineering man hours, for instance, with excellent results in terms of quality. In terms of safety, we have one of the best safety statistics in the industry. So I do believe that giving the duty to manage the assets, to guys who are not under the pressure of the day-to-day business is the right solution.

On your last question, what will be our net financial charges and the question is very simple. Last year our net financial charges were 88m a year. Out of which 38m were related to the convertible. So basically what disappears is this 38m.

In addition to that our cash position has improved. So altogether, we should have, on a full-year basis, something like less than 50m financial charges. Obviously that situation may change as we start returning the bottom of our cash flow to shareholders. That will generate less financial products.

But -- and, of course, we have also to take up the fact that the visibility in our financial charges is a bit complex now, with the newer company started now with IAS32 and 39. You know there is a mark to market on the financial instruments used for the hedging of our positions. So that will be truly for a time from one quarter to another one. But that's accounting financial charges. Basically we are seeking, for financial charges, which will go from 88m to something like 50m. Okay.

Martijn Rats - *Morgan Stanley - Analyst*

Thank you.

Daniel Valot - *Technip - Chairman & CEO*

Thank you.

Operator

Miss. Dominique Patry of Cheuvreux, please go ahead with your question.

Dominique Patry - *Cheuvreux - Analyst*

Good afternoon. Could you please update us with regard to your vision of the Offshore market both for SURF and Facilities?

Daniel Valot - *Technip - Chairman & CEO*

Well I don't know if there is much to say. What we are seeing is not extremely original. What we are seeing is a continued growth on the deep Offshore arena, which will be deeper and deeper, in the next foreseeable bit probably. 3,000 meters of water depth. And we can see this business expanding, not only in terms of volume, but also in terms of territories.

And so far the -- there was deep Offshore developments in West Africa, Gulf of Mexico and Brazil. We are now seeing new regions emerging as region of people for business, especially in the Far East, with Malaysia, India, Indonesia. So there will be more and more opportunities for our products in the future.

In terms of shallow waters, what is really an extremely interesting business is to see that, the area like the British North Sea, which is supposed to have died 10 years ago, is still going. There is more and more business in the North Sea, not only on the Norwegian side, but also on the British side. And many tie backs for small fleets, which were less dynamic when the fuel prices were lower, but we saw extremely dynamic with $60 or $70 per barrel.

So altogether we are rather optimistic about the development of the Offshore business. The -- on the other side, the -- one of the questions we have in front of us is how will the players react in front of this growth in the market? And what we are seeing is that, many of our competitors are ordering new vessels, which will come on the market more or less at the same time, in two years from now, two or three years from now.

And that leads us to be very cautious, because one cannot exclude that all those vessels coming on the market at the same time will create a kind of overcapacity and depress the margins.

So in the long-run we are very bullish about the Offshore business. In the horizon 2008, 2009 we are a bit cautious.

Dominique Patry - *Cheuvreux - Analyst*

But maybe to be more specific? If I remember correctly mid-February you were a little bit cautious, with regard to the potential of deeper wells, especially in the Facilities division, due to maybe a kind of sub-tier in West Africa. And apparently one of your close competitors is expecting a sharp pick up in activity. So maybe could you elaborate as to which your vision has changed, maybe more specifically on West Africa, for example?

Daniel Valot - *Technip - Chairman & CEO*

Well in West Africa, there has been a major wave of new developments taking place on those pastures started in 2003. And it is slowing down now. We are expecting a new wave to take pace because there has been a lot of discovery, especially in Nigeria, but also in the new blocks in Angola.

So then we will be in the wave of developments. We are in the middle, in the relatively low position, in terms of market size, between those two waves. But we are still pretty confident that in the -- during the three, four, five years at least, there will be plenty of new opportunities in West Africa for [inaudible].

So our vision is, I believe, not very different from the -- one of our competitors, because the projects are the same for everybody. What is encouraging is that in addition to that, we see a good future for the Spar's and there are several prospects for the Spars in The Gulf of Mexico. Including one which could be a short-term target, which is a field called Great White for Shell. They changed their name recently. It's called [Kerdigo], which is a strange name anyway. But we have good hopes we can secure this one, which will be good news for our yard in Finland.

And we have also many projects in -- or prospects in shallow waters in -- for Offshore Facilities, especially in the Middle East. So we are pretty confident that even if there has been a temporary slowdown in West Africa, there are still a lot business opportunities in this business stream.

Dominique Patry - *Cheuvreux - Analyst*

Okay. Thank you.

Daniel Valot - *Technip - Chairman & CEO*

Thank you.

Operator

Mr. Paul Andriessen of Fortis, please go ahead with your question.

Paul Andriessen - *Fortis - Analyst*

Good morning. Paul Andriessen of Fortis. First question on Offshore Facilities. Do I understand correctly that, you see this as purely a timing matter or a mismatch between revenues and costs? And that will be resolved in coming quarters?

Daniel Valot - *Technip - Chairman & CEO*

Yes I am 99%, 100%, 99% sure that it will be a resolved in a satisfactory way in the coming weeks.

Paul Andriessen - *Fortis - Analyst*

Okay. Then second question. I must say I am kind of surprised that, you are saying that reaching your 5% margin target is becoming more and more strenuous because, what you have indicated the causes could be measured at the end of 2005 already because of the rise in raw material prices and equipment prices had already occurred then. Whereas you are saying, on the new contracts your conditions are a lot better. So what is happening in the current months that this is getting more strenuous?

Daniel Valot - *Technip - Chairman & CEO*

Yes, I understand your question I believe. What's happening really this year is that there are many projects in which we had to face higher cost because of this raw material cost increase, or because of specific constraints on construction, or whatever. So it's a -- things which are well know. It has been -- it didn't take place in the last quarter. It's been taking place in the last two years. Alright.

What remains as we go to the close out of those projects, what is remaining is the final discussions with the clients in order to adjust our books. So we have a number of changeovers which are on the discussion with our clients. And for which, the discussions get longer than we would have expected.

Why do they get longer than expected? Just because, ideally, most of the oil companies are getting extremely nervous. When they see that their final development costs are, today, twice what they were three years ago. And they are all watching the cost of their projects going up and up. And so their technical costs per barrel moving up. That makes them very nervous, and they look at the changeovers and those adjustments at the close end of the projects, probably in a more constructive way or a more attentive way, than they would have done in the past.

So a number of discussions which -- for which we thought there would be a relatively easy to find a quick solution, are getting longer than expected. And that's the reason why we say that they are -- it's more difficult for us today to appreciate what will be the end result. And, therefore, what will be the margins in this on a full-year basis.

And that's the reason why I said that, we still believe that we have the potential to reach a further 40m of operating income during the year. But its more challenging, it's more difficult than I would have thought a few months ago.

Paul Andriessen - *Fortis - Analyst*

Okay. So I suppose you are no longer looking at these targets with, let's say, the kind of 90% confidence level that one would generally expect of such a target?

Daniel Valot - *Technip - Chairman & CEO*

Well, usually we try to give targets on which we are almost 99% sure we will get them. At this point in time, we are middle of May 2006, there are a number of contracts coming to an end for which we are engaged in discussions with our clients. So it's difficult to be 100% sure that it will turn this way or that way.

So that's the message I wanted to give to the market, which was probably not well understood when I gave this message during the last Shareholders Meeting. I am not giving any kind of profit warning. We keep our target as a valid target for the year. We are just saying there are more uncertainties for the reasons I mentioned, on achieving this target than we thought at the beginning of this year.

Paul Andriessen - *Fortis - Analyst*

Okay. And last question, at an earlier instance you said that, for the first-half you expected the backlog to remain more or less flat and expected it to start growing again in the second-half. Is that still your expectation?

Daniel Valot - *Technip - Chairman & CEO*

Well, our backlog has been rising a little bit during the first quarter, but that -- it has been a bit pushed by the exchange rate variations between the dollar and the euro. But basically our order intake has been 1.8b while our sales are working out at about 1.6m. So it's more or less the one balance.

That comes mainly from one contract only - the Qatargas III and IV contract -which actually was signed at the end of last year, but came into force during this first quarter. So we knew this contract would come into force and we settled okay, we will keep our backlog more or less at the same level as the one we had at the end of last year.

Now for the second quarter, there are two big contracts which are pretty close to being put in force. I do believe they will be put in force during the second quarter. So the -- I am rather confident that our backlog, again during the second quarter, will be at least led in at a similar level and probably right a little bit.

On the -- if we take an overview, one or two -- you have to realize that, our goal this year is not to continue to increase massively our backlog. We are at a level of 11b. Not very far away from $15b. I would like us to stabilize the -- our backlog more or less around this level in order to be able to manage it efficiently, which means to extract from this backlog the highest possible margins in the coming years.

Paul Andriessen - *Fortis - Analyst*

Okay. So that means that your expectation of a growth, towards the end of the year, is basically no longer there?

Daniel Valot - *Technip - Chairman & CEO*

I am not saying that. I am saying that we are not hunting for strong growth in our backlog, okay. We are very selective on the new projects we take. And we try not to swallow more than we can chew.

Paul Andriessen - *Fortis - Analyst*

Okay. Thank you very much.

Daniel Valot - *Technip - Chairman & CEO*

Thank you.

Operator

Mr. Stephane Soussan from Exane, please go ahead with your question.

Stephane Soussan - *Exane - Analyst*

Yes, good afternoon. Just to come back on your 340m guidance for the year, apparently more than usual, you are expecting some significant variation order. As the situation is quite special, could you quantify how much of the total of 340m variation order you need or you expect to reach that guidance?

Daniel Valot - *Technip - Chairman & CEO*

Mr. Soussan I would like very much, to answer your question but there I take my joker. I put the right to [answer] for a conference call on this one, I take my joker.

Stephane Soussan - *Exane - Analyst*

Okay.

Daniel Valot - *Technip - Chairman & CEO*

If you don't mind?

Stephane Soussan - *Exane - Analyst*

Because, you probably need, you need strong results in the second-half, and probably a big chunk of it should come the variation order or from underlying projects, new projects?

Daniel Valot - *Technip - Chairman & CEO*

No, it's like I have said already. [Inaudible] region, if I may say so. We have, during this first-half, the first-half of this year, especially on the Onshore-Downstream segment, most of our revenues come from new contracts, on which, according to our accounting methods, we recognize very little margin. We made the calculation for this first quarter. We do the calculations again during the second quarter. I think it is very interesting, as you know our backlog in the Onshore-Downstream segment almost doubled last year, which is something unprecedented. Almost doubled. So that triggers a massive change in the structure of our revenues. Usually during any quarter, we have 20%, 30% of our revenues coming from new contracts, which have been started later than one year ago, on which we recognized very little or even no margin, as long as they are really in the early execution stage.

This first quarter 2006, the proportion of new contracts in our revenues of the first quarter is 71%. 71%. Can you imagine we have 71% of our revenues on which, our accounting standards say no, well little or no margin. A situation we have, I believe, we've never had before. And we couldn't even imagine an instance such a situation.

So the -- we will see what it will be during the second quarter. If the proportion of this revenues coming in from new contracts will probably go down a little bit. But we expect the situation to reverse around the middle of this year. So during the third quarter, as the new contracts signed during 2004, 2005 will start being in their second year of execution, those contracts will start generating not only revenues but margins.

And so before the end of this year we do believe, third quarter, fourth quarter will be much stronger in terms of operating income primarily because, the new contracts signed in 2004, 2005 will start yielding some margins.

Stephane Soussan - *Exane - Analyst*

Okay. As we are [more in] very nervous to be [un-contracted] I have heard some rumors for months on the Dalia project. I know you don't try to comment on projects, but maybe could you update us on that project? And on the fact that you are probably, I don't know if it's true, you lost a pipe and what could be the associated cost?

Daniel Valot - *Technip - Chairman & CEO*

Okay. There are two components for us on the Dalia project. There is the APSO and there is the Subsea pipelines. On the APSO, the project has been running pretty well. The APSO has left Korea early March. And is on its way to Angola. It's perfectly on time, on schedule, very good project, complex project.

I remind you we were three partners, well three Western partners - us, Saipem and Stolt Offshore SOG. Plus two Korean CPRs, which took care of the fabrication of the hull. So it was a bit complex, but it worked nicely. So I do believe it's not this one you -- on which you want to have comments.

The other project which, is 100% Technip is the Subsea pipelines projects, which is a rather complex project on which we are putting on the market a new type of -- new types of pipe -- of lines especially for the Risers, which are -- is called the IPD the integrated products we bundle, which is a kind of new type of line. So there has been a lot of research and development, there has been validation, and so on and so forth.

And the installation campaign has started a few weeks ago, and will continue until, I believe, the third quarter of this year. We have had a number of technical incidents on this project, like you would more or less expect when you are in this type of very complex and highly technological project. If you know any Subsea company, which can say that they never had any kind of technical failure, during an installation campaign, give me their phone number. It would be very interesting.

Anyway I am not going to comment that much on this type of incidents because the project doesn't belong to us, it belongs to our clients. And our clients, when they are asked questions about this project, have stated, very clearly, that they are happy with the way it's developing so far. And as long as they are sure that they will meet their main target, which is to put the field on production before the end of this year, they are happy.

Now one other thing I would like to stress on this project is that what bothers me the most is not technical incidence. On this type of technical incidence, first the cost is covered by insurance coverage.

Second if the incident implies additional delays and cost in addition to what is paid by the insurance there is a kind of solidarity between the engineers of the oil company and the engineers of the contractors which take place because engineers are put together when there is a technical problem on a project. So the cooperation, the working spirit between the client and the contractor is never as good as in this type of situation. So, I'm much more concerned when the difficulties we have on the project come from commercial problems, pricing problem, difficulties with the supplier, or whatever.

When it's a technical problem I'm not as concerned as you guys would be, because I believe that can be solved in a much easier way between the insurance company, the owner and the contractor.

Stephane Soussan - *Exane - Analyst*

Okay. And maybe one last question. Is it fair -- could you say that at the end of first quarter of 2006 all the programs from 2003 contracts will be -- will have been recorded in the accounts?

Daniel Valot - *Technip - Chairman & CEO*

Well, as you know -- perhaps you don't no, so I tell you. All problems -- are all the problems on pending contracts identified and taken care of in our accounts at the end of the first quarter? The answer cannot be anything but yes. All the problems of which we are aware when we closed the books at the end of the quarter, the problems being what cost overruns or whatever, everything has to be taken care of in the proper way in our books under the very strict stipulations of IAS number 11, and under the scrutiny, and I can tell you it's a very close scrutiny, of our external auditors.

So, any time there is a -- and that's what I tried to explain at the beginning of this conference call. Our accounting is mostly -- or in our numbers during any specific quarters, I'm talking under the control of the Financial Director, Olivier Dubois who is a bit anxious when I start delivering lessons in accounting. And he is right to be nervous.

I think we correctly [inaudible]. I would say that about 80% of our margins in any specific quarter are based on estimations. The best estimation which can be made on each project, which is under execution between the cost at termination and the revenues we will get.

The cost at termination has to be estimated in a very conservative way. And the revenues which have to be taken into account have to be evaluated in an even more conservative way, which means that if I know that I'm going to settle a variation order with a client next week but the -- we have not yet reached a signed agreement with this client, I am not allowed to take into account the expected revenues in the estimation of the margin on the project during this specific quarter.

So no reaction from Mr. Dubois, so I would assume he agrees with that.

So, what -- the answer to your question is very simple and very straightforward. In our records at the end of the first quarter, have we taken into account the impact of all identified problem when we close the book? Yes.

Stephane Soussan - *Exane - Analyst*

Okay, thank you.

Operator

Mr. Michael Carter of ING, please go ahead with your question.

Michael Carter - *ING - Analyst*

Good afternoon. I'll take you away from accounting questions. I had a couple of questions. You in the past have mentioned that you're looking to invest in your fleet. Can you give us an update on your thoughts, any particular timing or costs and type of vessel other than the inspection vessel you've just announced?

Also, when you talk about how much cash you would apply to the buyback program you mentioned the word potential acquisitions. Could you tell us to the extent that you are looking for acquisition, what are the sorts of things that you're looking for? Are they more capabilities, more assets, more market coverage?

And one last thing in terms of the cash position, it's something that I think I've asked before. And I thought you were interested in providing it going forward was the amount of cash that is actually free cash to you, given that the cash that is pre-payments, the interest after that if I understand correctly goes into your revenue line and not into the interest income line. So, it would really help our job a little bit if we could have an idea of what the, let's say, the free cash is. Thank you.

Daniel Valot - *Technip - Chairman & CEO*

Alright, quite a lot of questions. On the fleet, I believe we have announced the fact that we decided to start the construction of the new build, which will be a DSV, a diving support vessel, for the Norwegian waters, which will come in -- as a support for the multi year maintenance and inspection repair and maintenance contract we have just signed with Statoil.

So, that -- this vessel will be bought obviously as a medium construction vessel. So, it will be primarily devoted to the service of this contract with Statoil, which is a five year contract. But it can be also used on medium and -- light and medium construction outside of the North Sea. We expect the cost of this vessel to be around 120m. And it should be delivered in 2008.

In addition to that we are also adding to the fleet in another way by clinching charter parties with the various owners. So, we announced, I believe it was last week, the fact that we have clinched a deal for three year for a new build for Geoholm.

We are also negotiating another deal for a longer period of time, something like eight years, for another new build with, again, a Norwegian ship owner. And we are scratching vigorously our heads in order to determine whether we should embark on the construction of a big new build. Not as big as the Deep Blue but the kind of heavy of construction vessel. And we are scratching our heads and it will take probably some time before we decide to move in this arena.

Once again, we believe there will be the need for more vessels in the future, because the business is increasing. But we are a bit cautious when we see that our competitors are adding new builds to their fleet at a very fast pace. So, instead of investing heavily in this arena, probably the -- one of the best ways to cope with the need for new vessels without getting too stuck or putting to much money, is to go to rentals on a long term basis, charter parties, rather than investing our own money. And that's the reason why you are making those deals I just mentioned. So, that's the question on the fleet.

Potential acquisitions, I mention it just because I'm an honest person. So, I said today we estimate our excess cash at 600m. We are not desperately looking at making a new acquisition just because we have first to manage our organic growth, which is very rapid these days. But, well, you never know. Even if we are not looking desperately for it perhaps in two months or six months from now there will be on the market something very attractive for us for which we could be interested.

And I just mentioned this scenario, which is a possible scenario, not very likely, the possible scenario, to stress that if at the end of the day we decide that the excess cash is not 600m but 200m, well, I will ask -- saying to the market from the -- right from the start. So, it's in order to avoid any of that surprise. But the likelihood of us making a sizeable acquisition in the near future is very remote.

On the cash -- the question on the free cash, perhaps Mr. Dubois can answer to that, no?

Olivier Dubois - *Technip - CFO*

Yes, in fact, we -- as you probably know, we don't want to enter into any discussion concerning the free cash. But or [close] to the cash belonging to the customers. In fact, we believe that all the cash, which is currently in our balance sheet Company.

Michael Carter - *ING - Analyst*

Hello, you -- just as you were explaining who owns the cash you went offline.

Daniel Valot - *Technip - Chairman & CEO*

Yes, okay. Sorry, there was some noise on the line. What we are saying is that the cash we have is our cash. There is nothing like cash belonging to our customers. It's true that when we start a contract most of the time there is a down payment. And this down payment is amortized over the length of the contract.

So, if after signing the contract and having cashed the down payment, let's say, 5 or 10% of the value of the contract, if the following week the customer decided to cancel the contract we would have to pay back this cash to him. That situation never happens -- never happens.

So, in theory you are right. A portion of this cash does not belong to us and will have to be returned to the clients if the client decided to cancel the contract. This situation almost never happens. So, the question of the -- the real question behind your question, I believe, is that we have to be very careful, especially in a year like 2005 when we had a big increase in contract awards. We had also a big increase in our cash position, because there were lots of down payments, which were made.

And it's true that a portion of this cash will be consumed as we execute the contracts. But this is the reason why we say we need to have some net cash available to use. And that's the reason why we made this estimation out of our net cash position, which is 1,300m today. We estimate that 600m is excess cash. The rest of it, we [need] it.

Is that clear enough?

Michael Carter - *ING - Analyst*

Yes, it was really -- the real driver of my question was not are they going to ask you for the cash back, but since -- differently from some companies the way that you account for the interest income off your cash position. From what I've understood in the past what is client prepayments, the interest income off of that cash goes into the revenue lines of that project whereas the interest income off of, call it, your non-client prepayment cash goes into your interest income line. And, therefore, to the extent we ever try and get a forecast correctly, it helps us to understand how much of the split of the cash to understand where we should be targeting interest income and expenses going forward.

Daniel Valot - *Technip - Chairman & CEO*

Okay, I understood. I see your point. But the reality is that this sequence in accounting comes from one reason. And it doesn't come from the fact that this cash belongs to the customer and this cash belongs to us. It comes from the fact that we recognize that the cash position on the project is part of the profitability of the project. In other words, when we are negotiating with a customer in order to sign a contract, we make always an arbitrage choice between getting a higher margin, but a lower cash position, or having a better cash payment curve and accepting to have a lower margin, if this has to be negotiated this way. I don't know if you see the point I want to make?

Michael Carter - *ING - Analyst*

No, I understand the business philosophy.

Daniel Valot - *Technip - Chairman & CEO*

The business philosophy is that we would rather accept a lower margin on a contract in order to get a better payment curve and to have a positive cash flow if we believe it's a safety net for us because we are working in a strange country, or with a strange client. So, the best way to be safe is to be sure that at any time we have more cash in our bank than what we need to pay our suppliers, so that if there is something wrong taking place we will be in a safe position.

And that's the reason why we said, in fact, the financial interest we get on those cash balances on project they are part of the profit, because we have decided to book the profit not on the margin, but on the financial interest, so to speak. And that's the reason why they are accounted for as revenues and not as financial products.

Michael Carter - *ING - Analyst*

Thank you. If I can just ask you one last question. And that is looking around the industry you are probably the one company that's highlighted the most the issue with construction sub-contractors. And could this have anything to do with your philosophy on how much of your, let's say, construction work is in-house and your human resource policy? Or would you say other people in the industry are blind? Or is it the business mix that you have?

Daniel Valot - *Technip - Chairman & CEO*

Well, I wouldn't say they are blind. Some of them are probably mute, but not blind.

Well, probably some of the competitors live in a different planet in which all projects run smoothly. All clients are sweet, gentle and generous. All suppliers deliver on time equipment, which is 100% fit for purpose. And there is no execution problems. There is no technical mishaps.

Michael Carter - *ING - Analyst*

You must be talking about Norway?

Daniel Valot - *Technip - Chairman & CEO*

No, I'm not.

Michael Carter - *ING - Analyst*

No, just joking.

Daniel Valot - *Technip - Chairman & CEO*

We don't know this planet. Us at Technip, we live in the real world and we believe the best way to establish a long lasting confidence is to tell the problems when you face them -- when we face the problems. And that's it.

So, we are mentioning these execution problems just because when we are asked about our feeling on our business today we say, well, it has never been as good as it is today. We have plenty of customers knocking at our doors in order to sign new contracts. We have to be even more selective than before, because otherwise we would take more contract than we can execute. So, that's a marked difference compared to what we have -- we have seen for many, many years when we were struggling like mad between contractors to get a decent business.

Also, we have plenty of business available to us. We have the luxury to be able to pick and choose what is the most attractive. We are now in a position in which we can much better negotiate the terms and conditions with the customers. We are in the position in which we can offer prices which provide us, we believe, the contingencies we need in order to match the risks to our thinking. We have a cash position which is rising at a wonderful speed. It has never been so good.

Okay, so, if I go and make this speech, which is true, your question will be and we have that several times during the one on ones, but are there any concerns in your business? What are the risks you are facing? And we say, well, of course, we have risks in this business, which is the overheating of the industry.

The fact that there are so many projects at the same time, which is stretching the capacities of the suppliers and of the construction sub-contractors, and that makes our life a little bit more difficult. So, I think it's -- it would be completely inappropriate to hide the risks and the difficulties we are facing.

Michael Carter - *ING - Analyst*

Do you think the perception of risks impacts? Daniel, a while back you gave some medium term margin targets by division. Would you say that on a 2008 view these targets are achievable? Or that the current risks make them challenging targets?

Daniel Valot - *Technip - Chairman & CEO*

Well, frankly speaking, I'm afraid that if I let temper express itself I will look too optimistic.

I do believe that providing our market remains what it is, a market in which there are plenty of projects and we are able to select the best ones to negotiate the terms and conditions, we should be at this horizon, 2007/2008, able to generate much better margins than the one we have had in the past years.

Michael Carter - *ING - Analyst*

Thank you.

Daniel Valot - *Technip - Chairman & CEO*

And obviously when we price today on new projects we are pricing with a view to match those targets.

Michael Carter - *ING - Analyst*

Thank you very much.

Daniel Valot - *Technip - Chairman & CEO*

Thank you.

Operator

Mr. Gordon Gray of JP Morgan, please go ahead with your question.

Gordon Gray - *JP Morgan - Analyst*

Sorry, yes, I was actually just going to ask a similar question about the guidance on '07/'08. But thanks for answering that.

Daniel Valot - *Technip - Chairman & CEO*

Okay, thanks.

Christopher Welton - *Technip - VP IR*

Operator, may we have the next question please?

Operator

Certainly. Mr. [Geoffrey Stearn] of Cheuvreux, please go ahead.

Geoffrey Stearn - *Cheuvreux - Analyst*

Yes, good afternoon, Geoffrey Stearn from Cheuvreux. Two questions if I may. Firstly, on the cost overruns has that negatively impacted your SURF margin in Q4? Can we have maybe an update on the specific contract negotiation with the clients?

And secondly, there has been some rumors in the market about the number of resignation in the -- in your Offshore division. I was wondering maybe how can this impact your day to day business and the good execution of the different project in the sales division. Thanks.

Daniel Valot - *Technip - Chairman & CEO*

Alright, update on the incident which we had on the -- in the SURF division in February. I'm afraid there is not much to report. The progress is rather slow. We are engaged in discussions and negotiations with the insurance company and with the client.

As far as we can see from today, the negotiations, well, I would expect a quicker outcome from the insurance company than from the client. So, we can expect to have some positive news on the insurance company side in the coming weeks. On the client side it will probably take much longer. But it's progressing, I would say, normally.

Your second question is about the resources. So, I'm -- I will not make any specific comment on this or that competitor. Well, that would be completely inappropriate.

I would say that as probably everybody knows these days in the oil and gas industry and the oil and gas engineering construction there is a global competition for resources. This global competition on resources is, of course, leading to a higher turnover rates in many, many companies. The -- several of the major oil companies are desperately looking to find new talents. And they are ready to offer whatever is needed to extract those talents from either the competitors or their contractors.

And some contractors, which are probably a bit short or stretched in terms of resources to start their projects are desperately looking to find new talents on the market and doing whatever they can in order to put their staff at the level needed to execute their projects. Okay, so that's the situation which is developing worldwide and it's part of the overheating of this problem.

So, how do we fare in this race? Probably better than a number of our competitors. First we are blessed to have our main centers of operations in Paris and Rome. And in Paris and Rome, believe it or not, we have a very low level of turnover. Less than 3% and very stable from one year to another. So, we haven't seen any increase in the rate of turnover in those two main centers in the recent past.

In addition, in those centers we are also able to hire the people we need to cope with the increase in our business without any problem. We have a number of applications, which is such that the real problem is to have enough people to look at each one of them. So, we are in this respect in a very good position.

We have also operations running in some other places, which are hotter in terms of competition for resources, like Houston, Aberdeen, China, Abu Dhabi also -- Abu Dhabi and to some extent India also, alright. So, in those places the rate of turnover is much higher 10, 20 or 30% and increasing.

So, we are taking the steps which are needed in order to keep our good people. So, we are putting in place different teams. And overall, I do believe that we are probably in a much better position than most of our competitors and especially those of our competitors for which the main places of operations are Houston or Aberdeen, or both. And so that's the extent of the comments I'm ready to make on this situation.

One final comment just to show you that I'm not avoiding the -- to answer, no, the situation we have been facing so far has not jeopardized our operations.

Geoffrey Stearn - *Cheuvreux - Analyst*

Okay, thank you.

Operator

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

Christyan Malek - *Deutsche Bank - Analyst*

Good afternoon gentlemen. You've mentioned a number of times the terms and conditions around the contracts that you signed last year being significantly better than the ones prior to that.

My question is do you anticipate on the back of that that you will have less variation orders, or indeed that the variation orders that you put through will be more successful, because it seems to me that your clients, despite whatever conditions put through, given your comments earlier, will not perhaps be less keen to accept those going forward? And that the same problem will repeat itself next year when you come to put those quarters through?

Daniel Valot - *Technip - Chairman & CEO*

Alright, thank you for the question. It's true that the rising costs on the project, generally speaking, is not inducing our clients to be extremely nice on the discussion of the changeovers. So, that's something which has to be taken into account by us.

So, how are we taking that into account? In, I would say, two ways. First, in practical terms we are encouraging our project people to solve the valuation orders as go, and not to wait until the end of the project to have a final negotiation on the changeovers. So, it's up to us to handle this matter properly.

It's -- on the -- most of the projects the size of the changeovers can be relatively big. So, the best way to handle this matter is to try to solve the changeovers as we go during the three years of execution of the contract rather than to have a final big negotiation at the end of the project.

The other way we are going to address this matter is, especially for some contracts or some clients, we will try to introduce in our contracts a clause stating that for changeovers above a certain level we won't be forced to execute this changeover as long as we've not reached an agreement between the client and us on the cost and delay implications of this variation order. So, we have to reach at least some discipline in the way we work on this matter. And that's something we are engaging now.

Christyan Malek - *Deutsche Bank - Analyst*

So, just to be clear, that second point about the clause is that in tact on the contract you signed last year, or then -- because if it isn't then you will see the same problem next year if it does go beyond the variation orders that you anticipated.

Daniel Valot - *Technip - Chairman & CEO*

No, that's something we are starting to introduce now.

Christyan Malek - *Deutsche Bank - Analyst*

Right.

Daniel Valot - *Technip - Chairman & CEO*

So, on the contracts which were signed last year, we still are in the same situation in which the foreign company can impose a change and then discuss the impact of this change on the price and on the delays. What I'm just saying is that for these new contracts we are pushing our people to try to solve those matters as they present themselves, and not to wait until the end of the execution of the contract.

Christyan Malek - *Deutsche Bank - Analyst*

Right. And the contingency that you have on those contracts you signed last year are you saying there's a -- they are on improved terms. So, how exactly -- where is the improvement exactly if you still anticipate to have these variation orders will still happen as they go along.

Daniel Valot - *Technip - Chairman & CEO*

I'm sorry. I'm not sure I understand you.

Christyan Malek - *Deutsche Bank - Analyst*

The terms how -- just how are the terms and conditions better, or mitigate the risk better going forward on the contracts you signed last year if these variations will still occur and discussions will still occur?

Daniel Valot - *Technip - Chairman & CEO*

Well, this has nothing to do. The terms and conditions are better, right. But at the same time between the scope of the project at the time of the OR of the contract and the precise definition of the scope of the project after one year of engineering they might have significant discrepancies.

During the engineering phase on most projects there are a number of changes, because when you go -- when you dig into details of the detailed engineering of one specific project the engineers on both sides, it can be on the other side or our people can find the best way to achieve an optimization to reduce the weight, or to do this, or to do that.

So, the thing which is probably difficult to understand from outside is that, yes, we are working mostly on the lump sum turnkey contracts. But when the contract is signed the project is defined broadly speaking, but the real definition of the project will be made during the engineering phase. And, therefore, compared to what was agreed at the time of the signature of the contract, there will be plenty of changes.

And especially so on these days, because most of the time the preliminary studies are reduced compared to what they were some years ago. The oil companies are so keen to start producing as quickly as possible that the preliminary feed or preliminary studies are very much reduced. And so, when the ECC contract is started, the engineering construction contract is started there are seeing a lot of things which need to be better defined.

So, there are always a lot of changes. And so, we have to find a practical way to accelerate those changes day after day, rather than putting all that on -- aside and trying to solve the matter in the global negotiation at the close out of the project. That's what I'm saying.

Christyan Malek - *Deutsche Bank - Analyst*

Right, thank you gentlemen.

Daniel Valot - *Technip - Chairman & CEO*

Thank you.

Operator

Mr. Stephane of Exane, please go ahead with your question.

Stephane Soussan - *Exane - Analyst*

Just one very quick question on accounting. I was just wondering on the depreciation why it is so volatile quarter after quarter. It's 33m this quarter. It was close to 45m last quarter 2005. So, what is -- is there a seasonal pattern in depreciation or what could we expect during the year?

Daniel Valot - *Technip - Chairman & CEO*

Well, it's -- depreciation is 23.1m this year. First quarter 2005 it was 31.8m.

Stephane Soussan - *Exane - Analyst*

No, but --

Daniel Valot - *Technip - Chairman & CEO*

So, very comparable.

Stephane Soussan - *Exane - Analyst*

Yes, but it was 45m at the end -- in the first quarter 2005. I don't know why you have those variations?

Daniel Valot - *Technip - Chairman & CEO*

Which [inaudible].

Stephane Soussan - *Exane - Analyst*

It was I think 35m in the first quarter of 2005.

Daniel Valot - *Technip - Chairman & CEO*

Well, sorry I don't have the answer available right now. But Chris Welton will call you back.

Stephane Soussan - *Exane - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman & CEO*

Okay, alright, thank you.

Operator

Ms. Dominique Patry of Cheuvreux, please go ahead with your question.

Dominique Patry - *Cheuvreux - Analyst*

Yes, I have a follow up question with regard to shareholder return. Basically if you are to reach 100% of the 600m through buyback, you are going to exceed the 10% optimization that you have. Are you planning to cancel those shares?

Daniel Valot - *Technip - Chairman & CEO*

Well, Mrs. Patry, what we are saying is that our intention today is to return to our shareholders the excess cash we have, which we submit today at 600m. We start returning this cash through a share buyback. We are not saying today that 100% of this return to shareholder will be made through share buyback. We will start buying shares on the market. We'll see how it works and during probably our next Board meeting we will have to decide the way forward.

We might very well end up -- it has not been decided yet, by a mix of share buyback and increased dividend or exceptional dividend, or whatever. It's not yet sorted. So, don't misunderstand us. We said we want to return all the excess cash to our shareholders. We estimate it today at 600m. And we are starting with share buyback on the market. But I'm not -- we are not saying that 100% will be made through share buyback.

Dominique Patry - *Cheuvreux - Analyst*

Okay. I have another question if I may. One of your big clients is going -- for a while to upcoming GTL award is going to split the contract -- smaller contract just to qualify more contractors. Could you please comment on this and if you think that it's going to significantly impact the competitive landscape?

Daniel Valot - *Technip - Chairman & CEO*

Well, it's not only this. I do believe it's appropriate. You are probably mentioning the Pearl GTL Project.

Dominique Patry - *Cheuvreux - Analyst*

Yes.

Daniel Valot - *Technip - Chairman & CEO*

Broadly speaking it's too big for one single contractor. And if Shell had decided to award it as one single package they would probably not have had enough competition or probably -- or perhaps no competitors at all in that case.

So, they have done, I believe, a wise move by splitting this into several packages. The [inaudible] are doing the same for their new refinery. The new refinery improvement is estimated to be something like $6b. And so, the [inaudible] have decided to split this giving a lottery number for five different packages. The largest one being $2b, and even so, $2b is quite a big thing.

So, frankly speaking, the -- I do believe it's appropriate and I don't think it would -- even if they have decided not to do this split, I'm not sure it would have been wise for a company like Technip to take alone a project of $6b. It's too big, which means that if things go wrong on a project this size, you can imagine the hole it would dig in our P&L.

So, I would say in terms of -- for the contractors to properly manage their risks and for the others to properly manage competition, the best way is to split this type of project into several packages, because each one of those packages anyway will be a very big sized project.

In addition to that, I must say even -- on any project -- a single project of $5 or $6b, could you imagine how you would -- we would get bank guarantees. How many banks would be ready to give us a letter of credit of what? $600m, I mean 10 or 15%. So, this size of contract is not manageable in my view as a single package anyway.

Dominique Patry - *Cheuvreux - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman & CEO*

Thank you.

Operator

[OPERATOR INSTRUCTIONS]. There are no further questions at this time. Please continue.

Christopher Welton - *Technip - VP IR*

Thank you very much. Ladies and gentlemen this will conclude today's conference call and we would like to thank you for your time and your patience.

As a reminder, 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 question or require additional information.

Thank you very much and have a good day.

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 your website www.technip.com in the Investor Relations section or by dialing +44 0207 806 1970 using the confirmation code 526 23 94 hash, or by dialing +33 171 23 02 48 using the confirmation code 526 23 94 hash, or by dialing +1 718 354 1112 using the confirmation code 526 23 94 hash. The replay will be available for seven days.

Thank you and good bye. You may now disconnect.
