

FINAL TRANSCRIPT

Thomson StreetEventsSM

TEC.PA - Q1 2009 Technip Earnings Conference Call

Event Date/Time: Apr. 30, 2009 / 4:00AM ET

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

CORPORATE PARTICIPANTS

Thierry Pilenko
Technip - Chairman & CEO

Kimberly Stewart
Technip - IR

Julian Waldron
Technip - CFO

CONFERENCE CALL PARTICIPANTS

Jean-Luc Romain
CM-CIC Securities - Analyst

Iqbal Nasim
Nomura - Analyst

Alejandro Demichelis
Merrill Lynch - Analyst

Katherine Thompson
Credit Suisse - Analyst

Martijn Rats
Morgan Stanley - Analyst

Geoffroy Stern
Cheuvreux - Analyst

Ian MacPherson
Simmons & Company - Analyst

Amy Wong
JP Morgan - Analyst

PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's first quarter 2009 results conference call. As a reminder, this conference call 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 your host for today's conference call, Mr. Thierry Pilenko, Technip Chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip - Chairman & CEO*

Good morning, ladies and gentlemen. Thank you for participating in Technip's conference call. I'm Thierry Pilenko, Chairman and CEO of Technip. With me are Julian Waldron, CFO, Bernard di Tullio, Chief Operating Officer, Arnaud Real, Deputy CFO, as well as Kimberly Stewart and Antoine d'Anjou from our Investor Relations team.

I will turn over to Kimberly, who will go over the conference call rules.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

Kimberly Stewart - *Technip - IR*

Thank you, Thierry. I would like to remind participants that you can download the 2009 first quarter results press release and presentation on our website, technip.com.

Statements in today's press release as well as those made during the conference call which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimers which are an integral part of today's press release and slide presentation.

Also, a replay of today's call will be available on our website approximately two hours after the call ends.

I now hand you back to Thierry.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you, Kimberly.

Starting off with the operational highlights this quarter, we continued to execute well across all our segments. In Subsea, we had a vessel utilization rate of 73% compared to 71% a year ago and our flexible pipe production units continued to have good activity.

We completed the ABO project offshore Nigeria and are making progress on Pazflor in Angola, MA-D6 in India, White Rose in Canada and Cascade Chinook in the Gulf of Mexico. In Brazil, the Normand Progress, a flexible pipeline vessel, started operating on a charter basis for Petrobras.

In addition, we set two world records with the installation of the deepest reeled flowline at 2,961 meters and reeled steel catenary risers at 2,469 meters on the Perdido field in the Gulf of Mexico.

Subsea order intake was EUR594m for the first quarter, with several contracts signed in Brazil, in the Gulf of Mexico and in the North Sea. Subsea backlog therefore remains stable at EUR3.4b.

On the new assets side, the Skandi Arctic was christened in March and we start operations in the second quarter of 2009. She is one of the most sophisticated diving vessels in the world and is particularly adapted to the Norwegian market.

Now, moving to the Offshore segment, first oil was produced on Akpo FPSO, offshore Nigeria. In Brazil, P-56 semi-sub project is progressing well and first gas was produced on P-51. The Hywind Spar platform arrived in Stavanger, Norway for assembly in the world's first full scale offshore loading wind turbine. And finally, the diversification of the Pori yard in Finland continues, although the workload is currently fairly low.

Offshore order intake was EUR91m, including a large number of small contracts and several feeds, in particular an engineering contract for the floating production unit for the offshore portion of the Shtokman Field in the Barents Sea. So the Offshore backlog of EUR413m is mainly composed of engineering studies at this stage.

Now, turning to our Onshore business segment, the agreement on QatarGas III and IV was signed, in line with our expectations. QatarGas II Trains 4 and 5 were inaugurated on March 13. And on this QatarGas II project, Technip and our partners have received a very prestigious safety award called the Contractor of the Year by ExxonMobil.

The LNG project in Yemen and the Saudi Arabian Khursaniyah gas plant progressed according to plan. In Saudi again, Ready for Startup was submitted to the client on the Yansab ethylene and propylene production plant. And first production of kerosene and diesel was achieved at the Dung Quat refinery in Vietnam.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

So this quarter order intake comprises mainly of small and mid-size projects, including several projects in Europe, resulting in an order intake for the quarter of about EUR468m. We continue to focus on projects which are rich in engineering man hours.

So the Onshore backlog was around EUR3b at the end of March 2009, as mega EPC lump sum contracts are rolling off the backlog and as we observe that the new large projects are somewhat deferred.

I will now turn over to Julian, who will go over the financials.

Julian Waldron - *Technip - CFO*

Thierry, thank you very much. Good morning, everybody.

So, starting on page eight with the Group financials for the quarter. Financially, the quarter was in line with or in a couple of cases ahead of our objectives for the year. Revenues were EUR1,569m. That's down 13.6% year-on-year. There were a number of quite strong currency fluctuations in the quarter. But given the diverging paths of the dollar on the one hand and, for example, sterling and the krona on the other hand, the overall impact of currency on revenues was negligible. The decline would have been 13.4%.

There was a slightly higher impact of currency on operating profit, as you can see in the disclosure. Profitability improved, nonetheless, year-on-year to 9.8% at the operating profit level for the Group, against 7.5% a year ago.

Two main things to call out. Good project execution in Subsea during the quarter. I'll come back to that. And then a better mix of business year-on-year in Onshore and notably a lower percentage in the first quarter '09 against first quarter '08 of Onshore sales from non-contributing legacy contracts.

So operating margins rose by just over 2 percentage points and our net income by 10% in the quarter.

We delivered just short of EUR1.2b of order intake. That's pretty much flat on the fourth quarter of last year and it's a point I'll come back to.

We generated cash over the quarter and our net cash rose substantially, as you can see, from EUR1.645b at the end of December 2008 to EUR1.878b at the end of March 2009.

Turning to slide nine and Subsea in more detail. Revenues grew 12% and I think Thierry's highlighted the main projects behind this. Profitability improved both at EBITDA and at operating income level, by 2.75 percentage points at EBITDA and by over 2 percentage points at operating level year-on-year.

Positive performance reflects, most of all, good operating performance in the quarter, slightly fewer dry-dock days compared to the first quarter a year ago, but most of all to that operating performance on the wide range of projects that we are executing currently. We'll continue, as we have previously, to put significant focus on project execution because for us it makes a big difference to clients and their project costs and notably to our own profitability, as you can see.

So it's an encouraging start to the year. There's no change to our outlook quite so early on in the year, but this is encouraging for the full year performance.

I'd just note to -- just to be clear, performance in Subsea was strong across the board. There was no single region or project or item that stood out, just good general project execution.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

Slide 10, Onshore/Offshore. Revenue declined as the larger legacy contracts continued to roll off the backlog. Around 30% -- just short of 30% of Onshore revenues in the quarter came from such legacy contracts. That compares to around 50% a year ago and around 25% in the fourth quarter 2009 (sic). Again, contract performance was pretty much according to plan across the board, with no particular contract standing out or no particular region standing out either.

As previously, you can find the underlying numbers for the two segments separately in the appendix. You'll see that the improving profitability in Onshore is in line with what we want to achieve, about a 1.5 percentage point improvement in the margin. And accordingly, we remain on track to hit our goals to improve the operating margin of the two segments combined in 2009.

Slide 11, on the overall income statement. Financial charges reflect two things. One, lower income on our net cash. Interest rates on deposits are about half what they were a year ago, a little less than that. We've not changed our policies in terms of what we do with our cash and we remain quite conservative as to how we place it and where we place it. And there's an impact as well from IFRS charges.

The effective income tax rate was at 30%. That's in line with the expectations that we gave you at the end of 2008.

Minority interests showed an increase. That reflects the profitability of notably our Subsea projects which are either in joint venture or in subsidiaries that are not wholly owned.

And then finally, on slide 12, the balance sheet. CapEx in the quarter, at EUR58m, was in line with our expectations for the full year. We'll spend just shy of EUR400m this year. No change to that from what we indicated to you at the end of -- in mid February. As you've heard, we were able to christen the Skandi Arctic during the quarter and we were able to sign also two initial long-term financing deals for the Skandi Arctic and the NPV, one of the other vessels that's in construction.

Financing we're finding still very much available to Technip at rates that we're happy with. And that means that our balance sheet strength and our market position means that we still have banks keen, willing and able to do business with us. That's helpful both from the financing point of view but also positive with clients.

Net cash increased by EUR234m in the quarter. I'll strip around half of that out. About EUR117m is due to currency movements. If we ignore that, we generated EUR147m of operating cash flow in the quarter and a small positive impact of working capital.

I make no change to our expectations of where we think we'll be at the end of the year, still around about EUR1b of net cash on the balance sheet at the end of the year. We'll have some outflows, as you'd expect, in the second quarter, over and above operating outflows. For example, we pay the dividend in May and most of our debt interest in May and June as well. But I think the cash performance shows again that we at Technip have a good cash generative business and a cash rich profile, even adjusting for our current high level of cash advances.

Thierry, hand back to you.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you, Julian.

So the market environment has not changed significantly since we last communicated, mid February. The price of oil and gas has been volatile and most of our clients do not give much visibility on their new project CapEx spend for 2010 and beyond. So we certainly see some delays in the award of very large projects, but the flow of smaller projects continues. Clients are deferring purchase decisions as they hope to benefit from a deflationary environment to reduce overall project cost.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

The market remains quite contrasted. Areas like the North Sea or onshore North America are seeing the effect of the crisis, while Brazil, Asia and the Middle East continue to offer opportunities but in a more competitive environment.

So in this more uncertain environment, we do have a number of attributes which I think are important to highlight. It's important to have a well balanced portfolio, by region, by clients and markets. I think our vertically integrated Subsea segment gives us more control on the supply chain and on our cost structure. Therefore, combine that with good execution, we continue to deliver well on this segment. Our regional organization is empowered to adapt its structure to their local markets, as the markets evolve differently in different regions.

We have a strong balance sheet, as Julian highlighted, with EUR1.88b in net cash, which is certainly a differentiating factor from a client standpoint to win long-term projects. And we continue to invest in key assets and R&D.

So, in a nutshell, our focus for this year is project execution, cost reduction and building backlog for 2010 and beyond.

A few words on our backlog. Subsea backlog is stable and represents now 49% of our backlog compared to 40% last year, and about EUR4.3b are scheduled to be executed in the next nine months.

So, in this environment, how do we work with our clients? Well, we work first of all to try to reduce as much as possible overall project costs, with intelligent reengineering and design, looking at optimizing project specification, standardizing components, involving our suppliers at a very early stage and trying to delay when appropriate long-lead item procurement to benefit of the deflationary environment.

Secondly, we are still investing in R&D to address on-field challenges. We have, as an example, an ultra deepwater research program, which includes the qualification of flexible pipe up to 11 inch in diameter and we expect to be able to test it offshore in the next 12 months.

And thirdly, we are strengthening our organization in the Middle East with the setup of a full-fledged region, headquartered in Abu Dhabi, so that we could get closer to our Middle East customers.

On the other hand, we are making progress on cost reduction, which includes manufacturing procurement costs, first of all by broadening -- or in part by broadening our procurement base. And we have now qualified new Asian suppliers. So we expect to reduce our flexible and rigid pipe manufacturing procurement costs by about 20% by year end 2009. We are also actively sharing projects between regions, when appropriate, to minimize subcontracting. And while on the headcount side, we have reduced the contracted workforce by more than 700 in this quarter. And of course other cost cutting measures are in place in G&A, IT, travel and real estate.

So the performance in Q1, the visibility and quality of our backlog and our broad portfolio, allow us to confirm the guidance for the full year. And therefore we continue to target Group revenue of EUR6.1b to EUR6.4b, with flat to moderate revenue growth in the Subsea segment. We believe that we will have further improvement in the combined Onshore/Offshore operating margin.

And as for the Subsea segment, yes, we did have good results in the first quarter. Yet it is too soon to know how our complex projects operations that are going to take place this summer, during the peak operation, how they're going to unfold. So, accordingly, we maintain our Subsea operating margin with a range of 16% to 18%.

This concludes our comments and we are now ready to answer the questions you may have.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). The first question comes from Mr. Jean-Luc Romain from CM-CIC. Please go ahead, sir.

Jean-Luc Romain - CM-CIC Securities - Analyst

Good morning. I would like to have more details, if it's possible, about the orders you received from Brazil. Is that related to research developments or to oilfields? And what's your view over the next, perhaps, two or three years for this market, as Petrobras looks very (inaudible) to develop their position with regard to this area.

Thierry Pilenko - Technip - Chairman & CEO

I'm not sure I understood the entire question, but I understood that it's about Brazil and what's happening in the market over there.

Jean-Luc Romain - CM-CIC Securities - Analyst

My question was relating to -- you mentioned very dynamic orders in Brazil in the first quarter. And as you had -- as there were no new press releases about that, if you could give us some details on that.

Thierry Pilenko - Technip - Chairman & CEO

Well, the Brazilian market continues to be strong. And we see Petrobras, which are confirming their developments offshore and onshore, by the way, but most of the market that we are talking about here for us is the Subsea market. And there are a number of contracts that have been signed both on the flexible pipe side as well as, as we said, the Normand Progress has started operating in the first quarter.

So the activity and the visibility in Brazil is still strong. And Petrobras continues to have ambitious plans to develop Tupi, Cachalote and others. So we're making progress on building the P-56 platform. We're making progress on the Subsea business. And we still see Petrobras committed to invest in the pre-salt and I think we're going to see decisions on Tupi in the near future.

Jean-Luc Romain - CM-CIC Securities - Analyst

To be very clear, was the Subsea package for the Tupi pilot already awarded or not? And did you get this contract or not?

Thierry Pilenko - Technip - Chairman & CEO

It has not been awarded yet.

Jean-Luc Romain - CM-CIC Securities - Analyst

Thank you.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

Thierry Pilenko - *Technip - Chairman & CEO*

(Multiple speakers) who's going to win it.

Operator

The following question is from Mr. Nasim from Nomura. Please go ahead, sir.

Iqbal Nasim - *Nomura - Analyst*

Hi. I was wondering if you could perhaps provide a bit more detail on the Onshore awards that you're expecting, where they are. And also, perhaps you could give an indication of the level of outstanding bids you have in the Onshore segment.

Another question is relating to your cost cutting measures. Aside from the procurement cost reductions that you are targeting, the 20%, is it possible to give any idea of the scale of potential cost reductions that you can achieve in 2009 from all the other measures that you've mentioned?

And also, if you could give finally an idea of the proportion of 2009 Onshore revenues that is going to be -- that is likely to be associated with non-profit legacy projects. Thanks.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Three different questions. So I'll start with the Onshore bidding environment. We actually have pretty active bidding activity as we speak. And this is particularly true in the Middle East, in Asia and to some extent also in Europe. So in fact, if you look at the Middle East these days, we have seen both in Saudi Arabia, in Qatar, in Abu Dhabi, but Saudi Arabia and Abu Dhabi are probably the two places, or the Emirates in a broad sense, probably the two places where we see the highest bidding activity for contracts of all size. But that also includes very large contracts such as the Jubail refinery and projects like the so-called IGD projects, gas projects in the Emirates.

So, not all regions see the same activities. We see -- Onshore, we see much slower activity in the North Sea but -- sorry, in North America, but still see a very large number of opportunities in the Middle East and in Asia. Now, the competition is increasing because there are fewer opportunities worldwide, but bidding is high.

Now, as far as cost cutting and proportion of 2009 legacy contracts, I'll pass it over to Julian.

Julian Waldron - *Technip - CFO*

Thanks, Thierry. To take your third question first, we'd expect the average level to be below where it was in Q4 for legacy Onshore revenues. So it was around about 25% in Q4. On average, we'd expect it to be below that by a few percentage points this year. It will vary between quarters. It was higher than that in the first quarter, so there'll be quarters when it's substantially lower. But on average, below the Q4 level.

As far as cost cutting is concerned, we're not going to give an overall number today. This is still work in progress, although the initial results across the Group are looking promising. But I'll focus on three areas, just to try and give some color.

Contractors first. We have roughly 3,000 contractors around the Group, and in addition to that temporary workers as well. So flexibility in the workforce across the Group is built around those areas. In the first quarter we have, partly as projects have rolled off, partly as subcontracts have rolled off and partly through some more efforts, been looking actively to bring work back in-house for our engineering teams, to keep them loaded and to prolong the internal capacity utilization. And I think Thierry

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

mentioned we've taken out just over 700 contractors in the first quarter. We'd expect to make further progress on that over the next three quarters. So that's one area of significant focus and significant cost cutting within the Group.

Second area, it's much more basic, travel and living. We've cut back on non-client travel and we've -- we're looking at savings of around about 30% year-on-year in the first quarter, against the first quarter last year. We'll see if we can go further on that. But again, I think it shows a certain amount of tightening up in the way we do things.

Thirdly, we mentioned at the full year real estate and we've had some initial renegotiations on some aspects of real estate, for example here in Paris. And we've achieved reductions of just over 25% on our annual real estate cost.

Again, without giving an overall global number, I hope that gives you some color that we have a fairly wide-ranging program and that we're beginning to see that bear fruit.

Thierry Pilenko - *Technip - Chairman & CEO*

Yes. And if I may add something here, the cost cutting obviously is focusing on our internal costs. But there is also a big element which is coming from reducing cost of procurement as well, to make sure that our projects move forward at a reasonable cost overall. And we have started to see a significant deflation on raw material, on some generic equipment. And pretty soon I think we're going to see deflation also on some more sophisticated equipment as capacity -- manufacturing capacity starts to free up worldwide. So that's an important element of our costs.

Iqbal Nasim - *Nomura - Analyst*

Okay. Thank you.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you.

Operator

We now have a question from Mr. Alejandro Demichelis from Merrill Lynch. Please go ahead, sir.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Hi. It's Alejandro Demichelis from Merrill Lynch. Two questions. Following on the cost cutting initiatives that you were talking about, in the margin that we've seen this quarter, how much of that can be attributed to your cost cutting measures? And how much more can we expect throughout 2009?

And the second question is you have been talking about this contract in Ghana for quite some time and I'm wondering why you haven't booked it yet. And if there is -- if there are some other contracts out there that you're in the same position.

Thierry Pilenko - *Technip - Chairman & CEO*

Can you answer the first question, Julian? (Inaudible).

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

Julian Waldron - *Technip - CFO*

I think, very simply, very little in the first quarter. Again, I think first quarter, both in Subsea and in Onshore, reflects project execution and mix more than anything else. I would make one comment. I think that in Offshore we -- Thierry mentioned it in his comment, we are -- we were under-loaded in the first quarter, for example in our yard in Pori. A combination of cost reduction and some additional work is coming in the next month or so. So I would say, overall, very little impact of what we've been doing in the first quarter to date.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Okay. Thank you.

Thierry Pilenko - *Technip - Chairman & CEO*

Yes. And as far as Ghana is concerned, the contract is not signed yet and we have in our backlog only the work that has been permitted and paid for so far. So -- and this is the only contract, I would say, today where we are working like that. In general, we recognize -- we sign a contract and we start working. Here, the customers got access to start working ahead of signing the contract, with some coverage of our cost and -- as we progress with this project. So that's the only -- that is the only case. And I cannot get into the detail why this contract has not been signed and -- but we expect a signature in the next few months, hopefully.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Could you put a range in terms of the value of that contract?

Thierry Pilenko - *Technip - Chairman & CEO*

No, I would not, because we don't announce value ranges before we sign the contract and before we get the authorization from the customer to communicate on these ranges.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Okay. Thank you.

Operator

We now have a question from Mrs. Katherine Thompson from Credit Suisse. Please go ahead, madam.

Katherine Thompson - *Credit Suisse - Analyst*

Good morning. I had a question on Subsea, or a few questions on Subsea, in fact. You've obviously been very successful in booking small orders in Q4 last year and Q1 this year, and I wondered how sustainable that is. Is there still a lot of opportunity in the smaller size contracts for the rest of the year?

And what proportion of those contracts do you expect to yield installation work in 2010? So should we be at all concerned about vessel utilization in 2010?

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

And then finally, on flexibles, I just wondered if the fall in the steel price is having much effect on the flexible margins, because I imagine it's significantly reduced the cost of the competitive rigid solution.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Two very interesting questions. First of all, we continue to see a flow of small to medium size orders. The difference compared to the next -- to the past two, three years is that there are less very large contracts on the radar screen, or in the pipeline, if you want, such as Pazflor, Agbani, that were really large contracts.

But we still continue to see a flow of contracts of different sizes in Brazil, in the Gulf of Mexico, even in the North Sea. Even if the market in the North Sea is probably slower than it was a year ago, we continue to see this happening. India continues to be very active, Asia as well. So what's important is to be operating in those different deepwater basins, so that you can take the opportunities that arise almost everywhere in the world.

Now, we are not in a position to communicate precisely on what the 2010 utilization is going to be. And you know utilization is just one element, as we said many times. What's important is also how efficiently we are in executing the contracts, because generally it's not just the utilization of our fleet. It's also the utilization of all the vessels that are needed to support our fleet in the execution of projects.

Now, as far as the cost is concerned on flexible pipe manufacturing, our objective is to cut about 20% of the procurement cost by the end of 2009. We have started to see a cost reduction now, but this is not -- this is just a few percent, and I would say that this has not yet been any impact on our performance in the first quarter.

Katherine Thompson - *Credit Suisse - Analyst*

Thank you very much.

Operator

The following question is from Mr. Martijn Rats from Morgan Stanley. Please go ahead, sir.

Martijn Rats - *Morgan Stanley - Analyst*

Yes, good morning. I've got two questions. First of all, during this quarter Subsea revenues grew 12% but Onshore revenues -- Onshore/Offshore revenues fell 25%. So clearly there's a big shift in the business mix going on and I was wondering how far you were willing basically to let this go. What do you see as the long-term sustainable ratio between Onshore/Offshore revenues and Subsea revenues? Where do you see the -- eventually the equilibrium?

And secondly, with the cash balance that you currently have and asset prices very low, if clients start to offer a little bit more visibility on projects in 2010 and beyond, how will you assess the opportunities for acquisitions, perhaps going into the second half of this year? Is that something you're actively internally considering?

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Well, the drop of 25% Onshore was kind of expected, as these mega contracts that were awarded between 2004 and 2006 are now coming closer to the end, and therefore the mix was expected to change over time. I would not choose the words how far are we ready to let it go, because at the moment we believe that as we are finishing some large lump sum turnkey contracts, particularly in the Middle East, we can again mobilize teams on some onshore projects of very significant size.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

As we said before, we are going to be selective. And we're going to do it from centers that know well how to handle lump sum turnkey projects, Paris and Rome and Abu Dhabi. And we are going to exclude some areas of the world where we don't control well the construction costs, such as Australia and North America.

So we are at the moment actively pursuing some opportunities of very significant size. So I can't tell you when these opportunities are going to materialize, but I would expect that in the second half we should see some awards that could come to us, or of course could go to our competition. But the backlog mix may then change again.

As far as the cash balance, I think Julian made a comment about the fact that we are going to start using this cash in the next nine months, and of course we will remain opportunistic. But our main focus at the moment is really on project execution and making sure that the Company continues to perform well. But I would not use the word actively looking for acquisition or consolidation.

Martijn Rats - *Morgan Stanley - Analyst*

All right. Thank you.

Operator

We now have a question from Mr. Geoffroy Stern from Cheuvreux. Please go ahead, sir.

Geoffroy Stern - *Cheuvreux - Analyst*

Yes, good morning. I have a few questions. The first one, I was wondering if you could be a bit more precise on the expected Onshore big awards, apart from the Jubail refinery.

And then, I was wondering what sort of visibility you have with regard to your engineering centers workload, because at the end of '08 you had a fairly good visibility up until September 2009 so I was just wondering if now the visibility has improved.

And then, I was wondering about -- in your net cash position of close to EUR1.9b, what's the amount of down payments from this?

And just a final one on the expected corporate charge in 2009. Thank you very much.

Thierry Pilenko - *Technip - Chairman & CEO*

Do you want to answer the questions on the down payments and the corporate charges?

Julian Waldron - *Technip - CFO*

Yes, sure. If I take them in reverse order, as far as the corporate charge is concerned, there were about EUR20m of one-offs, exceptionals, in -- a little more than that, in last year's number. You have some swings around IFRS accounting for stock-based compensation. And I believe we indicated in mid-February somewhere in the mid-40s as being numbers that we'd seen in analysts' models and that seemed to us to be logical and appropriate, and there's no change to that.

As far as the net cash position is concerned, if you look at the construction contract balances on the balance sheet, you'd see that we had about EUR1.1b net at the end of December and we're about EUR150m, EUR200m left on that, I think, at the end of March. So that's, I think, again one guide to the amount of excess advances, if you will, that there are on the balance sheet.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

Of course, that doesn't take into account the profitability of those contracts. Nor does it take into account the cash that we continue to see even on the smaller contracts, as those contracts come in. Although cash has flowed off on older contracts in the first quarter, we continue to see the same business model in 2009 as we've seen previously. Contracts come on and there's a modest upfront advance on those new contracts. So there's certainly no change to the overall business model.

Looking forward, again, I think the key number for us is to look to around a net cash position of about EUR1b at the end of this year, 2009, but 2009 is the main year when our excess cash advances will roll off. And thereafter, in a normalized market absent specific spending, we see that as a normalized level of cash for the balance sheet going forward.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. So, as far as Onshore big awards are concerned, I mentioned the Jubail refinery. I mentioned several gas projects in Abu Dhabi. And then there are smaller projects in the Middle East. I think Jubail is probably going to be the first large one to start in Saudi Arabia and it's probably going to set the benchmark as far as costs and execution model for a number of projects that could follow, including (inaudible) and others. We also target one large refining project in Europe and I hope we'll be able to communicate about this one in the next few months as well.

In terms of engineering workload, I think we still have the same type of visibility. That's why we continue to target projects which are rich in engineering man hours, to maintain the workload. And if one or two of these very large projects are awarded, say, before the end of this year, then we will probably have to even rebuild capacity to some of our centers to cover that workload. So this is where we are at the moment.

Geoffroy Stern - *Cheuvreux - Analyst*

Okay. Thank you very much.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you.

Operator

The following question is from Mr. Ian MacPherson from Simmons & Company. Please go ahead, sir.

Ian MacPherson - *Simmons & Company - Analyst*

Good morning. Thierry, when you look at the Onshore versus the Offshore and Subsea, which side of the business would you think is closer to reaching a point of cost stabilization that would restimulate order activity?

Thierry Pilenko - *Technip - Chairman & CEO*

Size of business in terms of what? Sorry, I'm not sure I understood your question.

Ian MacPherson - *Simmons & Company - Analyst*

In broad strokes, Onshore versus Subsea.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

Thierry Pilenko - *Technip - Chairman & CEO*

From our perspective -- I'm not sure I understand the question.

Ian MacPherson - *Simmons & Company - Analyst*

Well, if we're waiting for -- customers are waiting for general cost stabilization before they proceed with orders and when we get to that point that will help your order flow reaccelerate, do you think we reach that point sooner with the Onshore scope of work or with Subsea?

Thierry Pilenko - *Technip - Chairman & CEO*

It's a very hard question to answer. What I can say is that it's not as simple as that. If you take Onshore, for example, the petrochemical business Onshore, even if the costs are going down, the demand is so low that I think petrochemical are going to be waiting a long time -- for a long time before they start projects again, even in a lower cost environment, because of the price of their products. But I would expect that the costs may go down on Onshore, particularly on the construction side and on the bulk, faster than they would Offshore. But it's a very hard question to answer.

Ian MacPherson - *Simmons & Company - Analyst*

Okay. With the 20% procurement reduction that you're targeting for flexibles, is that entirely raw material driven or are there other elements of that as well?

Thierry Pilenko - *Technip - Chairman & CEO*

It's mostly raw material, mostly raw material. So chemicals and plastics and steel.

Ian MacPherson - *Simmons & Company - Analyst*

Okay. And then, a last one. I saw a few weeks ago you were quoted saying that you would look at nuclear power or other renewables as maybe a new opportunity set for your Onshore construction. If you were to branch out into those areas, would that require significant incremental investment or even acquisitions in order to gain a competency in those fields?

Thierry Pilenko - *Technip - Chairman & CEO*

I think we probably need to downplay this comment because yes, we've been working with clients in renewables, such as the silane project that I mentioned, and which is for Statoil, by the way, with a client that we know well. And yes, we've been working with AREVA on the upstream part of AREVA's activities in the mining business. But I think, in terms of materiality, this is very low.

And the competencies can be easily used from the oil and gas to the nuclear business, but I would not say that this has a major impact on our activity in the near term. We are still very much focused on oil and gas and we don't have intentions to make significant investment there. We're going to just make sure that we maximize the workload and the utilization of our engineering centers in the best way.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

Ian MacPherson - *Simmons & Company - Analyst*

Got it. Thank you very much.

Julian Waldron - *Technip - CFO*

We're going to take one more question.

Thierry Pilenko - *Technip - Chairman & CEO*

We'll take one more question. Thank you.

Operator

So the following question will be from Mrs. Amy Wong from JP Morgan. Please go ahead, madam.

Amy Wong - *JP Morgan - Analyst*

Morning, guys. Hi. I just have a couple of questions. Are there any contracts in your backlog that are currently under renegotiation? And when I talk about renegotiation, I mean not only on price, but also in the terms and conditions, such as expanding the product range that you might offer your client for the same price.

And the second question is in the past I think you've mentioned that there are several regions that you're reluctant to take work, one of them being Australia. Can you say anything if that would change in the current environment? And in particular, I'm thinking about would you be interested in the Gorgon project. That's my two questions. Thanks.

Thierry Pilenko - *Technip - Chairman & CEO*

All right. I'll answer the second one first. I said work in Australia when we would not take construction risk onshore, so in Australia.

Julian Waldron - *Technip - CFO*

On a long-term basis.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay, on a long-term basis. So we do work offshore very -- we are very active offshore. Actually, our Subsea business is doing very well, and on a long-term basis offshore. This is for [epic]-type contracts. So, therefore, if Gorgon were to go ahead, I'm sure that one way or another we would be involved or at least we would try to be involved in the development of Gorgon for the Subsea.

Now, as far as the Onshore business is concerned, there are a number of LNG projects that are in the pipeline, including Wheatstone and Pluto and others. And as long as we don't have to take construction risk, we are ready to work on engineering studies and project management and procurement management for our customers. So it is not a statement that we don't want to work in Australia. It's just that we don't want to take a lump sum turnkey construction risk in Australia because of the construction difficulties and the environment that is not extremely productive and difficult to manage.

Apr. 30. 2009 / 4:00AM, TEC.PA - Q1 2009 Technip Earnings Conference Call

As far as contracts in the current backlog, contracts that have been signed have been signed. And we're not like in the drilling business or the seismic business, where people are looking back and trying to reduce those rates. Our projects are complex. They include procurement ahead -- well ahead of installation. And therefore, we don't have major discussions about existing contracts. However, it is clear that in this environment discussions on new contracts are more difficult in terms of conditions than last year or two years ago, but that's the new environment.

Amy Wong - JP Morgan - Analyst

Great. Thank you very much.

Thierry Pilenko - Technip - Chairman & CEO

Okay. Well, thank you very much for attending our conference call and have a good day.

Kimberly Stewart - Technip - IR

Ladies and gentlemen, this concludes today's conference call and we would like to thank all of you for your participation. As a reminder, a replay of this call will be available on our website in about two hours. We invite you to contact Investor Relations, as usual, if you have questions or require additional information. Once again, thank you and do have an enjoyable day. Bye.

Operator

Thank you for your participation in today's results conference call. We would 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 the 172-00-14-69 or 207-107-06-86 or 866-794-25-98, using the confirmation code 248648 followed by the hash key. The replay will be available for two weeks. Thank you and goodbye. You may now disconnect.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2009, Thomson Financial. All Rights Reserved.