

FINAL TRANSCRIPT

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TKP - Q2 2007 Technip Earnings Conference Call

Event Date/Time: Jul. 26. 2007 / 9:00AM ET

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PRESENTATION

Operator

Good day, everyone and welcome to the conference call for Technip's second quarter 2007 results. (OPERATOR INSTRUCTION) I would now like to turn the call over to Mr. Thierry Pilenko, Technip Chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip - Chairman & CEO*

Good day, ladies and gentlemen and thank you for participating to Technip's second quarter 2007 results conference call. I'm Thierry Pilenko, Chairman and CEO of Technip. And around the table we have Olivier Dubois, our Chief Financial Officer; Bernard di Tullio, our President of our Oil & Gas Division, Xavier D'Ouince our Investor Relations Manager.

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Olivier Dubois will present the second quarter figures, then I'll make some comments on operations and business trends before the Q&A session. But Xavier will first remind you the conference traditional rules. Xavier?

Xavier D'Ouince - *Technip - IR Manager*

Thank you, Thierry. I would like to remind participants that second quarter and first half results, as well as the 2006 comparisons can be found on today's earnings press release and slide presentation, which are available on our website technip.com.

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

Also, a replay of today's call will be available on our website approximately two hours after the end of the call. I would like now to turn the call to Mr. Olivier Dubois, President and Chief Financial Officer.

Olivier Dubois - *Technip - President & CFO*

Thank you, Xavier, and good afternoon, everybody. So let us comment the Group financial performance during the second quarter 2007. Starting with the statement of income, during the second quarter Technip continued to enjoy strong growth in revenue. Standing at EUR1.845m, the quarterly revenue showed an increase of 16.1% on a year-on-year basis in spite of the effect of the devaluation versus euro of the US dollar and the (inaudible) currencies which had a negative impact of EUR63.6m on the revenue, around 3.3%.

This revenue growth was again assured by both Onshore-Downstream plus 34.5% and SURF plus 24.6% achievements, whereas the Offshore Facilities revenue continued to fall at minus 40% as expected following the completion of so many top projects in 2006 and the very weak order intake since the beginning of this year for this business segment. Industries revenue was flat.

The main contributors to the Group revenue during this quarter were the major projects under execution. The Agbami and PDET projects of SURF, along with a lot of several and medium sized projects North Sea. With LNGs in the three Kuwait, Qatar and Saudi Arabia (inaudible) in Onshore-Downstream and finally the Akpo FPSO and the Perdido and Tahiti Spar projects for the Offshore Facilities.

As far as the operating income from recurring activities was concerned at EUR128.1m it jumped by 51.6% compared to EUR79.1m in second quarter 2006. Current operating margin ratio was 6.9% compared to 5% one year earlier. On a sequential basis excluding income from activity disposal, the operating income doubled compared to the first quarter 2007's performance.

By business segment we can make the following comments. In the SURF business segment a very strong performance at EUR94m principally due to the contribution of the projects executed in North Sea and West Africa regions. The operating performance of our manufacturing facilities working to their full capacities and to the fleet which continued to enjoy the high utilization rate for all the vessels at 82% for the quarter.

The second quarter figure includes also EUR10m of an insurance indemnity received from a project executed in the Mediterranean Sea, which adversely impacted the Group results in 2005. SURF operating margin ratio reached a new record level on a quarterly basis at 15.5% versus 7.8% in 2006. Adding up the depreciation charges it translates into a EBITDA margin ratio of 20.5% in Q2 2007 versus 13.5% one year ago.

Offshore facilities (inaudible) of the operating income at EUR8.9m in comparison to the high level recorded in Q2 2006 at EUR30.1m, which I remind included EUR10m additional revenue resulting from the closeout negotiation on one specialty

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contract completed in West Africa. Consequently the operating margin ratio was 4.9% in 2007 compared to 9.9% in 2006. The two main ongoing projects, the Perdido Spar and the Akpo FPSO are attributed according to schedule (inaudible). The backlog continued to be eroded due to the delay in the award of the expected major new project. These awards are now expected for the second half of the year 2007 or early 2008.

Onshore-Downstream. The year-on-year improvement in the operating income before activity disposal in the second quarter 2007 compared to second quarter 2006 at EUR31.1m versus EUR9.8m in line with our main project progress. The operating margin ratio improved at 3.1% compared to 1.3% in the second quarter last year. On a sequential basis the financial performance is flat with operating margin ratio stable at around 3% since the third quarter of 2006. Most of our main projects have entered into their construction stage which remain in the current environment the most risky ones, have the availability and the positivity of the Human Resources for the construction remain a challenge for our industry on a global basis.

Industries business segment confirmed its steady performance with a 5.6% operating margin ratio compared to 5.2% last year. The corporate business segment shows a net charge of EUR8.6m including the impact on the stock options plan of the performance shares granted at the end of March 2007 and of an additional EUR3.5m charge for the (inaudible) project.

For the first half of 2007 the Group revenue was EUR3,620m compared to EUR3,163m in 2006 for an increase of 14.4%. Whereas the operating income from recurring activities more than doubled on a year-on-year basis at EUR236m or 6.5% operating margin ratio compared to EUR111.6m or 3.5% margin ratio in 2006.

The SURF operating income before income from activity disposal was EUR160m versus EUR78.1m in 2006 and the associated operating margin ratio was 13.5% compared to 8% last year. This semi-annual performance bodes well for the full year target achievement of an operating margin ratio exceeding 12% excluding income from activity disposal.

For the Offshore Facilities the operating income before activity disposal was stable at EUR20.6m compared to EUR20m in 2006. But the associated operating margin ratio improved at 5.1% versus 3.3% last year.

For Onshore-Downstream the operating income before activity disposal was EUR60.3m compared to EUR11m in 2006. The associated operating margin ratio was improving at 3.1% versus 0.7% last year.

The Industries performance is similar to the 2006 one with an operating margin ratio of 5.4% compared to 5.2%.

At the Group level thanks to the strong contribution of the SURF, 70% of the Group operating income, the first half of 2007 (inaudible) income was EUR250.4m to be compared to EUR138.5m one year earlier, or plus 81%. And the operating margin ratio stood at 6.9% compared to 4.4%.

Coming back to the second quarter, the quarterly financial results compared to last year shows a degradation mainly due to the IFRS and change impact of EUR3.6m. Financial income included in the revenue was EUR23m in Q2 compared to EUR12.8m one year earlier. Tax rate on current operating income was flat at roughly 28% in 2007 in line with our medium term targets.

Finally, Group net income for this quarter is up 54.6% at EUR79.6m. For this quarter the earnings per share on a diluted basis was EUR0.75, up 62% compared to last year. For the first half the Group net income was EUR147.7m, 92.3% higher than last year.

Moving down to the end of June balance sheet. No major change since the end of 2006. Technip enjoys a very sound balance sheet with shareholders equity of EUR2.2b, a level that we estimate to be consistent with the size of our projects (inaudible) as well as the associated bank guarantee commitments. Since the beginning of the year cash generation remains sustained. Net cash situation was essentially stable at EUR1.5b end of June versus EUR1,540m six months earlier in spite of the payment of May of an exceptional dividend and the completion of the share buyback program and thanks to the high contribution of our operating cash flow during the first half.

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We expect for the coming months a decrease of our net cash situation in line with the progress of our main Onshore-Downstream project and with the expenses to be done on the major CapEx program currently ongoing. Finally, it is important to notice that the Group also continued to improve its economical performances in terms of return. The return on capital employed jumped to 38.7% on an annualized basis thanks to the marked improvement of our operating performance and to the further reduction of the capital employed by the Group.

At the conclusion of this presentation I would stress a very sound performance of the Group at mid-year mainly driven by the sub-sea activities. Going forward for the second half of the year the trend should continue and with a strong performance in SURF and stable margin in Onshore-Downstream the full year performance should be in line with our objectives, i.e. moderate growth in revenue and a further improvement in operating income from recurring activities.

I thank you for your attention and I now turn the call back to Thierry.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you, Olivier. First, I'd like to come back to some operational highlights. Let's start with our SURF business. We had a high utilization rate of all our vessels at 82% and good progress on our two largest projects, Agbami in Nigeria and PDET in Brazil. Our flexible pipe manufacturing plants in France and Brazil have been upgraded and are working at full capacity now. We continue to see significant growth potential in this sector and all regions are active.

On the Offshore Facilities we had a decline of revenue compared to last year but this was expected. We just started a new stock project in our (inaudible) called Perdido for the Gulf of Mexico immediately after the (inaudible) sailed away in May. You may have seen that we have experienced some quality issues on the shackles that are used to anchor the platform. This problem is being investigated and preliminary conclusions indicate that it may be linked among other things to the metallurgy of its components. New shackles have already been ordered and tested, and will replace the defective ones.

In Brazil the P52 platform should leave the construction yard in the third quarter. The tendering activity for Offshore Facilities continues to be quite high but awards are slower than expected particularly in West Africa.

Moving on to the Onshore-Downstream business I'll start with our progress on the LNG plants in Nigeria, Qatar and Yemen. In Nigeria train 6 on Bonny island is progressing well and close to completion. In Qatar where we have about 55,000 workers on the three LNG projects the mobilization of resources has been changing and we are taking measures with our customers and partners to improve productivity in order to keep the schedule.

In Yemen the plant has been progressing well and according to plan. Other large projects such as the [ethylene crackers] in Qatar, Kuwait Saudi Arabia, the heavy oil Horizon project in Canada and the Dung Quat refinery are all in the construction phase. As far as new orders in the Onshore-Downstream are concerned we have signed a EUR417m contract in Poland this quarter and in fact it's interesting to notice that there are several opportunities to upgrade or expand refineries in Eastern and Western Europe, which is a very interesting market emerging.

On the CapEx front we should spend about EUR200m this year and approximately EUR250m per year over the next couple of years. The Seamac Princess upgrade will be completed in August and by September the vessel will operate in India's shallow waters. We also expect delivery of (inaudible) diving support vessel in the second half of 2007.

So overall the pipeline of opportunities continues to be strong in all sectors, SURF, Offshore Facilities, Gas, and Refining Petrochemical projects. We expect that several large projects will be awarded in the second half of 2007 or early in 2008. Overall the business environment remains strong as indicated by the very large number of fields, which is a sign that this situation will extend well beyond 2010 and probably even to 2012.

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This briefly covers the market covers the market conditions and I also would like to take this opportunity to mention that we will be presenting the Group strategy, as previously announced, during the third week of October. This concludes our comments and we are now ready to answer the questions you may have. Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTION) The first question comes from Tao Ly of JP Morgan. Please go ahead.

Tao Ly - JP Morgan - Analyst

Hi there. With regards to Tahiti, I understand the hull and top plates are stuck in the GMF yard in Texas until the new marine shackles arrive. My question is if there are extra costs incurred due to delays who will be responsible for the extra costs? Will it be the shackle manufacturers Ford Lehman, Technip, or your insurance company?

And secondly, with regards to the offshore facilities backlog, you mentioned some major awards that could supplement the backlog in the second half of '07. Are you able to say what these are? And also, if these projects are delayed until the first half of 2008 how will this affect revenues in 2008?

Thierry Pilenko - Technip - Chairman & CEO

Okay, well two different questions here. What I mentioned about the shackles issue on Tahiti Spar, so it's right that Tahiti is not in the GMF yard. We are investigating the problem. We are discussing with our customer. We are discussing with our insurers and we are right in the middle of the investigation at this point in time. So this is all we can say at this point in time.

As far as the backlog is concerned, we do have very strong hopes to get some awards in the second half or at the beginning of 2008 and at this point in time we are not worried about the activity for 2008.

Tao Ly - JP Morgan - Analyst

Okay, thanks very much. Just a related question, are you worried by the number of high profile contracts that have had to go back to the drawing board? Contracts like the FPSO Total's co-development and Petrogas' contracts for the P55 floater and the P57 FPSO?

Thierry Pilenko - Technip - Chairman & CEO

Are we concerned that they're going back to the Board of the company or the drawing board?

Tao Ly - JP Morgan - Analyst

Just going back in terms of the bids coming in too high. Do you think your clients are being unrealistic on price or do you think this process relates to the service companies (inaudible).

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Thierry Pilenko - *Technip - Chairman & CEO*

I don't think our customers are in the mode of repeating those contracts because I can tell you if they were to repeat those contracts today they would probably get even higher prices.

Tao Ly - *JP Morgan - Analyst*

Yes, okay.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Because of the inland dealings] that they we would introduce in the process. So I think our customers are just looking at what are the best things to do to optimize what they have in hand at the moment.

Tao Ly - *JP Morgan - Analyst*

Okay, thanks very much.

Thierry Pilenko - *Technip - Chairman & CEO*

But I don't expect a repeat.

Tao Ly - *JP Morgan - Analyst*

Okay.

Operator

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

Christyan Malek - *Deutsche Bank - Analyst*

Hi, good afternoon gentlemen. Two questions, if I may. Firstly within Onshore, it seems you guys are arming yourself with a cushion of contingencies that could ultimately be netted off against potential construction risk and unforeseen costs. The question is do you believe that the net result of those two will actually be incremental to margin at all this year?

The second question is you say you want to focus on execution. Having spent a few months at Technip now you've probably seen most of -- all of the contracts across the portfolio. Are there any that you have seen that suffer from poor terms and conditions signed at the time to the extent that execution may well not be enough to actually extract any meaningful profit?

Thierry Pilenko - *Technip - Chairman & CEO*

Okay, thanks Christyan. First of all the contingencies are absolutely right. We are taking contingencies in those contracts, not only the large ones, but also the smaller ones obviously and we are trying to hang on to these contingencies as far as we can into the construction phase because this is where we have the highest risk profile, if you want. And this is why we have a very prudent approach in margin recognition and releasing potential contingencies in this part of the contract, execution, which is later in between the second and the third year into a given contract. So we today have many contracts, which are in the

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construction phase and I mentioned a few in the Middle East, obviously the three LNGs, Yemen, (inaudible) the Dung Quat refinery.

We are just now going with the (inaudible) project in Australia and a couple of projects are still ongoing in Canada. So we have a large amount of contracts, a significant amount of contracts which are in the construction phase now and this is why we are taking a very prudent approach on margins and this is why we foresee that these margins will be stable throughout 2007 and potentially into 2008, although it's too early to say at this point in time.

Now the challenges are not necessarily linked to poor terms and conditions. It's about execution, I mentioned that several times. It's about construction execution and where we need to make particular effort is to make sure that there is the right supervision resources in the different sites where we operate so that we control construction resources. So that's not necessarily poor terms and conditions. Now we have some contracts that have better terms and conditions than others but it's mostly about execution.

Christyan Malek - *Deutsche Bank - Analyst*

Right, so there are no contracts out there that are irreversible, it's just a matter of getting it delivered and sorting out your construction risk that's affecting everybody?

Thierry Pilenko - *Technip - Chairman & CEO*

It's about delivering and it's about understanding the grand objective and negotiating with the client what are the priorities and what needs to be done first and at what price. So this is typical contract management. So execution is not just making sure you have the right number of people and taking a contract and sticking to the letter of the contract. It's also the ability to anticipate all the changeovers and make sure that you understand how those changeovers affect the overall project. Take that into account and get paid for that. So managing the customer is a very important part of execution.

Christyan Malek - *Deutsche Bank - Analyst*

Right. Okay, thanks.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you, Christyan.

Operator

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

Martijn Rats - *Morgan Stanley - Analyst*

Yes, good afternoon. I have two questions, if I may. First of all, can you give us a quick update on the project in West Africa on which you are bidding? And also which of those are furthest advanced towards a potential award?

And secondly, I know this is not specific for this quarter but could you remind us, given the large positive net gas balance that you have why are there still (inaudible) expenses?

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Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Can I ask you to ask again your second question, why is gas so inexpensive?

Martijn Rats - *Morgan Stanley - Analyst*

No, no, no, no. I look at your income statement and there are still net financial expenses over the income statement but you are net cash positive. I would expect if you're net cash positive you would have net financial income rather than expense. I'm sure this is not specific to this quarter but it struck my eye again and I wanted to ask if you could remind us why that was again?

Thierry Pilenko - *Technip - Chairman & CEO*

All right, so I'll start answering the business questions and then for the financial question I'll let Olivier answer that. So West Africa is an area which is interesting both Onshore and Offshore. And you were asking on which project or which projects have a good chance to start in the next few months.

So obviously both in Nigeria and in Angola there is not only ongoing projects but new projects that have been designed and ultimately awarded, I would say in the next few months. I can't give you an exact timing but in the list of projects which we publish among the large ones we have Paz Flor, we have Usan, we have OK LNG on our Onshore and LNG Train 7 in Nigeria and Block 31 for BP in Angola. So there are a number of very large projects for which the initial work has been done. The award is very close and it's a matter of months or even weeks before we will see who is awarded these projects. So the activity next year will be (inaudible) in West Africa.

Martijn Rats - *Morgan Stanley - Analyst*

Are you participating in the tender for all these projects?

Thierry Pilenko - *Technip - Chairman & CEO*

We are participating in the tender for all these projects and obviously for some projects we are in a very good position but I can't tell you which one -- which, until we get the signature a little later on. We have good hopes in Africa for next year.

Martijn Rats - *Morgan Stanley - Analyst*

Okay.

Olivier Dubois - *Technip - President & CFO*

So your second question, Olivier Dubois speaking, it's fair to say that we should have financial income in our statement of income. But, as I explained before, according to Technip, the accounting principal, the financial income on the cash, which is part of our contract, is treated as revenue. It's not as financial income.

And I mentioned earlier that for this second quarter, the amount of financial income included in the revenue of this quarter was EUR23m. That means that if you add up this EUR23m to the net financial charge in the income statement, you will find a net financial income consistent with the amount of cash we have today.

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Martijn Rats - Morgan Stanley - Analyst

Thank you.

Operator

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

Katherine Tonks - Credit Suisse - Analyst

Good afternoon. If I understood your comments correctly, you said you need to make productivity gains or improvements in Qatar in order to meet the schedule. Could you give a bit more color on those productivity gains and how challenging they might be to meet?

And then just on the SURF, I noticed that your accessible market in the presentation has gone down. And I wondered which projects in particular have slipped out of the six-month window.

Thierry Pilenko - Technip - Chairman & CEO

Okay. So in -- let's start with Qatar. In Qatar we said we have mobilized, just from the three LNG projects, about 55,000 people. So about 25,000 on the first project, and 15,000 on the other two projects. So we are -- as we mobilize this large amount of people, we are draining qualified resources from places like India and the Philippines and so forth. It's also as broad as going all the way from the foremen to the welders, people who are working on pipe connections, building, sealing works, and so forth.

So obviously that's a huge influx of resources into Qatar, working on three projects which are on the same site in Ras Laffan. So there is always a learning curve when you do that with a very large amount of resources. That means we have to look at what needs to be done to improve productivity. And that could require working in shifts. That could require working slightly differently.

And we are working at the moment with our partners, Chiyoda. And our -- well, which is our JV partner, but also with our contractors, CCC, Gamal and [Otsal], to see how we can get better productivity to meet the schedule. And we are obviously working with our clients, in full transparency with our clients, to see what needs to be done to achieve the objectives that we have been given, to produce the gas on time.

So as far as the SURF business is concerned, there might be a couple of projects that have slipped into 2008, but the complete pipeline, and, offhand, I am not sure which ones they are. It could be that one -- we started a project may have slipped, or partially slipped into 2008.

But as far as I know, there is not a single large-scale SURF project that has slipped significantly or has been cancelled. We continue to see an increase in the number of feeds and small to medium-size projects for SURF as well. So I would not interpret what we have seen in the last six months as an indication of SURF plateauing or whatever. On the contrary.

Katherine Tonks - Credit Suisse - Analyst

Thank you very much.

Operator

Mr. David Phillips of HSBC, please go ahead with your question.

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David Phillips - HSBC - Analyst

Thank you. A couple of questions. Firstly, are you seeing any increase in pressure in business from some of the new or expanding offshore contractors in Asia? Just really referencing this to a couple of stories that your consortium may not win the PAS4 FPSO, for instance.

And secondly, there's some comments on the newswires about the usual M&A story in Technip and saying that you're not looking now. And presumably this quotation was correct. What has changed here? I appreciate you're quite close to a big update to the strategy for Technip. But is Technip itself changing its plans internally? Or is this more a reflection of external issues, like asset prices and such like? Thank you.

Thierry Pilenko - Technip - Chairman & CEO

To answer the first question about the pressure from Asia on FPSO, I don't think this is new. This is something that has always been there, particularly Korea has always been able to deliver quality FPSOs. And we have been working with them a lot. Actually, we are working with them on the Akpo project, as we speak today. So that the Korean yards or companies trying to get into the business is not a new situation.

Is the pressure higher today than it was before? I don't think so. I think the pressure has always been there. And who is going to win the two or three FPSOs -- the two big FPSOs that you talked about, Yusan and PAS4 in the next few months? I don't know yet. It's too early to say. But obviously all the credible players wanted to position themselves on this project.

So that's about all I can say. It's not a new situation to have pressure from Asia and from Korea in particular on FPSOs.

As far as M&A is concerned, I think, as I said, we were going to clarify and give the strategic orientation of the Company in October. But I would like to just correct something, which is that we were asked the question about three months ago, whether we had the capacity to do an acquisition and what we are going to do with the cash. And at that time I said Technip probably has the capacity to do a \$1b or EUR1b acquisition.

I never said we were examining targets, or that we had seen a target of EUR1b. But some people may have interpreted my comments as we have a target and we are ready to execute. That's not the case. I think our financial position today is still quite strong, as you've seen from Olivier's comments. But -- and I will update our investors and analysts on our strategic plan in October.

But I can say that today we are not working on any specific target. It doesn't mean that we could not be looking for interesting acquisitions that could provide the right competencies and add to the value of Technip. But it's neither we are actively looking, nor we are against them. It's not the situation.

It's absolutely true that valuations today are up in the -- particularly in the oil and gas sector. But you have to do what makes sense for the shareholders. And our criteria for that is -- It is simple if the acquisitions, if they will happen, they have to be accretive.

David Phillips - HSBC - Analyst

Okay. Thanks a lot. Very helpful.

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Thierry Pilenko - *Technip - Chairman & CEO*

Thank you.

Operator

Mr. Alejandro Demichelis of Merrill Lynch, please go ahead with your question.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Yes. Good afternoon. Two questions, if I may. First, on the indemnity payments that you received this quarter, I'm wondering if you still have more of this kind of indemnity payments to come and maybe you can quantify that.

And the second thing is on your margins, in the Onshore business and the continuous you have been talking about, mainly because Chiyoda, your partner there, is talking about EBIT margins of around 5%. I was wondering if it's the difference between the [20%] that you're posting today and the 5% that they are having at the moment is all contingencies.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. I'll let Olivier answer the question on indemnity payments, but on the Onshore business and the contingencies, I think I'm going to answer this question on Chiyoda's margin. First and foremost, I would say that Chiyoda and Technip have a different profile and a different portfolio, even in the Onshore downstream business.

Chiyoda has a larger proportion of their business in Qatar. And we have a more diversified business. Qatar is an important place for us, but we also have operations in Asia, in North America, in Europe and so forth. So our margin cannot be compared directly to Qatar -- to Chiyoda because we have a different mix.

The other thing is I have no idea of how Chiyoda takes into account their margin progress because they may have different margin recognition policies than we have at Technip, and contingencies with condition policies that we have at Technip. So I would not really comment on comparing those margins with the Technip margins.

Now, as far as the indemnity payment on the Mediterranean project is concerned, I will let Olivier answer that.

Olivier Dubois - *Technip - President & CFO*

Yes. Remember when, in early 2006, we disclosed the difficulties we had on a specific contract in Mediterranean. We took a hit at that time of EUR70m the last quarter of 2005 results. And at that time we said that our target was to recover most of this additional cost through successful outcome of insurance claims and general claims. And we committed to inform the market on this evolution.

So we've received EUR10m today. That's the reason why we have decided to make them public. And we are still working with insurance companies and with the client in order to make our other claims progressing well. And we believe that we could -- that we are not -- we can't commit on the time we will recover this additional cost. But we still believe that most of this additional cost can be recovered through additional insurance payments and through the successful settlement of the general claim with the client.

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Alejandro Demichelis - Merrill Lynch - Analyst

Okay. That's great. Thank you.

Operator

Mr. Mick Pickup of Lehman Brothers, please go ahead with your question.

Mick Pickup - Lehman Brothers - Analyst

Good afternoon. A couple of follow-ups, firstly on what Katherine was saying about the SURF business showing less visible market going forward. Actually, if you look at the offshore facilities in SURF from first to the fourth, you've gone from 13b to 11b. Now what I don't get, gentlemen, is that if projects are slipping, then surely the visible market should be increasing unless everything is slipping. So can you just comment on that?

Secondly, you're talking of the Onshore downstream margin. And I appreciate you're trying hard to keep projects going along well. But you coupled that with expecting to win large orders. Is there a risk that, going forward, we'll see margins dropping as you get more early-stage contracts coming in?

And finally, for Olivier, thank you very much for disclosing on a quarterly basis that EUR23m of interest coming through the revenue line. Can you just give us what the cash number that generated that EUR23m is? Thank you.

Olivier Dubois - Technip - President & CFO

Excuse me, I did not catch your full last question concerning the EUR23m. Can you repeat it please?

Mick Pickup - Lehman Brothers - Analyst

Yes. What cash did you have in the bank to generate that EUR23m please?

Olivier Dubois - Technip - President & CFO

You can -- based on the current interest rates, and taking into consideration the mix between the Japanese yen, euro and U.S. dollar, you can consider that this EUR23m interest corresponds to something like 2b cash for this specific contract.

Mick Pickup - Lehman Brothers - Analyst

So 2b of your cash on your balance sheet is associated to contracts.

Olivier Dubois - Technip - President & CFO

Yes.

Mick Pickup - Lehman Brothers - Analyst

Thank you. I've been waiting for four years for that number.

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Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Better late than never. Okay. Let me maybe try to answer the question on the SURF. I'm not sure I've got all your questions, but the question on SURF, you're probably referring what slide -- slide 20 that we have on our website which is showing that accessible market is going down from 7.8b to 6.2b. This is the accessible market in the next six months. So what we had in the relatively -- I would say the short term. And I would not, again, interpret that as a trend.

Actually, the trend is quite the opposite. We see more projects. Our factories are full until the end of 2008. And we have a lot of projects in the pipeline. It is just that some customers are not awarding those projects particularly the last one as fast as we anticipated. But all the assets invested in that are fully in there indicated by the 82% utilization of our assets.

So I think some of the delay may also be coming from the fact that customers are -- see that the assets are not available immediately anyway. So whether they make the decision now or in three months' time doesn't make a huge difference.

So, again, I would think the SURF business continues to see potential for growth, and not only for small projects, but also for projects of all size.

I'm not sure I got your question on the Onshore margin.

Mick Pickup - *Lehman Brothers - Analyst*

Yes. Just that if you are about to win a wave of large contracts, clearly contracts in early phase have very little margin recognition. So is there actually a risk that margins goes down before we see the improvement?

Thierry Pilenko - *Technip - Chairman & CEO*

I don't think so really. I think our blend of projects will be projects that are in construction at the moment, we have many projects in construction, projects that will be in a very early stage, and projects in engineering and procurement. So no, I don't think there is a risk that because we have more projects coming in that we will see a drop in the profitability.

They key will be, obviously, to -- they key for our profitability in Onshore downstream is project execution. It's not really margin recognition. Is that what you would say, Olivier?

Mick Pickup - *Lehman Brothers - Analyst*

Thank you very much then.

Operator

Paul Adriessen of Fortis, please go ahead with your question.

Paul Adriessen - *Fortis - Analyst*

Yes. Good morning gentlemen. Earlier during this call you said that you are not worried about the level of activity in 2008. But could you please elaborate a bit on that because we are currently at an order book that's 15% below mid year 2007.

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And, let's say, also there's some slippage in activities. And if you get an order, the first phase is probably usually engineering, which is not that intense. So are you confident that we won't see a decline in turnover in 2008?

Thierry Pilenko - *Technip - Chairman & CEO*

I am fairly confident that we are not going to see a decline in 2008. We may see a slightly different mix from what we have this year. I'm not sure I understand the drop that you are talking about for 2008, the 15% drop. Are you talking about our current backlog committed to 2008?

Paul Adriessen - *Fortis - Analyst*

Yes, the current total backlog against the mid year one year ago. It was, I think, at 11.3b and it's currently 9.7b

Thierry Pilenko - *Technip - Chairman & CEO*

Yes. But I'm not worried about that.

Paul Adriessen - *Fortis - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman & CEO*

I'm not worried about that because some projects are going to be awarded in the second half and in the beginning of 2008. So you know one big project can make the difference and make this conversation almost irrelevant because we could have gone -- the good news this quarter which you need to realize, the good news about the first half of 2007 is that we have been able to keep the backlog almost stable, without winning very large contracts.

So that means there is a lot -- we talk a lot about those large contracts. But there are lots of smaller, medium-sized contracts to small-sized contracts that are fuelling the backlog. And I think it's very good news that without these big [elephants], we have been able to replenish our backlog. So no, at this time, I don't have any concern for the activity in 2008.

Paul Adriessen - *Fortis - Analyst*

But you say it could depend, let's say, on one contract, whether this conversation is irrelevant. The downside could be that if you do not get one of those large contracts, it could become relevant.

Thierry Pilenko - *Technip - Chairman & CEO*

If you want to look only at the downside, if you said Technip is not going to get any more large contracts for the next year or so, yes, that would be relevant. But I don't think we are in that situation today. Quite the opposite because we have a pipeline of opportunities which are fairly mature.

We said that the decisions have not been officially announced or taken. Now, whether they are going to be taken in the next three months, six months, eight months, I can't tell because I don't control -- we don't control the customer. But I think, given the amount of work that there is overall in the pipeline, and given the position of Technip, I can't see how we would be in a situation where suddenly we don't get any new large projects. Quite the opposite.

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Paul Adriessen - *Fortis - Analyst*

Okay. Thank you very much.

Operator

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

Stephane Soussan - *Exane - Analyst*

Yes. Good afternoon. I just wanted to know, can you give an indication on the expected contribution of the (inaudible) and the new DSV vessel? And I wanted to be sure that on this new vessel you will share 50% of revenues and profit with your partner, or the sharing is different than that.

Thierry Pilenko - *Technip - Chairman & CEO*

Maybe I can answer the second question first. On the vessel, that are 50% owner we speak, we are going to share 50% owned -- it's like a joint venture, we share 50/50. When we charter a vessel or when we own the vessel, we obviously take the full profit.

Now, I do not have the impact of a full-year basis of these new vessels, as of today. When we communicate our long-term strategy, you will have quantification of the impact of all the fleet coming in, with the timing on -- in terms of revenue and average margins in the future. But I don't have it today.

Stephane Soussan - *Exane - Analyst*

Okay. And are you able to -- because you won a long-term contract, I think, in Norway, for one of those vessels. Are you able to satisfy the requirements of the client? I mean I think the contract started at the beginning of '07, and I -- to my knowledge, and I just see the vessels coming late '07 or 2008.

Bertrand di Tullio - *Technip - President Oil and Gas*

Yes. When we get this contract, it was agreed with the client that we will have the benefit of the new vessel early 2009. And we start this contract institution with existing vessels.

Stephane Soussan - *Exane - Analyst*

Okay.

Bertrand di Tullio - *Technip - President Oil and Gas*

Concerning this contract, it's a friend -- not really a contract. It's a friend agreement with Statoil. And we are committed to execute a lot of jobs in North Sea for Statoil, on demand from the customer. And we have estimated, based on the previous contract which was executed by SRG, that the yearly revenue of this kind of contract could be between EUR50m and EUR80m every year, depending on the orders we will receive from the customer.

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Stephane Soussan - *Exane - Analyst*

Okay. And maybe one last question. I'm sorry, it's quite boring. But on the SURF, I don't know the depreciation figure for this year, last year there was a special kind of depreciation in the fourth quarter in the SURF business. I just wanted to know if you can give an indication on the depreciation figure for 2007, for the Group or for the SURF business, as you want.

Olivier Dubois - *Technip - President & CFO*

I think that on a full-year basis it will not be far off the double of the figure for the first half of this year because you will have the full impact on depreciations coming from the new assets, starting 2008. Excluding the accelerated depreciation we made last year, or the last quarter on the specific asset, as you know, if you double the figure of this first half, 2007, you will have a good estimate on the full-year depreciation charge for the SURF business this year.

Stephane Soussan - *Exane - Analyst*

Okay. Thank you.

Operator

Mr. Chris Welton of LPM Research, please go ahead with your question.

Chris Welton - *LPM Research - Analyst*

Good afternoon, gentlemen. A couple of housekeeping questions, if I may, and then one question on Onshore downstream. On the Mediterranean contract where you got the EUR10m on the insurance claim, if memory serves, I think the Company passed provisions in the neighborhood of EUR100m during 2005. And I've just heard you say that you've got EUR70m out, minus the EUR10m that you've just got. Is the residual amount that you're claiming EUR60m or is it 90m? That's one question.

And then the other question is you've updated your guidance on Onshore downstream margin being stable. Can I just ask stable compared to what period? Is that compared to the first half of 2007 or for all of 2006?

And then the main question is you had been telling the market that the big contract that you signed in 2005, that you had the pricing and then you had a certain amount of contingencies, which could be up to about 4% of the value of the contract. Given that you're about halfway done with those contracts now, could you tell us about how much of the 4% contingencies remains?

Thierry Pilenko - *Technip - Chairman & CEO*

Yes, well Chris, if you let me -- good afternoon first. So you know well about the contingencies, apparently. So let me answer you on the guidance first. So our guidance, what we said is stable this year, 2007. That means compared to the first half of 2007 we should expect the same type of margin.

Chris Welton - *LPM Research - Analyst*

Thank you.

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Thierry Pilenko - *Technip - Chairman & CEO*

It's not compared to last year. It's compared, let's say, to the last three quarters, two or three quarters. That's what we are allocating. I'm not going to answer about the contingencies, the 4% contingencies because I'm not sure this number is completely accurate because, as you know, contingencies vary from project to project, depending on the difficulty of the project.

As far as the Mediterranean contract is concerned, I would not want to get into how much claim we have with the customer because this is obviously something that we are currently negotiating. I think Olivier was pretty clear. He said that we already got EUR10m from the insurance. And there is another process in parallel, which is with the customer, with which we have a negotiation. And we don't know yet how much we're going to get from that negotiation.

But the numbers that you've mentioned are numbers that could not happen. It depends on how successful we are with that negotiation. But I certainly cannot promise that this is going to be a very precise, specific outcome because, as you know, when we negotiate a claim or end of a contract, by definition, it is a negotiation and therefore it's hard to pinpoint exactly what can be obtained. But, for sure, we have an ambitious objective.

Chris Welton - *LPM Research - Analyst*

Fine. Thank you. Just one follow-up question, if I could, please. One of your competitors has recently been saying that pricing in the SURF market is moving sideways. And I'm just wondering what you're seeing in the market right now.

Thierry Pilenko - *Technip - Chairman & CEO*

I don't know what you mean by moving sideways. If that means it's stabilizing, I'm not -- I don't think we see that really. I think there is still potential for improvement in pricing. But you know what makes the difference in the SURF as well as in other projects is, again, project execution.

So the improvement in margin comes from three aspects. Pricing is certainly one. The other one is asset utilization. And the third one is project execution. And I think what we see today is that we execute well. We have some leverage on pricing. I still believe there is some leverage on pricing and we have good utilization. So I think there is potential in that market still.

Chris Welton - *LPM Research - Analyst*

Fine. Thank you very much.

Operator

(OPERATOR INSTRUCTIONS).

Thierry Pilenko - *Technip - Chairman & CEO*

Well, if there are no other questions, I would like to thank you very much for attending this conference call. And I'd like to make a short summary of this quarter.

So our revenue was up 16%. We had strong performance in SURF which I discussed. Earnings per share were EUR0.75 per share, and they are up 62%. And we continue to see very high tendering activities in all business segments and all regions.

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Finally, I'd like to recall that Technip will present its strategy or an update on the strategy during two half-day sessions, one in Paris on October 17, and one in New York on October 19.

Thank you very much.

Xavier D'Ouince - *Technip - IR Manager*

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

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

Operator

Thank you for your participation in today's results conference call. We'd like to clarify that a replay of this call will be available within the next two hours. The replay will be on our website, www.technip.com, in the Investor Relations section, or by dialing +44.207.806.1970, using the confirmation code 4179429#, or by dialing +33.171.23.02.48, using the confirmation code 4179429#, or by dialing +1.718.354.11.12, using the confirmation code 4179429#. The replay will be available for seven days. Thank you and goodbye. You may now disconnect.

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