

FINAL TRANSCRIPT

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PRESENTATION

Operator

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

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Thierry Pilenko - *Technip - Chairman and CEO*

Thank you. Good day ladies and gentlemen, and thank you for participating in Technip's third quarter 2007 results conference call. I am Thierry Pilenko, Chairman and CEO of Technip, and around the table are Olivier Dubois, our Chief Financial Officer, and Xavier d'Ouince, our Investor Relations Manager. Olivier will present the third quarter figures, and then I will make some comments on operations and business trends before the traditional Q and A session. But first Xavier will remind you of the conference rules. Xavier?

Xavier d'Ouince - *Technip - Investor Relations Manager*

Thank you Thierry. I would like to remind participants that third quarter and nine months' accounts as well as the 2006 comparison can be found on today's earnings press release and slide presentation, which are available on our website technip.com. Statements in today's press release and slide presentation, as well as those made during this conference call, which are not historical facts are forward looking statements, within the meaning of the Private Security Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimer which are integral part of today's earnings press release and slide presentation. Also, a replay of today's call will be available on our website approximately two hours after the end of the call.

I would like now to turn the call to Olivier Dubois, Chief Financial Officer.

Olivier Dubois - *Technip - CFO*

Thank you Xavier and good day every one. I will make the following short comments on the third quarter accounts, starting with the Group income statement.

Revenue was up 22% in comparison with the third quarter 2006 revenue. The growth being mainly attributable to the onshore plus 55% year on year, and to the SURF plus 9%, business segments. As anticipated Offshore revenue is down, with a 47% decrease year on year. The accelerated growth of the onshore revenue compared with the second quarter 2007 is due to the conversion of the Kursaniyah contract in lump sum turnkey early August, which generated additional revenue recognition in Q3. Actually the new contractual scheme encompasses -- encompasses larger scope than the reimbursable contract indicated so far.

The devaluation of the U.S. dollar and the associated currency during the quarter had a negative impact of around 3% on the Group revenue. Current operating income situation was highly differentiated. We enjoyed record performance in SURF, with 17.1% operating margin ratio, well ahead of our annual guidance. The good market conditions in all regions, the high utilization rates of our assets and the smooth project execution explained this outstanding achievement.

In terms of EBITDA margin, we reached also a record at 21.6%.

At breakeven, Onshore Downstream has been affected by the EUR50m provision that we decided to record because of the execution condition and costs that worsened during the consequent stage of a petrochemical project in the current Saudi Arabian environment. Most of the other onshore projects are progressing in accordance with their schedules and within their budget.

As far as the Qatar Energy Project are concerned, Thierry will come back later on to comment on their current status.

Financial income treated as revenue amounted to EUR17m during this quarter. It was stable compared to the second quarter.

In spite of the extra costs generated by the mooring shackle issue, which will be finally covered by insurances the Offshore Facilities segment shows rather stable performance in terms of operating margin.

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Industries remain a steady business, with margin essentially stable.

In conclusion, in spite of the provision recorded for the Kursaniyah project the Group operating income from recurring activities increased by 10.4% on a year on year basis, and stood at EUR119m. So [because] the financial income of minus EUR19.4m, the pretax profit is up 17.7% year on year. And thanks to the decrease of the effective tax rate from 34% to 29%, net profit rise 26.2% in comparison with 2006.

The September 30, 2007 balance sheet is very comparable to the end of last year one. However, it's worth highlighting the continuous cash generation we enjoyed thanks to the cash from operation and the positive contribution of the working capital, EUR269m and EUR406m, respectively for the first nine months of 2007. As at the end of September the net cash stands at EUR1,712m, to be compared to EUR1,502m at the end of June. Our cash is invested in international banks. 80% is in banks with a rating at least equal to double-A. We decided in July to exit from all the money market funds and to invest our cash directly in international banks.

Finally our main CapEx programs are progressing well. For the first nine months the Group capital expenditures amounted to EUR142m. In line with the full year estimation we should be above EUR210m following the award of the construction contract of the new pipe lay vessel to the STX Korean yard.

For the first nine months the Group revenue was EUR5,785.3m, compared to EUR4,944.2m in 2006, or a 17% increase. The operating income from recurring activities was 62% higher on the year on year basis at EUR355m or 6.1% operating margin ratio, compared to EUR219.4m, or 4.4% margin ratio in 2006.

Four of the business segments improve their operational performance. The SURF operating margin ratio grew from 9.1% to 14.8%, the Offshore Facilities from 4.6% to 5.2%, the Onshore Downstream from 1.6% to 1.9%, and finally the Industries from 5.4% to 5.5%.

For the nine months Group net income is up 63% at EUR223.8m, and earnings per share on a fully diluted basis is 69% higher at EUR2.13.

Finally, thanks to its outstanding operational performance, the SURF segment reached for the first nine months 15% net return on capital employed on an annualized basis.

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

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you Olivier. I will now cover the key points of this quarter in our four business segments.

Starting with the SURF we had an excellent performance this quarter, which is the result of high utilization of our assets. Our factories have been working near full capacity and our [resource] utilization was 80%. But also very good project execution.

In Africa the Agbami project, which is the largest project we have in the SURF portfolio, is progressing well, with the manufacturing about 70% complete at the end of September, 83% today, and the start up of the installations phase of the Agbami project.

In Brazil the Deep Blue, our largest vessel, has successfully completed the PDET installation, which was the key project for Petrobras and for Technip, paving the way for freestanding hybrid risers technologies, and definitely proving this operational concept, which is going to help us position this concept in the deep water Gulf of Mexico.

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In October we also awarded the construction of our new pipe lay vessel to STX Heavy Industries in Korea, for delivery in 2010 as planned.

The SURF business remains very robust, even if some large African, West African contracts awards have been slower than expected. But we continue to sign and execute small and medium sized projects, as evidenced by our growing SURF backlog this quarter. And we are confident that very significant projects will be awarded soon. We continue to have good visibility on the SURF business, as well as many prospects on the horizon. Furthermore, the recent giant discovery in Brazil should create many opportunities for Technip in the years to come, as we have a longstanding presence in Brazil.

On the Offshore Facilities, the 47% decline of revenue compared to last year was expected, as we have less current projects than last year. The P-52 submersible platform in Brazil, which was produced by our joint venture with Keppel Fels has been installed successfully. And in our yard in Pori in Finland the Perdido Spar hull construction is progressing well, while we have started installation of the top side on the Akpo FPSO.

Coming back to Pori. We have announced that we will have a gap in the yard activity after the Perdido Spar, and are taking the appropriate measures to reduce our costs but keep the yard busy on other activities than Spar construction. This situation is not unusual, and we have a number of [stock] prospects that will help us resume the full activity within the yard after Perdido.

The Offshore Facilities backlog has been decreasing, but engineering resources have already been redeployed on other projects, as many of these resources can be used either on offshore or onshore projects. Now since September 30 we have signed the P-56 platform project in Brazil but in West Africa, as I mentioned before for the SURF business, we continue to see delays in project awards.

I also would like to make a few comments on the quality issues we experienced on a couple of projects with the shackles used to anchor the platform, an issue that we mentioned in our last conference call. So we have conducted detailed investigations to better understand the metallurgical problems, and found out that the shackles did not follow exactly the same manufacturing process as the samples on which mechanical tests were conducted. It was therefore decided to change manufacturer, and replace the defective shackles with new ones. The cost of the replacement will be covered by our insurance.

Now moving to the Onshore Downstream business. The successful conversion of the Kursaniyah project into lump sum turnkey has been overshadowed by the poor performance on one petrochemical project in Saudi, which is in the construction phase and for which we have several months' delays and cost overrun. The main reason for the difficulties on the project has been the need to change the construction and contracting plan at an advanced stage of the project, which forced us to find new local contractors at a cost that was much higher than what was planned. The new estimate of the construction cost over the life of the project led us to take the EUR50m provision.

Now let's talk about the various LNG projects. First, Bonny Train 6 in Nigeria should start production before year end, and the Yemen project is progressing according to plan, with the engineering essentially complete and construction on track.

As for the LNG projects in Qatar, which represent 15% of our revenue this quarter and have 17% of our backlog, here is the situation. We have today about 61,000 workers on site, working on this project. As we said in July, productivity has been low, lower than expected, particularly in the summer month, and during the relevant period. With additional mobilization and better temperature at the work site we expect an improvement of this productivity, but it has been difficult to find the skilled workers in the region.

All parties, the clients, us, meaning Chiyoda and Technip the joint venture, and our subcontractors, are working together to deliver the LNG Trains according to client's requirements. The discussions are ongoing, we are evaluating resources, timing, change orders and the associated cost, to successfully complete the projects. The content and the methodology of these discussions are to be kept confidential according to our contracts.

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As for the Industries business segment, the highlight of the quarter was a confirmation that the Koniambo nickel project is going forward. This is a project on which we had been working for several months, on a (inaudible) basis, and it will continue with the same contractual terms.

So going to the market, although the market conditions remain robust, and we are working on many feeds or early studies, both on shore and offshore, new projects are mushrooming around the world. However we start to see that the oil and gas industry is reaching some limits in the number of projects that can be managed in parallel, both by oil companies and their contractors. As a result we can expect to see a staggering of project in time, which should naturally extend the positive growth trend of our industry, but possibly at a slower pace than in the past few years. The strategy that we presented last month fully integrated this view of the market, and we remain confident about the Technip financial performance that was presented for 2008 and beyond. So this concludes our comments and we are now ready to answer the questions you may have.

QUESTIONS AND ANSWERS

Operator

Thank you. Ladies and gentlemen, at this time we will begin the question and answer session. (OPERATOR INSTRUCTIONS). Our first question today comes from [Tao Li] from JP Morgan. Please go ahead.

Tao Li - JP Morgan - Analyst

Hello. I was just wondering, when your risk is large scale onshore projects, is there anything that prevents you from converting these from a lump sum turnkey to cost plus contracts?

And secondly, I realize you wouldn't have been able to give an exact figure for the EUR50m writedown on Yambu today. But why -- is there a reason why you didn't at least hint at it during the strategy presentation?

And lastly, just on the cash. I realize this is something that you get asked a lot, but just to be clear, how much of your current cash position could hypothetically be utilized for acquisitions or buybacks without leveraging up? Thank you.

Thierry Pilenko - Technip - Chairman and CEO

Okay, I'm not sure I've understood the question on Yambu, so converting LSTK to reimbursable you know this is not our decision. I'm going to answer this first questions first.

Tao Li - JP Morgan - Analyst

Sure.

Thierry Pilenko - Technip - Chairman and CEO

LSTK to reimbursable is generally more the client decision than our decision, and it is based on a number of conditions and not all the situations give you the opportunity to do that. And it may not be the best thing to do at the end of the project. So for the project that we are talking about, in particular the LNG projects, being in Nigeria, in Yemen or in Qatar, those projects are LSTK and as far as we can see we're going continue to work on these projects on LSTK until the end of the project.

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On the cash position, I think we have communicated at the strategy meeting that we would use our cash [prioritily] on growing our business either through acquisition or organic growth, and we have committed close to a billion of CapEx between 2007 and 2010 in particular to increase our fleet. The other excess cash will be used [prioritily] -- or in priority with -- on acquisitions. Of course, if beyond that we were to have still excess cash we would consider other ways of distributing that cash to the shareholders. But this is not our current strategy.

Now as far as Yambu is concerned I'm not sure I have understood your question?

Tao Li - *JP Morgan - Analyst*

I was just curious why it wasn't hinted at during the strategy presentation, given it was so recent?

Thierry Pilenko. Well, what I want to tell you is that during the strategy presentation and the 2008 to 2010 forecast included a reasonable estimate and everything we knew about the projects at the time we made the presentation, okay? We obviously knew that we were discussing and evaluating the situation with Yambu and this has been taken into account for our 2008 results in particular. That's why we feel confident that we can confirm our 2008 forecast.

Now, it was not the time, at the time we presented the strategy, to talk about individual projects, and we were still evaluating to what extent we would have to recognize the provision, because we were still negotiating with the customer, and also evaluating the final cost of this new construction scheme.

Tao Li - *JP Morgan - Analyst*

Great, thanks very much. But when you contrast that to Tahiti, there there's a problem with a third party in terms of the shackles and you can get the money back from the insurance company. What was the reason you weren't able to get money back from insurance on this project?

Thierry Pilenko - *Technip - Chairman and CEO*

The Tahiti situation is completely different. There was a defect on a piece of equipment for which we are specifically covered by our insurances. In the case of Yambu, the situation is different in the sense that it's a problem of estimating the cost initially in a lump sum turnkey. What happened with Yambu is that the situation changed through the project. When we realized that we could not use the subcontractors that we had planned to use, and were forced to use contractors in kingdom, and therefore changed completely the subcontracting plan for the construction phase. In fact all the problems that we have experienced with Yambu are problems experienced in the construction phase and in Saudi Arabia. And this type of situation is obviously not covered by insurance.

Tao Li - *JP Morgan - Analyst*

Oh, and is there no hope of actually getting that money back from the client, given that the scope of the project's changed?

Thierry Pilenko - *Technip - Chairman and CEO*

I wouldn't put too much hopes on getting that money back. If we had -- we have taken a position which is that at the end of the project we should be in the loss situation, therefore the provision. This is a very classical way of accounting for projects as soon as you see that you have a risk of a loss at the end of the project. And therefore obviously we will do our best to be compensated, but at this point in time this is what we see.

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Tao Li - *JP Morgan - Analyst*

Okay, thank you very much.

Operator

Our next question today comes from Alejandro Demichelis with Merrill Lynch. Please go ahead.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Yes, good afternoon gentlemen. Just one question. It's very good that you update us on the LNG plants, maybe you can update us on the other petrochemicals plants that you're doing in the Middle East, mainly the one that you have in Qatar and the one you have in Yemen.

Thierry Pilenko - *Technip - Chairman and CEO*

The other chemical plants?

Alejandro Demichelis - *Merrill Lynch - Analyst*

Yes, the petrochemical plants, the ethylene plant.

Thierry Pilenko - *Technip - Chairman and CEO*

We have a chemical plant in Yemen which is moving as per our plan, okay? Sorry, in Qatar, in Qatar, the polyethylene in (inaudible). We don't have a petrochemical plant ongoing in Yemen at this point in time. We have one in Kuwait, the ethylene plant in Kuwait which is doing well, and performing quite well.

Alejandro Demichelis - *Merrill Lynch - Analyst*

So there are no delays there?

Thierry Pilenko - *Technip - Chairman and CEO*

This is -- the issue we have in Yambu is not related to the fact that this is petrochemical or -- it's not a technological issue. It is purely the construction cost and efficiency issue.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Alright. And coming back to the shackles question, because when you released the announcement you said that there were two facilities that were facing the same problems. Are both facilities going to be covered by insurance?

Thierry Pilenko - *Technip - Chairman and CEO*

Absolutely, yes.

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Alejandro Demichelis - *Merrill Lynch - Analyst*

Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

This is what we said in the press release as well. The situation is slightly different in the two projects, but both projects the extra cost is covered by our insurance.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Okay, that's great. Thank you.

Operator

Our next question today will come from Thomas Deitz at ABN AMRO. Please go ahead.

Thomas Deitz - *ABN AMRO - Analyst*

Yes, hello, good afternoon gentlemen, a few quick questions if I may. First from the Onshore Downstream business, you've taken these provisions, you are breakeven in the third quarter. What can we expect for the fourth quarter and then in 2008? Previously you guided towards margins of around 3% I think, is that still a number that we can expect in the quarter and then for next year? That's the first question.

Second question, regarding the insurance, the payment of -- and extra payments regarding the shackles, is there any risk that your insurance premium goes up?

And then finally one last question if I may, regarding construction resources. You've talked at the strategy presentation of beefing up your construction expertise. Does it actually make sense in order to get more control of the construction phase to buy one of your subcontractors or a big subcontractor? Thanks.

Thierry Pilenko. Okay, well several questions here. First of all in terms of guidance, we have said that we would refrain from giving guidance quarter by quarter, and certainly not you know business by business and -- or segment by segment. So therefore I will not give you guidance for the fourth quarter by segment. However what I would say about 2008 is that, and I repeat what I've been saying a few minutes ago, is that the type of margin that we have estimated for our offshore/onshore business which I think was amounting to about 3.8% over the course of 2008. We confirmed that and that was obviously including a reasonable scenario on the current projects. But I think the fact that we are taking provision on Yambu today doesn't change our view on 2008. So -- but I don't want to, as I said before, get into the game of the quarter by quarter segment margin.

On the shackles. Well we do expect that the insurance may be increasing all the time. At this point in time I don't know how much this increase could be.

Now, your last question about construction resources. Yes, basically we said we would reinforce ourselves in construction, particularly construction supervision, and this is what we have started to do, and we are hiring more people who are capable of better controlling what our subcontractors are doing. As far as buying one subcontractor, it's a very interesting point. The problem is which one do you buy, because those construction contractors have a tendency to be very local. Even if some of them are very strong, they are strong only in one part of the world. So I would find it very difficult for us to buy one construction company in

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each part of the world we are active. So. But definitely in our strategic thinking we will have to see what are the best combinations that would reinforce our construction and fabrication capabilities.

Thomas Deitz - *ABN AMRO - Analyst*

Okay, thank you very much.

Operator

Thank you. We move now to a question from Dominique Patry from Cheuvreux. Please go ahead.

Dominique Patry - *CA Cheuvreux - Analyst*

Yes, good afternoon. I just would like to come back to the Onshore Onstream margin because if you remove the EUR50m charge related to the petrochemical contract in Saudi Arabia, the underlying margin stand at 3.9%. And I have difficulties reconciling that number with the statement that you made, that you have had to increase the resources to perform the execution of the big LNG project in Qatar and the profit warning [for] that. I just would like to clarify if you are waiting for the negotiation with the customer on the Qatar LNG project to have been settled, prior to recognizing the cost overrun on this project.

Thierry Pilenko - *Technip - Chairman and CEO*

No, it is not how things are done -- the minute. You know, at each stage of our project we recognize based on our best estimate of what we know, of where we are with this project. So it is not that we are deferring a position here.

Now we are in discussions with our customers to try to improve our situation, but by the way this is not something which is unusual. What is unusual is the size and the visibility of these projects. But the fact that on projects during the course of a project, we discuss with our customers because we have change orders, we have changing conditions and so forth, to try to maximize our return at the end, and our result on the project is not unusual.

So what I can't tell you today is obviously what the outcome of this discussion is going to be, because we are right in the middle of this discussion. But it's not that we are doing something very different from what we've been doing in the past.

Dominique Patry - *CA Cheuvreux - Analyst*

And given the fact that you have three different clients, because those projects are for delivery for three different clients, does it further put some difficulties onto the kind of settlement you can reach?

Thierry Pilenko - *Technip - Chairman and CEO*

Dominique, we are negotiating, discussing these projects, managing these projects independently from one another, okay? And this is clear that we have a contract for each of these project, and the situation even if we have a common customer among all these projects, which is Qatar Petroleum obviously, those projects have different shareholders and we are discussing those projects independently.

From a financial, operational and even technical standpoint the options that have been taken from one project to another may be slightly different depending on what the customer is used to do with an LNG plant. But also depending on the fact which -- on the type of gas that are getting into those different plants. And I don't want to get into a lot of technical details here, but

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the North Field is a big gas field but has different types of gases in it, and therefore the feedstock for the different energy plants is not exactly the same. Therefore you really have to look at these projects independently.

Now obviously there is one common shareholder as I said, which is Qatar Petroleum, but at the moment we are working on all these projects one by one.

Dominique Patry - *CA Cheuvreux - Analyst*

Okay, so I have another question if I may on the SURF activity. You have mentioned that there's a big SURF contract have delayed in West Africa, at a time when the industry is increasing capacity. Don't you think that maybe temporarily in '08 there could be some pricing power erosion on the SURF business, due to this phenomenon?

Thierry Pilenko - *Technip - Chairman and CEO*

I don't think so. What I think is going to happen in '08, and maybe potentially in '09 if some of these projects are not being decided quickly, is that the vessels are going to be reallocated on smaller projects, and I think at this point in time there is enough work on the horizon. In fact the risk of late award I think is probably higher for the operating companies that won't be able to make their production than actually for the contractors, because there is definitely plenty of work.

Now if you look at when the capacity is coming. The capacity is pretty much spread between say now and 2010. So it's not that suddenly in 2008 we have a big surge of capacity and delays in projects. We don't see it this way, we see something which is much smoother and our reallocation of resources to other types of project if those awards are not made soon. But I am hopeful that this is a matter of weeks now, at least for one project in West Africa.

Now if we were to have delays beyond the first quarter of 2008 in terms of awards, that would force the contractors and the oil companies to have a major risk during those projects, and I would say, a new re-staggering of projects. This is what I was talking about before. And -- but I think that will not be good for the -- for our customers because that would mean delayed production. So what I can tell you is that I see a lot of impatience from the international oil companies and our major customers to start these projects as soon as possible.

Dominique Patry - *CA Cheuvreux - Analyst*

Okay. Thank you very much.

Operator

We'll move now to a question from Stephane Soussan from Exane. Please go ahead.

Stephane Soussan - *Exane BNP Paribas - Analyst*

Good afternoon. Excuse me. I joined the call a little bit late. So if (inaudible) over again some. On the margin in the subsea business, it's already in the fourth quarter above your 2010 target. I was just wondering if there is any good reason why this margin should go down in the coming quarters or years.

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Thierry Pilenko - *Technip - Chairman and CEO*

Well this is a good point, Stephane. It's already above our 2010 guidance if you want. Let me remind you that in 2010, on the margin, we will also have more depreciation as we are bringing newer assets into our fleet. So it's not apple-to-apple. But it is true that we are today at a very good performance in terms of margin, 17%. Typically, the third quarter is a good quarter, if you have good weather in the North Sea and generally good execution. And I think this is a very strong quarter.

And I would not extrapolate the 17% from there up to 2010. But I would say, if we keep a strong execution and the assets go up on time. And I think -- I feel more and more comfortable with the guidance that we have given for the period 2008-2010 on the SURF business. So that makes a basis which is stronger maybe than the feeling you may have had a couple -- a few weeks ago.

Stephane Soussan - *Exane BNP Paribas - Analyst*

Okay. Thank you.

Operator

Our next question will come from Jean-Luc Romaine with CM-CIC Securities. Please go ahead.

Jean-Luc Romaine - *CM-CIC - Analyst*

Good afternoon. Two questions, if I may. First is, you spoke to us about your priorities contract in Qatar, is this the [SLN] contract that --

Thierry Pilenko - *Technip - Chairman and CEO*

Yes. This is the [SLN] contract.

Jean-Luc Romaine - *CM-CIC - Analyst*

And are you still confident that it will start in 2008 as it was -- as was mentioned in [Bern]?

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, absolutely.

Jean-Luc Romaine - *CM-CIC - Analyst*

Okay. Second question -- could you update us on your discussions with [Berolas] Gas on the cost overruns in the project in Egypt, which cost around [EUR70m] in 2005. Are there some --

Thierry Pilenko - *Technip - Chairman and CEO*

So we are still discussing with [Berolas] on this 2005 project. But at this point in time we are -- we have no conclusion on that discussion. So -- and there was nothing in Q3 that corresponded to any late payment or claim settlement corresponding to that project. But we are still hopeful that we'll be able to get something from this, but how much I can't tell you today.

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Jean-Luc Romaine - *CM-CIC - Analyst*

Thank you.

Olivier Dubois - *Technip - CFO*

In parallel as you know, we are still negotiating with the insurance companies and we expect also to have some recovery through the insurance claims. But as we commented earlier, we will disclose any payment that we will receive for this project, which was not the case during the third quarter.

Jean-Luc Romaine - *CM-CIC - Analyst*

Alright. Thank you.

Operator

We move now to [Chris Lowden] with [LPN]. Please go ahead.

Chris Lowden - *LPN - Analyst*

Good afternoon, gentlemen. Just coming back to the Onshore Downstream performance, if you strip out the provision that you made, you've actually had the best performance in that division since the end of 2001. You're about EUR20m higher than you were over the past several quarters. Is that extra EUR20m mostly coming from the Khursaniyah project? And if it is, is that going to go on for the next couple of quarters? In other words, can we expect EUR50m EBIT in that division for the next couple of quarters?

Thierry Pilenko - *Technip - Chairman and CEO*

Olivier, would you like to answer this question?

Olivier Dubois - *Technip - CFO*

Yes, it's true that converting the Khursaniyah contract to lump sum turn key increased the profit that we can recognize at this progress of this project. So it had a positive impact on the earning of this quarter.

Chris Lowden - *LPN - Analyst*

So we can expect that for the next few quarters, as long as the Khursaniyah project is still ongoing?

Olivier Dubois - *Technip - CFO*

As we said earlier, we will provide no guidance on a quarter basis. We only confirm that a 3.8% target margin that we have for next year can be returned as an objective for us.

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Chris Lowden - LPN - Analyst

Okay. Thank you very much.

Olivier Dubois - Technip - CFO

Thank you.

Operator

Our next question today will come from Iqbal Nasim with Lehman Brothers. Please go ahead.

Iqbal Nasim - Lehman Brothers - Analyst

Hi. Good afternoon. My question relates to Yemen LNG. We've seen in recent years cost increases relating to the project. I was just wondering if you could comment on your own exposure to that. Apologies if you've already mentioned this but I joined slightly late. So that's the first question.

Thierry Pilenko - Technip - Chairman and CEO

Yes. Well this project is on track. And we have -- this is being executed as per our state of the art practices. And we don't have -- of course the cost environment in the Middle East has increased but this project has been able to manage these costs or get appropriate compensation when things were not as expected in the project. So this project is moving forward. It's on track and we don't have any concerns in Yemen.

Iqbal Nasim - Lehman Brothers - Analyst

Sorry. Who -- so effectively, who exactly has borne the additional cost then?

Thierry Pilenko - Technip - Chairman and CEO

I've said that we have been able to pass extra cost to the customers.

Iqbal Nasim - Lehman Brothers - Analyst

Okay. And just in terms of 2008 revenues, in order to achieve your target, one would have to assume that you are much less in-hand at this stage of the year for 2008 as compared to previous years. For previous years, especially in the Offshore, you've been typically 70% to 75% in-hand for the next year. Given order intake, one would have to assume that you're only 65% in-hand to meet your target. So could you kind of reconfirm your confidence of effectively additional contract wins in order to meet your revenue guidance?

Thierry Pilenko - Technip - Chairman and CEO

You're talking about offshore in particular?

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Iqbal Nasim - *Lehman Brothers - Analyst*

Offshore, yes, as well as --

Thierry Pilenko - *Technip - Chairman and CEO*

Offshore and subsea, well of course we are right in the middle of our budget process here. As we explained at our strategy meeting, the objective for next year is first and foremost, profitability and profitability improvement. But there is no reason for us to think that we're going to have the next year, which is going to be different from what we presented a month ago. But obviously, once we have the -- our final budget and by the end of the year we'll be able to give you a little bit more flavor.

Would you like to add something?

Olivier Dubois - *Technip - CFO*

Yes. Remember during the Investor Day one month ago, we presented consolidated figure for Offshore and Onshore for these [three] coming years. And as you remember, we were extremely cautious in terms of growth of the revenue for the Offshore/Onshore activities. So we believe today that the trend for the coming years in terms of revenue still remains valid even if we have not fully completed the budgeting process for next year.

We have, today in the backlog at the end of September, EUR3.5b revenue for Offshore, Onshore and Industry, which is not -- which is consistent with the target that we have for next year in term of revenue.

Iqbal Nasim - *Lehman Brothers - Analyst*

Okay, thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

Other question? Hello?

Operator

Mr. Thomas, your line is open. Please go ahead.

David Thomas - *Citigroup - Analyst*

Yes. Good afternoon. This is Dave Thomas at Citi. I have a couple of questions, please. Firstly, on the Qatar LNG projects, can you say what the differences are between the productivity and execution issues there compared with Yambu in Saudi Arabia? And therefore, what reassurance can you give that similar write-downs as we've seen in this quarter will not be required?

And then secondly, returning back to the shackles issue on Tahiti, can you just confirm that there are no consequential damages on Technip or any risk under the contract terms which will compress margins? Thanks.

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Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Two good questions. I would not compare the Yambu situation with the Qatar situation for a very simple reason. In Yambu, we had to come up with a plan for construction very late in the project, as the contractors that we were planning to use basically defaulted on us or didn't want to work for us. And therefore, very late in the project we had to put together, as we were getting into the construction phase, a new group of contractors. We had to go into a -- very quickly into some direct hiring and hiring in the kingdom. And this has been the source of cost overrun. And this has forced us to work with contractors with whom we were not entirely familiar in the past.

Qatar is completely different. The alignment with our contractors was very early in the process. We are working with renowned contractors and we have contractors such as CCIC for the main trains in Qatar, that's 2 and 3, and companies like [Docsel] or [Gamma], companies that we have been working with for many, many years and that are working with us on other projects than Qatar, such as the Yemen project, for example. So the situation is completely different. Now trying to compare productivity on an ethylene plant and productivity on an LNG plant is not quite correct because it's not the same type of plant. And here you're talking about very different contractors.

So these two situations are different. I know they are both in the Middle East. I know they are both Onshore Downstream. But we are not dealing with the same customers. That's an important aspect, too. And we are not dealing with the same subcontractors. In Qatar we are dealing with very, very long-term customers and we are very aligned with the objectives of the customers. And we are dealing with subcontractors with whom we have long-term relationships. So this situation is far different.

Now going to the question on the shackles, we do not have any consequential damages clauses in our contracts.

David Thomas - *Citigroup - Analyst*

Can I just return to the question again on Qatar LNG, if I may? And actually it's more back to Yambu, sorry, which is, interesting comment you made about, effectively, a default by your subcontractors there, which makes me wonder whether you actually have a case to make against them for the losses that you've suffered and whether you could perhaps be looking to pursue them for that.

Thierry Pilenko - *Technip - Chairman and CEO*

No, it's not as simple as defaulting at the last minute. This is -- obviously it's a complex situation when you are in that type of situation. But the project started late. The contractors were not available. And it's -- I would not count on that to make up the money that we are losing on the early stage. Obviously, we'll do everything we can to get a better situation and close that contact in the most favorable conditions for Technip. But at this point in time, this is what we see.

David Thomas - *Citigroup - Analyst*

Thank you very much.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you.

Operator

Your next question today comes from Christyan Malek with Deutsche Bank. Please go ahead.

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Christyan Malek - Deutsche Bank - Analyst

Yes, hello. Good afternoon, gentlemen. Two questions if I may, and coming back to Qatar LNG. The first is perhaps slightly related to the last question. Can you be a bit more specific in terms of the criteria behind choosing the construction companies in Qatar? You referred to -- you speak quite highly of them. And I'd like to just get some more details as to how is -- what were the processes involved in that? And perhaps, if you can answer, have they actually met those criteria to-date.

And the second question is, if you were to sign a contract tomorrow with Qatar, whether it's refinery or LNG, would you do anything differently in terms of the terms and conditions that you would sign?

Thierry Pilenko - Technip - Chairman and CEO

Yes. Well there are criteria, obviously, that you need to take, particularly when you embark into such a large project. One is definitely size and past history. Size I should take take CCIC. It's a company that has 120,000 workers today. And they have been capable for many, many years to bring the right skills at the right time. And drawing from their experience and their sources of skilled workers throughout the Middle East but beyond to -- into Asia. So size is one criteria. Reliability, track record, dependability and also the fact that you've worked with them before is also an important criteria. So these criteria, I would say, are met by most of the subcontractors in Qatar.

What has been unusual is that the demand for skilled workers has increased extremely rapidly in the past couple of years, not only because of oil and gas projects, but also because there is competition of all kinds of infrastructure projects in the Middle East and in Asia in general. So those large contractors have been slower to respond because they have themselves been surprised by the situation.

So you are asking me what are the lessons learned from that and would we do something different? I think if we were to do a similar project -- and I believe these projects are important projects which -- Technip and Chiyoda are in that. The joint venture is probably -- this joint venture, you have to realize is probably the most powerful combination that you have on the market because of the experience and the quality of the resources.

However, if I had to do something differently today, it's easy to say in hindsight, but that would probably be to associate the construction company into the joint venture right from the beginning rather than having them as a subcontractor, to ensure that there is more alignment of the objectives right from the beginning. So make them partners because this is really what they are. So I think we should align them right from the beginning. That's how I see how we should respond to this type of situation.

Christyan Malek - Deutsche Bank - Analyst

It's good. I guess a follow-up on that if I may is that what -- if there are construction tensions around -- with regards to these construction companies, isn't it their liability in terms of the bottom line? They are the ones who just weren't anticipating these resource tensions. Or are you realigning yourself with them despite not being in the JV associate which you want to talk about going forward?

Thierry Pilenko - Technip - Chairman and CEO

Yes. Well there are several things we need to do here. I said about this alignment. The other thing is, when you have so many contracts in a single country, I think what's important is to allow for more time between contracts. And I think this is what we are learning and what our customers are learning as well, because there is just a physical limitation in the country.

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Now I believe the right model is to align the stakeholders much earlier in the process. And in fact, for example, what we've been doing with Khursaniyah, which is another way to get even further alignment or better alignment between the customer, the engineering company and the construction companies is to make sure that you go from the field into the project as a seamless process where you evaluate your risk with the customer. And when it's appropriate and where you can see that there's a win, win situation, where you can use the network of the contractors to get better pricing and so forth, then you convert into lump sum. I think this goes to a model that is much more aligning all the stakeholders. And I think our industry has started to realize that this model will be more powerful.

Christyan Malek - *Deutsche Bank - Analyst*

good. Thank you very much.

Operator

There is now a question from [Steven Williams] at [Simmonds]. Please go ahead.

Steven Williams - *Simmonds - Analyst*

Yes, hi. Just a quick question on the SURF business and vessel capacity, etcetera. I think you mentioned if there is further delays in the major West African projects, then you don't really see an overcapacity problem because the capacity will simply be redeployed in smaller projects in other locations. Are these projects that just aren't visible at the moment? Are they just going to appear if the capacity is there? Or to put it another way, if the West African projects do go ahead, do these smaller projects simply not happen because there is no capacity to make them up?

Thierry Pilenko - *Technip - Chairman and CEO*

I think when you're in a situation where there is competition between projects, obviously, and limited resources, projects get delayed. And in fact, I think overall, this is what our industry has seen, is that there were not enough boats. They were not enough [trading links]. They were not enough seismic vessels. And therefore, our customers have to wait to get the other projects.

What we know is that there are areas, such as the North Sea or Canada that have -- the North Sea being a very mature market where there are a number of very -- smaller projects that are just waiting on the contractors to bring the right resources. So obviously, there will be competition. But I think with the visibility that we have at the moment, I'm not worried about capacity. And I am hopeful that at least for the Angolan projects, we will see awards pretty soon.

Steven Williams - *Simmonds - Analyst*

Okay. And I guess just following on from that, if the Angolan projects don't occur or generally, the West African projects don't occur as fast as you currently hope they will and if there's operators in the North Sea just waiting for your capacity, at what point do you kind of break and start dedicating capacity away from West Africa to the North Sea, etcetera?

Thierry Pilenko - *Technip - Chairman and CEO*

I think, as I said before, probably at the end of the first quarter, if nothing else happens in terms of awards -- because basically, at the moment, what happens for these projects is that you have slots in the manufacturing units because let's not forget that these projects require flexible pipes to be manufactured first and then installed. So you have slots for the manufacturing unit

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and you have slots for the vessels in time. So I think if by the end of the first quarter 2008 we don't see a movement there, there will be an overall reshuffling of projects, if you want, worldwide with assets possibly going to different [basins].

Steven Williams - *Simmonds - Analyst*

That's great. Thank you.

Operator

Our next question will come from [Mick Pickup] with Lehman Brothers. Please go ahead.

Mick Pickup - *Lehman Brothers - Analyst*

Yes. Good evening, gents. Can I just go back to an answer you gave earlier to Mr. (inaudible), perhaps I didn't quite get the brush off. But he said on Khursaniyah, the extra money coming in from Khursaniyah, I didn't get the answer. Is the extra money from Khursaniyah a one-off event because of the conversion process, because potentially the completion was so late during that process, or is it a non-recurring item? The answer came back about not giving quarterly guidance.

Olivier Dubois - *Technip - CFO*

No, it's not a positive one-off impact. As you know, this contract has started as a reimbursable one. So when we were extremely confident on the outcome of the execution of this project, we agreed with the customer to convert it into lump sum turn key. That means that we have today a good visibility and we consider that the level of exposure of this contract is very low. So at the end of the day, this contract should be a profitable one and it should remain profitable till the completion. So it's not a one-off impact on the third quarter accounts only.

Mick Pickup - *Lehman Brothers - Analyst*

Yes. Again, I just -- for example, I'll just use made-up numbers. If you add a 5% margin in on a lump sum basis and you've been doing cost plus on 2%, do you back out the profitability for everything pre that point of conversion, on conversion?

Olivier Dubois - *Technip - CFO*

In fact, we have -- we assess the profitability of this project at completion and we have deducted the profit which was recognized so far. And the balance of the profit will be recognized over the following quarters till now -- from now till the completion of the project.

Mick Pickup - *Lehman Brothers - Analyst*

But clearly on that, if you're at 80% completion when you convert, you would recognize 80% of the balance as a one-off effect and then get better profitability to the first 20%.

Olivier Dubois - *Technip - CFO*

No. We have been -- the margin recognition, as you know, we remain very progressive. So we have been -- we remain very cautious and even if we reach now a high percentage of progress, we have not addressed the profit recognized to the actual

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progress of completion. We are still on margins because we believe that we have to remain in the current environment, especially in Saudi Arabia. Even if this contract is much more comfortable than the other one, we still have some caution in margin recognition.

Mick Pickup - *Lehman Brothers - Analyst*

Okay, thanks.

Operator

We'll take our next question from Bertrand Hodee with Kepler. Please go ahead

Bertrand Hodee - *Kepler Equities - Analyst*

Hello. Good evening. I have a question, a follow-up question on West African awards. Do you still expect LNG awards soon or in the coming months either at Train 7, Nigeria LNG or Olokola given any NNPC funding problems and current and NNPC breakup?

Thierry Pilenko - *Technip - Chairman and CEO*

Yes. On these two projects, let me tell you what the latest update is. On Train 7, the bid is -- in tender result, the bid is due in January of 2008. So we will submit our bid somewhere toward the end of January. I don't have the exact date, but this is the month into which -- so -- but I don't expect a quick decision. And probably the decision is going to take several months, not weeks.

As far as Olokola LNG is concerned, the project is getting bigger but is getting delayed, which means we are continuously working with the customer and with our partner. We are in partnership with Saipem on that project, 50/50. And we will be working continuously on that project on reimbursable basis throughout 2008, but I don't think there will be a major decision taken on that project before, at best, the end of 2008.

Bertrand Hodee - *Kepler Equities - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman and CEO*

And there are several reasons for that. First, as you pointed out, an NNPC is being reshuffled and being reorganized. And this is taking time and decisions have been slowed down as a result of that. The other thing is that the criteria to develop LNG in Nigeria is getting more comprehensive, including in particular the ability of providing power and gas to the local industry and population.

And there are, at the moment, three projects that are being talked about in Nigeria. One is Olokola, which we are working. One is Train 7 on which our joint venture, I believe, will be very strongly positioned, as we just finished Train 6 and the previous ones. And the [Bras] project. I think the criteria beyond Train 7 -- the criteria will be what project has the best chance to meet this demand for power and gas locally.

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My understanding, but obviously I'm not in the driver's seat -- this is a customer's decision and this is an NNPC and ultimately, maybe even a Nigerian government decision. My understanding is that Olokola presents the good characteristics because -- or the right characteristics because it is not too far from Lagos. In fact it's the project which is closest to Lagos, where there is a need for gas and power.

So this is what we see at the moment, so don't expect a large LNG award in Nigeria in the next few months or weeks. I think it's probably going to take a year before we see a significant award. And I don't decide on -- we don't decide on the priorities here, but I think Train 7 is probably the one that has the highest chance to start.

Bertrand Hodee - *Kepler Equities - Analyst*

Okay. Can I --

Thierry Pilenko - *Technip - Chairman and CEO*

We are working on [local] LNG. We are working on it. At the moment we have 230 people working on it on a reimbursable basis.

Bertrand Hodee - *Kepler Equities - Analyst*

And one last question, on the Offshore part for the West African project, you were mentioning that you think that the risk is more on the oil companies than on the contractor side. If you have to reallocate your big vessels on smaller contracts, in terms of utilization rate, because you have obviously to move maybe boats from region to other region, do you see this as -- what kind of impact on the -- on your utilization rate going forward if you have to cancel or reallocate your fleet to --

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, well, this is a very hard question to answer because that becomes very much of where the vessels are today and what type of projects you're going to have. Because those vessels are not sitting idle in West Africa, as you can imagine, at the moment, otherwise we wouldn't be at 80%. So let's say you have a vessel in the North Sea which was supposed to go to West Africa, if instead you put it on a project in the North Sea, you actually have a better utilization than having her transit to West Africa. Now if you have to send that vessel to, just take an example, Australia, that's a different story.

So at this point in time we are not making plans for redeployment for that vessels -- for those vessels because we believe the projects are going to go ahead in the timeframe that we have in our plans today. It's just a pity that the decision is not taken earlier. But -- so I can't answer your question about what could be the impact on utilization because it could be better even than what we had planned with the projects.

Bertrand Hodee - *Kepler Equities - Analyst*

Thank you very much.

Operator

(OPERATOR INSTRUCTIONS). We'll move now to a follow-up question from Stephane Soussan with Exane. Please go ahead.

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Stephane Soussan - *Exane BNP Paribas - Analyst*

Yes. I was just curious on the Algerian contract, LNG contract you are targeting. I thought you didn't work -- you are not working Algeria for several years due to a dispute a few years ago. Is everything settled to come back to Algeria?

Thierry Pilenko - *Technip - Chairman and CEO*

The dispute has been settled. I think you know what happened 25 years ago is what happened 25 years ago. We have learned our lessons. I would say the conditions are different and they are different in the sense that the way we work on these projects today is on a reimbursable basis. And we haven't made any decision yet as far as EPC lump-sum is concerned on these projects.

And it is too early to say which way the customer is going to tender those projects. It could be EP lump sum plus local construction, or construction on a reimbursable basis. We don't know yet. But we wanted to be active on the feed, not only on the LNG but on other projects as it could be also an [LTM] plant being built in Algeria, and based on what we have done in Qatar in particular and in other places on [LTM], we should be well-positioned.

But obviously we'll take the lessons from the past. But I think we cannot just say we will never work in Algeria when you see that this is a major gas producer and a major reserve holder area. I think we have to make sure we learn, but at the same time, [Senatrac] can be an excellent customer. So we'll be prudent, but I think it is time for Technip to see how we can bring technology to Algeria.

Stephane Soussan - *Exane BNP Paribas - Analyst*

Thank you.

Operator

We now have a follow-up question from Dominique Patry with Cheuvreux. Please go ahead.

Dominique Patry - *CA Cheuvreux - Analyst*

Yes. Two very quick questions. By one, do you expect to complete the Khursaniyah project?

And what is the average dollar rate that you have in your backlog?

Thierry Pilenko - *Technip - Chairman and CEO*

For Khursaniyah. No, the average dollar rate -- you're talking about euro to dollar, is that correct?

Dominique Patry - *CA Cheuvreux - Analyst*

Yes.

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Olivier Dubois - *Technip - CFO*

As you know, the currency exposure is hedged. That means that -- and since most of our mass contracts now are multi-currency contracts, the exposure is limited to the amounting that we have in non-euro currencies. So it's very limited. And everything has been hedged month after month during the two or three last years, depending on the maturity of the contracts.

Dominique Patry - *CA Cheuvreux - Analyst*

Okay. And on Khursaniyah, my question --

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, on the Khursaniyah, I don't have the exact date here but I think it's second half of 2008. I'll come back to you on that one.

Olivier Dubois - *Technip - CFO*

One year.

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, in one year.

Dominique Patry - *CA Cheuvreux - Analyst*

Okay, thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Well thank you very much and so I'd like to thank you for attending the call today and asking all these good questions. So I hope to talk to you again in about four months' time. So the summary, our revenue is up 22% this quarter. We had a record performance in our SURF business and our earnings per share is up 28% at EURO.72. Thank you very much for your attention and have a good day.

Xavier d'Ouince - *Technip - Investor Relations Manager*

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. You are invited to contact Technip Investor Relations should you have any question or require additional information. Once again, thank you for your participation and enjoy the rest of your day.

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