FINAL TRANSCRIPT

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PRESENTATION

Thierry Pilenko - *Technip - Chairman and CEO*

(Audio in progress) Julian Waldron, CFO, Bernard di Tullio, Chief Operating Officer, Arnaud Real, Deputy CFO, as well as Kimberly Steward and Antoine d'Anjou from our Investor Relations team. I will turn you over to Kimberly who will go over the conference call rules. Kimberly.

Kimberly Stewart - *Technip - VP, IR*

Thank you Thierry. I would like to remind participants that you can download the 2009 second quarter results press release and the presentation on our website, technip.com. Statements in today's press release, as well as those made during the conference call, which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimers which are an integral part of today's press release and slide presentation. Also a replay of today's call will be available on our website approximately two hours after the call ends. I now hand you back to Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you Kimberly. Our second quarter performance illustrates well our 2009 priorities, good project execution and focus on profitability.

Let's take a closer look, starting off with the Subsea segment which continues to execute well. Our overall vessel utilization rate was 83% during the second quarter compared to 82% a year ago. We completed two important projects, the MA-D6 phase II operations offshore India, and the fabrication and installation of the 11" risers for P-51 and P-53 in Brazil. Other large projects such as Pazflor in Angola, White Rose North Amethyst in Canada are progressing according to plan. In the third quarter we will start offshore installation on Cascade and Chinook in the Gulf of Mexico.

Our flexible pipe production units in France and Brazil continue to have good activity and the manufacturing procurement cost reduction program that we launched last year is on track. We're making progress on our ultra-deep water flexible pipe qualification program, a key R&D project, and offshore tests will be performed during the second half of the year in the Gulf of Mexico. We also purchased one new vessel to replace our Apache pipelay in 2010.

Subsea order intake was EUR529m in the second quarter with a variety of projects in the Gulf of Mexico and the North Sea. The Subsea backlog was EUR3.1b down slightly from the same period a year ago and first quarter 2009.

Moving on to the Offshore segment, the Akpo FPSO offshore Nigeria was turned over to the client. In Brazil fabrication of the P-56 semi-submersible platform is ongoing and the Commissioning of P-51 progressed well. We also received mechanical completion certificate from Petrobras on P-52. In Norway the Hywind platform was installed ready for hook-up and start-up by Statoil-Hydro.

Offshore order intake was EUR120m in the second quarter, up from year ago. These awards consisted of small and medium-sized projects in Brazil, North America and Asia-Pacific. The Offshore backlog of EUR374m is now mainly composed of engineering studies.

Turning now to our Onshore business segment, we continue to deliver on our major projects. For example in Qatar, where so far we have handed over to the client three out of six LNG trains. So QatarGas 2 Train 4, which was completed on the fourth quarter of '08, and in the second quarter of 2009 we reached mechanical completion on Train 5, QatarGas 2, and Train 6 of RasGas 3. So the remaining three trains to be complete are RasGas Train 7, QatarGas 3 and 4, Trains 6 and 7, and they're progressing as planned. In Yemen the first LNG train is nearing completion as well as the first train of the Saudi Arabian Khursaniyah gas plant. Still in Saudi, we received client acceptance on the Yansab ethylene plant.

Onshore order intake in the second quarter was EUR224m, including a mid-size LNG plant to be built in China, as well as a FEED for a nitrogen fertilizer complex in Peru. This excludes the Jubail Export Refinery in Saudi Arabia which was awarded in July which I'll be covering later. We continue to invest in technology with the acquisition of helical tubing technology for steam cracking furnaces application. And the Onshore backlog was EUR2.6b at the end of June 2009, as major long-term contracts are holding up the backlog. Again, this excludes the two Jubail contracts will be in the third quarter 2009 backlog.

With that I will now turn you over to Julian who will go over the financial highlights.

Julian Waldron - *Technip - CFO*

Thierry, thank you very much. Good morning ladies and gentlemen. First I'd just like to note that I'll make most of my comments relative to the second quarter performance as opposed to the half as a whole. You can find a lot of detail on the half in the appendix to the presentation and also in particular in the appendix to the press release.

Second quarter revenues were EUR1.723b. This is a decrease of 5% against last year. There was a small negative currency impact on revenue during the quarter. Without that the decrease would have been 4.2%. Both the EBITDA and the operating margins increased by around 3 percentage points. There was a negative impact of currency on the operating margin. That impact was around [EUR70m].

After financial charges and a 30% tax rate in line with our expectations, EPS was up just over 11% year-on-year. Order intake was EUR873m. We have a little bit higher revenue than we expected in the quarter, the backlog ended at EUR6.1b. And, as Thierry mentioned, that doesn't include Jubail. That will come into Q3. Lastly, our net cash was at EUR1.561b. This compares to EUR1.645b at the end of December and EUR1.878b at the end of March and I'll come back to that in more detail in a moment.

Division by division on slide nine, Subsea, the performance was above our expectations both for revenue and profitability. The revenue line at EUR848m reflects a couple of things. Q2 last year was a relatively slow quarter, but nonetheless in this quarter we were executing our projects on time, on budget and that's reflected in the revenue line. And it's also reflected in good profitability. Main contributors were projects towards or at the end of their life, for example, as Thierry mentioned, MA-D6 phase II. The newer projects, notably the major ones in Africa, were contributing little to profitability at this stage.

Profit rose 34% at the operating level and the 18.8% margin reflects the higher revenues in particular and the good project execution and was above our expectations.

Onshore/Offshore, the split out numbers as always are given to you in the appendix. The combined revenues declined 28% and that follows the evolution of the large onshore projects and you've seen that in previous quarters. This quarter around 25% of the revenue was made up of legacy projects contributing little or nothing to the bottom line. The profitability of the rest of the portfolio therefore was good, notably the smaller and medium-sized projects. We achieved 4.5% margin in Q1 and just over 5% in Q2 so we're on track to grow our margins this year relative to 2008, which is in line with our objectives.

Looking at the Group overall on slide 11, a couple of comments. Corporate costs are trending in line with our expectations for the year. Looking at operating expenses more generally, our G&A fell year-on-year and were EUR14m less than in Q1. For the year as a whole therefore we can expect a good drop in G&A.

In the second quarter and for the first half as a whole, by contrast, our selling and tendering costs increased. There's a couple of elements lying behind this. This reflects the fact that we no longer capitalize such costs. We expense them direct to the P&L. Secondly, and I think a most important underlying business reason, there was a very high level of tendering activity during the second quarter in particular as Thierry has mentioned and those tendering costs were expensed through the P&L. Costs rose, for example, given the major project tendering on, for example, Jubail during the quarter. We'd expect a trend of selling and tendering much more in line during the second half, with the second half of 2008.

Below the operating income line we had negative impacts from the IFRS fair valuation of our hedging instruments. We're also getting a lower deposit rate as you would expect at the moment on our cash balances. I'd note that there was relatively little financial income taken through the revenue line this year -- this quarter, it was around EUR5m.

The tax rate was 30%. This was in line with the indications that I gave at the beginning of the year and remains I think our medium-term expectation. So accordingly net income was up just under 13% year-on-year.

Comments quickly on slide 12 on the cash flow, cash flow so far this year has been pretty much in line with our expectations. In the second quarter there was a small outflow of working capital. The major impacts during the second quarter were the dividend of EUR127m and the CapEx of EUR175m, which includes, as Thierry mentioned, the cost of the Apache replacement vessel. We indicated at the beginning of the year an expectation for CapEx of EUR400m. Clearly with the Apache replacement vessel that will go up somewhat from that number but we felt that was a very good opportunistic long term acquisition for the Group.

Negative currency impact on cash in the quarter was about EUR80m. That reversed some of the positive impact we saw in Q1. Overall we have no change to our expectations for cash at year end. We've indicated we expect the normalized level of cash come December of around EUR1b and there's no change to that.

Slide 13 on the balance sheet, the main points to mention, the increase in the fixed assets which come from the CapEx. I'd note that the construction contract balance reduced in the quarter. It went from around EUR1.1b at the beginning of the year and it's down to about EUR760m now. That reflects the progress in particular on the large contracts, the large onshore contracts. And the cash position I've commented on, remains very much inline with our expectations.

Slide 14, backlog estimated scheduling, after EUR3.3b of revenue in the first half or our EUR6.1b of backlog, just under half of that executed, expected to be executed in the last six months of the year, so just over EUR3b of backlog scheduled between July and December. And that feeds directly through to the upward change in our revenue guidance which you've seen earlier on today. The remaining backlog for 2010/'11, just to repeat, it excludes the impact of Jubail. We'd expect that to be around $3.2b in the third quarter of this year when it comes in.

I'll now hand back to Thierry to talk about our plans and the outlook.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you Julian. Let's now focus on significant recent events. First of all, as Julian said, we used our cash to acquire the soon to be new Apache replacement for the Apache pipelay vessel. So we did this acquisition in the second quarter. The new Apache will be a state-of-the-art pipelay vessel and you have the characteristics on page 16 of our presentation. And we believe that will reinforce our competitiveness in the market.

We also announced during the second quarter an award for the first mid-size LNG plant in China. We are talking about two trains which will produce each 400,000 tons of LNG per year. This is very much onshore using Air Products liquefaction technology. And this project is a typical example of the leverage of our technological experience in the new niche market in China.

Earlier this month we were awarded actually two major contracts for the Al Jubail refinery in Saudi Arabia. So this is a project that we know well having done the FEED and worked closely with the clients for the past three years to align the overall project costs with the clients' objectives and I think we've been quite successful in doing that.

We are highlighting some of our cost reduction and our latest initiatives on slide 19. We've been working with our clients to reduce overall projects costs like we did in Jubail. And internally we've continued to focus on reducing our temporary workforce, our G&A and other costs such as real estate. However, we are still recruiting new graduates and key experts in almost all regions.

So the business environment is obviously still volatile but we believe that we need to stay on course. And with EUR1.6b net cash we will continue to invest in new assets and in R&D as planned.

Now moving to the backlog, our backlog portfolio is well balanced. Of course the Middle East share will change slightly in the third quarter with the award of Jubail, yet the global trend will remain the same. Also we are targeting in the very near term a few FEED contracts which are highly technological and very material for us in number of man hours. And approximately EUR3b of this backlog will be executed in the next six months.

So in summary, our strong project execution has resulted in a good profitability in the first half of '09 and consequently we are improving our 2009 full year outlook. We now expect moderate growth in Subsea full year revenue and an operating margin towards 18% for the Subsea business, at the upper end of our initial outlook. Our Onshore/Offshore profitability continues to improve year-on-year and we now expect Group revenue towards EUR6.4b, also at the upper end of our original outlook.

So this concludes are comments and we are not 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). We have a first question from Mr. Christyan Malek from Deutsche Bank. Please go ahead.

Christyan Malek - *Deutsche Bank - Analyst*

Hi good morning gentlemen, Thierry. Two questions if I may. Firstly, just to be clear, what is your strategy in the Middle East in light of I think a point you made in the presentation around having the policy of a balanced portfolio. If you don't see contract awards in the deepwater area of material size and the fact you're in the Middle East now, is there a clear mission to actually win more contracts out there than perhaps in the past?

And also in terms of contract terms and conditions which I know that you've de-risked on.

The second question is, if I could just be clear, on today's contract terms and conditions and contingencies, do you expect to maintain the same level of absolute margin as you have in these last two spectacular results?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, two very good questions. So first of all what is our strategy in the Middle East? So I want to be very clear on that. The Middle East is a strategic region for Technip and actually at the beginning of the year we announced that we were creating a fully fledged region to operate in the Middle East with headquarters in Abu Dhabi. This region is in full operation as we speak.

And of course this is the region that has a full commercial and partial delivery responsibility for projects in the Middle East. So the way it works is that projects of small to medium size can be executed from the Middle East. Projects of much larger sizes such a Jubail are shared between centres who are used to handle several billion dollars or euro projects.

So what we do in the Middle East is that we are targeting a number of very specific projects and Jubail was one, a project with customers we know well. Jubail is a joint venture as you know between Saudi Aramco and Total, two strategic customers for us. And we will have in our portfolio of projects always one, two or three large projects coming from the Middle East plus smaller projects.

So the terms and conditions in the Middle East are well known because we are just finishing or in the process of finishing the Khursaniyah gas plant. We are in the process of finished the Das Island plant in the Emirates. Last quarter we have finished the ethylene plant in Kuwait. So we know that we have the capacity to actually operate profitability in this region and efficiently in this region. So that stays an important strategic region for us.

Now about your second question, will we be able to have the same level of contingencies and therefore potentially margins on the projects that we are bidding, and I think here you are probably referring mainly to the Subsea business but not only. Obviously the competition has been tougher recently but something, it's not just a matter of margin and contingencies. It's also how much costs you can take out of the entire system. And I must admit that what we have seen on the Onshore side, in particular the total of the Subsea side, is that we have been able to supply raw material and equipment at much lower costs than what we anticipated six months ago.

So this is going in the right direction if you want. Now what is going to be the ultimate margin here I think it is too early to say.

Christyan Malek - *Deutsche Bank - Analyst*

If I can just sort of follow back on one on the Middle East. What is different versus eight years ago when you bid on Qatar projects in terms of terms and conditions on these new contracts? Because at that time there was a deflationary environment equally or an expected one and an anticipation that construction will stay quite weak. So can you just explain the building blocks and what's different in how you're bidding this time around on these large projects.

And then second, just coming back to your contingencies, yes, I can understand how costs have come down but I guess that's what's -- I guess your client sees that. Are you telling me that the contingencies that you've got in place on the contracts you're signing today are the same as you signed a year ago?

Thierry Pilenko - *Technip - Chairman and CEO*

I will not comment on specific contracts and what level of contingencies we have on the different contracts. But no, overall I would say that contingencies cannot be the same as one year ago.

Christyan Malek - *Deutsche Bank - Analyst*

Right.

Thierry Pilenko - *Technip - Chairman and CEO*

But the environment is definitely a deflation environment and when you say that when we signed Qatar in 2004, 2006 we were assuming a deflationary environment, that's wrong. We were assuming a flat environment or relatively flat environment both for equipment and for construction. And what happened after that it was the opposite that happened, which is inflation.

Christyan Malek - *Deutsche Bank - Analyst*

So what do you see now?

Thierry Pilenko - *Technip - Chairman and CEO*

So what is different now is that because we've been working for a long time on the FEED and preparing for critical equipment, as soon as we get a green light from our customers we are in a position to actually place orders and sign contracts with not only our equipment manufacturers and our suppliers, but also with the construction companies that are fully aligned with us because we were in a mode of 'we get, you get' type of situation. So I would say Jubail is very, very different from what Qatar was three or four years ago.

Christyan Malek - *Deutsche Bank - Analyst*

With regards to construction you're assuming that that broadly remains flat going forward, it doesn't inflate over the next two to three years.

Julian Waldron - *Technip - CFO*

I think the important point is that we're not actually making -- to the extent that it's possible and it's to a large extent, we're not making assumptions. We're looking to lock in and we have looked to lock in at the same terms as we take our commitments with our customers to lock in our situation with our suppliers.

So I think the most important point is to not take a view, is to lock in and fix, to the extent possible, it's never 100%, but to a large extent to lock in your position at the outset of the project so that you don't take a view. We're not here to take a view over a three year period on prices. We're here to execute the project and that I think is one of the key differences between this and maybe a few years ago.

Christyan Malek - *Deutsche Bank - Analyst*

Okay. Thank you very much.

Operator

Next is Mr. Alexandre Marie from Exane BNP. Sir, please go ahead with your question.

Alexandre Marie - *Exane BNP - Analyst*

Just one question on your comment on tendering activity. You mentioned that activity is increasing. Is that mainly for the Onshore engineering or is it also the case in Subsea and Offshore, if you could give a bit of color on that? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

I would say this is across the board but we see the larger projects are obviously Onshore at the moment. And this is where we have seen a couple of customers, particularly in the Middle East, but also in Asia, accelerating the process to be able to benefit from one what they perceive is a good pricing environment for equipment and raw material. So we've been very busy bidding Onshore, some Offshore projects, very significant Offshore projects as well and a small to medium-size Subsea projects.

Alexandre Marie - *Exane BNP - Analyst*

So shall we expect the trend of lower order intake in Subsea to continue or do you expect a pick up in this?

And are there some large contracts that were deferred in Subsea that you would expect to go ahead in H2?

Thierry Pilenko - *Technip - Chairman and CEO*

We have had about EUR550m average, above EUR550m average over the past three quarters. It may vary from quarter to quarter but that's a good average to take into account. Now there are a couple of large projects on the Horizon, the timing of which is uncertain at the moment. But we haven't seen major cancellation of large projects in the Subsea area. We've seen postponement of projects or slight delays but no major cancellation. And one typical project for example would be [Klas] in Angola.

Alexandre Marie - *Exane BNP - Analyst*

Okay thank you.

Operator

Next is Mr. David Phillips from HSBC. Please go ahead with your question.

David Phillips - *HSBC - Analyst*

Thank you. Morning everyone. A couple of question on Subsea. Firstly, could you talk about when you look into H2 and 2010 the expected levels of activity for your non-Brazilian manufacturing facilities in Subsea, I'm especially thinking about umbilicals as well as flexibles there obviously.

And secondly, a bit of longer term one, the classic stab in the dark looking into next year. But looking at tendering activity now, if a few of these big projects in Subsea come in your favor are you able to have a guess now as to whether Subsea will be up or down next year on a simple year-on-year comparison? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, let's talk about the second half of 2009 because as you imagine now we are in July and we have just changed our guidance upward for the Subsea business for the whole of 2009. We have good vessel utilization and I think we have a forecast which is pretty solid here. It is too early to talk about 2010, we will be talking about 2010 qualitatively when we present the third quarter, but it is too early to make a precise forecast.

Now, as far as flexible manufacturing is concerned. At the moment, as we said, our factories in Brazil and France are full. The umbilical business has been slow. It has been slow actually for more than 18 months and continues to be slow, but we expect to see a pick up in the umbilical business once Angola picks up.

David Phillips - *HSBC - Analyst*

Okay, thank you.

Operator

Next is Mr. Dave Thomas from Citigroup. Please go ahead with your question.

Dave Thomas - *Citigroup - Analyst*

Yes, good morning. I have three questions please. Firstly, on the Subsea, you mentioned vessel utiilization of 83%. Could you just say what assumptions you're making in terms of your updated guidance for the full year? Are we going to see a similar level of utilization or perhaps falling?

And in a similar vein on that, what's the outlook across the summer maintenance season in terms of your competitiveness? You've mentioned that it is getting increasingly competitive. Does that therefore also relating to your expectations for utilization?

And then a third question is on the Onshore. There are reports that Yemen LNG startup is being delayed towards the fourth quarter. Can you confirm that and mention any impact for yourselves in terms of revenues or profits? Thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, let's talk about vessel utilization first. Vessel utilization is an important indicator but it's not the only indicator. You can have good vessel utilization and yet have poor project execution. So, you should not focus only on that number.

Now as far as the rest of the year is concerned there will be nothing exceptional one way or another in our net vessel utilization. We expect this utilization to be good. We have good visibility. It is generally strong in the third quarter and it decreases a little bit in the fourth quarter just because of the seasonality of the activity, particularly in the North Sea. So, I'm not going to give you a precise number but it is very much in line with what we have seen over the last few quarters, including seasonality effect.

When it comes to onshore and the Yemen LNG startup, there has been a number of communications made by our clients. So, as far as we are concerned, whatever has been communicated by our client is obviously the right startup. I think what was communicated was September/October or beginning of the fourth quarter. I think this is what we have in our current plan and there is no material impact in any way on our view on the project.

Julian Waldron - *Technip - CFO*

Just, Thierry, if I may, just to complete. We do have, for example, in Q4 the start of the changeover from the old Apache to the new. So, that, things like that and other downtimes have been taken into account in our view in the rest of the year in Subsea.

Dave Thomas - *Citigroup - Analyst*

Can I just ask a quick follow up on the Subsea? Just in terms of the second quarter, was there an element of contingency release that helped the very strong margin in Q2?

Thierry Pilenko - *Technip - Chairman and CEO*

Not -- maybe Julian, you can answer this question.

Julian Waldron - *Technip - CFO*

Nothing exceptional and nothing material. It represents those projects which are reaching the end of their completion and which are being completed well.

Dave Thomas - *Citigroup - Analyst*

Thanks very much.

Operator

Next is Mr. Stephen Williams from Simmons & Company. Please go ahead with your question.

Stephen Williams - *Simmons & Company - Analyst*

Yes, good morning. Just a quick follow up on the Subsea order flow expectation. In your view is there an expectation amongst your clients of further cost deflation, the principle cause of the delays that we are seeing in major Subsea order flow? If that's the case, when do you expect that to be resolved and how much further do costs need to come down?

Thierry Pilenko - *Technip - Chairman and CEO*

Actually for the Subsea business I don't think that the major reason for delays is the expectation that costs are going to go down. I think this is very true for the Onshore business where there is a lot of raw material and equipment involved. But, as far as the Subsea business is concerned, I think it's more the delays or lack of decision from partners involved in large projects, particularly in West Africa. And those delays can occur for any kind of reason, security, political, OPEC quotas, and so forth.

Stephen Williams - *Simmons & Company - Analyst*

Okay, thank you. And just one more quick question on your guidance, is the increase in the full year guidance principally a result of the better than expected Q2 or has your outlook for the next six months or so improved slightly?

Thierry Pilenko - *Technip - Chairman and CEO*

I would say it's across the board. So we have had a good first half, slightly better than what we anticipated, and the second half is going to be slightly better than what we anticipated at the very beginning of the year. So it's possible.

Stephen Williams - *Simmons & Company - Analyst*

Okay, thank you.

Operator

Next is Ms. Amy Wong from JP Morgan. Please go ahead.

Amy Wong - *JP Morgan - Analyst*

Hi, good morning. I just have one question this morning. There was a comment in the press release about Technip winning more mid size contracts in the North Sea. My question is what are you seeing in the North Sea? Is it as a result of Technip winning more market share in that area or are you seeing just activity pick up in the North Sea? Thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

As you know the North Sea is a market which reacts very quickly. And actually this is the market in the Subsea business that was affected the quickest by the downturn because those easy projects, and North Sea projects are generally relatively easy, those easy projects are the first one to be cut back by the super majors. Because they know that if they, the majors, if they need to come back to these projects it is very easy to remobilize the teams. Whereas the much, much complex projects, you talk about West Africa, large developments, you talk about Brazil or Gulf of Mexico, it's very difficult to demobilize and remobilize.

I wouldn't make any comment about which way our market share is going in the North Sea. I would say if the price of oil stays between $60 and $70 it's very easy to put back small fields or additional wells online with tie-ins in the North Sea. So this is where the activity can slow down quickly but where it can pick up quickly provided your in the right season. So -- but I wouldn't make comments about market share there.

Amy Wong - *JP Morgan - Analyst*

Great. Thank you very much.

Operator

Next is Mr. Mick Pickup from Barclays Capital. Please go ahead.

Mick Pickup - *Barclays Capital - Analyst*

Good morning, it's Mick here. Couple of questions if I may. Firstly I noted, Thierry, you mentioned on the Onshore business that you are focusing on a couple of key clients in the Middle East and things you know well. And then I note last week that GASCO in Abu Dhabi awarded nearly $10b worth of contracts which, as far as I'm aware, you won nothing on. Now historically I would have thought Abu Dhabi was one of your heartlands. Can you just tell me whether there's anything specific you saw out there? Whether you were busy with Jubail or whether you think some of the other players in the region have stolen a march?

And secondly, just a couple of quick ones on the back end of your presentation. When you talk about the Apache replacement, can you just confirm what you're doing with the Apache? Is she going to be [ratable] as factory in the sky?

And, excusing my ignorance, a mid size LNG plant, how do we think about pricing on those types of units?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, many questions here. Let's start with the Middle East contracts and what we see there in Abu Dhabi. Yes, we did bid on some of the GASCO, ADGAS and so forth, some of the so called IGD contracts, some of the packages only. And the rule is very simple in Abu Dhabi, the lowest price wins the contract. And we were not the lowest price so we didn't win the contract.

But the reason for which we are not the lowest, I'm not going to comment. I'm not going to comment why the other companies were lower than us. It is just a very simple rule. Now there are other projects in Abu Dhabi that are coming and we will see what happens with the next wave. This is an area where there's going to be very significant investment over the next three years so if we don't get these ones we will focus on the next wave of projects.

As far as the Apache is concerned, the idea is to take the -- is to replace the Apache, which if I'm not mistaken was built in '79 so 30 years old. At this point in time, our plan is to retire the Apache but we may have an alternative solution that I can't talk about at this stage.

Mick Pickup - *Barclays Capital - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman and CEO*

Now the small scale LNG, I'm not sure I understood fully the question here. Is it -- are you talking about the market or the -- can you repeat this question.

Mick Pickup - *Barclays Capital - Analyst*

I'm just talking about the size of those type of projects. I know historically for bigger scale LNG plants I could come up with a guesstimate of how much those contracts are worth based on $1 per tonne. How does it change on a smaller scale plant?

Thierry Pilenko - *Technip - Chairman and CEO*

You can probably assume the similar type of pricing per tonne. But it's more difficult for us to give a clear answer here because on this project we are not in a lump sum turnkey. We do engineering procurement and help on the construction. We are not doing the construction in China. We are just supervising and helping the customer on building this plant. So I'm not sure you can truly compare the cost of construction in on-land China with Chinese workers to what's happening in the Middle East or Africa.

So I wouldn't make any comment about how much it's going to cost per tonne. The only comment I would make is that I think it is a very, very smart idea to produce stranded gas reserves on land where you cannot build a massive pipeline infrastructure.

Mick Pickup - *Barclays Capital - Analyst*

Okay. Thank you very much. Cheers.

Operator

Next is Mr. Andrew Dobbing from Cazenove. Please go ahead with your question.

Andrew Dobbing - *Cazenove - Analyst*

Yes, good morning. I have two questions. The first one, we've seen a sharp fall in your order backlog recently in the onshore construction division. Now that you've won Jubail, two packages of it anyway, and I understand you're bidding for at least three of the packages on Yanbu, which I think should be awarded at least in the first half of 2010, that backlog is going to increase quite sharply going forward. Can you just tell us a little bit more about how you're managing your staff levels when there's such volatility in your activity?

And the second question, I think you mentioned that you're going to be doing a lot of pure or doing some large pure, engineering contracts going forward, some big FEED contracts. I assume that's on the Onshore construction division. Is that going to have any impact on your revenues and margins in that division going forward? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Let's start with the sharp fall Onshore, that was, if you look at quarter by quarter, yes. But as we said, we won Jubail and we are positioning ourselves on a number of other projects, which are by the way not all in the Middle East. I don't want to give the impression that we are just working in the Middle East. We are also focused in Asia. We are focused in some projects in Africa and Europe.

So now how do we manage when we have such projects? I would like to remind you that we just completed three trains in Qatar. In the next 18 months we will complete the remaining three trains. We are just completing the LNG project in Yemen. We just finished Yansab, the ethylene project in Yansab. We are about to finish Khursaniyah this summer. So we have actually a lot of experienced project management resources, which have been involved in medium projects, even bigger than the ones that we are talking about now, that are going to be available over the next 18 months. And our plan is to not only use the lessons learned from these large projects but also to use the staff that's coming from there. So we don't have a staffing issue on this project.

Now you're making an assumption that we will be bidding on Yanbu. This is something that we are still evaluating. It depends how the market evolves and which packages seem to be available in Yanbu. We are always targeting technological packages.

Now we are, you are absolutely right that we are targeting some important FEEDs for the near term and those FEEDs are very important in terms of man hours and workload for our engineering centers. Generally, this type of activity is generating less revenue but more margin than the average lump sum turnkey. Now at this stage I don't know what's going to be exactly our mix in the next six to 12 months and depending on the mix between the lump sum turnkey and the engineering status, we will have a blend both on the revenue side and on the margin side. But, it's too early to talk about that. Julian, do you want to add something?

Julian Waldron - *Technip - CFO*

Only that in managing workload now we've been very focused over the last three quarters in bringing in engineering man hours across the business, in particular on Onshore but in the other two segments too. We've also been able to use the flexibility in the existing workforce in a significant way. We started the year with about 3,000 contractors and a couple of thousand temporary workers in addition to that. Out of that number around 1,200 have come off the payroll over the first half. But that reflects in part the decommissioning on some plants and on some projects and in part bringing work back in-house.

So we've been able over the first six months to use the flexibility to protect the Technip population and we still have some more flexibility if we need it. As it is based on the order intake over the first six months of the year and with Jubail coming on board, we have a good level of visibility on man hours. And, as Thierry mentioned in his comments on the slides, in most regions of the world we're actually selectively looking to hire key talent and also take on young talent. So we're managing the workforce very actively over these current months.

Andrew Dobbing - *Cazenove - Analyst*

Thanks very much.

Operator

Next is Mr. Geoffroy Stern from Cheuvreux. Please go ahead with your question.

Geoffroy Stern - *Cheuvreux - Analyst*

Yes, good morning. Actually I have two questions. The first one on the Subsea business. Based on the recent contract awards, what could be the margin implied by those contracts if the execution was to go on smoothly?

Then, when do you expect to achieve the key parts of the procurement phase on the Jubail contract?

And then finally if you could remind us of the proportion of the 2008 Onshore sales coming from the legacy contracts which did not generate any margin and what was the proportion in H1 '09, just to see the improvements in the underlying margin in Onshore? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

We will start with the last question. Julian, can you answer this question on the 2008 percentage of business?

Julian Waldron - *Technip - CFO*

Overall, in 2008 we were around about 35% from memory. It might have been a little higher than that, 35%, 38%. It's been falling over the course of 2008 so at the end of 2008 we were close to 30% in quarter four, we were just underneath 30% in quarter one and we were about 25% in quarter two. There will still be some volatility. As we deliver trains you might well see a spike up in revenues as that happens so quarter to quarter it will vary, but the trend remains downwards.

Thierry Pilenko - *Technip - Chairman and CEO*

As far as your question on Subsea, the implied margins, which we are talking about here about medium term impact margins, so it is too early to talk about that. I still want to remind you that the great part of our margin improvement has come from good project execution and not directly from pricing. So the key for us, regardless of the market, whether it's tougher market on prices or not, is to make sure that we execute so that we achieve better margin than the market. So it's too early to give guidance about 2010 or beyond.

As far as procurement on Jubail is concerned, this is a lump sum turnkey project. There are several moving parts in this project and we don't make any specific comment on our strategy of the different elements of the project because we are in lump sum turnkey project.

Geoffroy Stern - *Cheuvreux - Analyst*

Okay. But, and just it will be fair to assume that with the completion rates on this Jubail project for you will be, let's say, at around 20% at the end of 2010, meaning below the 25% threshold, meaning no EBIT contribution next year from this project.

Julian Waldron - *Technip - CFO*

Sorry, I didn't understand the question.

Thierry Pilenko - *Technip - Chairman and CEO*

We didn't understand the question.

Geoffroy Stern - *Cheuvreux - Analyst*

Okay. So the question --

Julian Waldron - *Technip - CFO*

It's a fair assumption that you'll have significant revenue contribution in 2010 and a very non-material profit contribution in 2010.

If you look at the overall mix in our contracts' lifecycles at the moment, in 2009 today in the Subsea we have quite a clear split between those contracts reaching the end of their lives and as they roll off, as we mentioned in Q&A earlier, as they're being executed well they contribute well to the bottom line. Equally, some of the large African projects are at a much earlier stage and are today contributing non material amounts to the bottom line.

In Onshore/Offshore, slightly different. We have the legacy contracts as you know but away from those we are seeing very good profitability on the smaller and medium sized projects, which make up now the bulk of the portfolio. So we'll continue as we go into 2010 to manage that mix as well.

Geoffroy Stern - *Cheuvreux - Analyst*

Okay, thank you.

Operator

We have time for one last question.

Julian Waldron - *Technip - CFO*

Do we have one more question?

Operator

The last question is from Ms. Fiona McLean from Merrill Lynch.

Fiona McLean - *Merrill Lynch - Analyst*

Hi. I just have a question on floating LNG. Over the last few months there's been increasing noise on this matter so I just wanted to get an update from your perspective of the opportunities that are presenting themselves today. Who you see as your main competition and what the timing are for awards in this new technology?

Thierry Pilenko - *Technip - Chairman and CEO*

We don't make comments about rumors in the market. The only thing I can say about floating LNG is what I've always said, which is a very promising technology in which Technip has all the elements to differentiate itself. That's all I can say at this stage.

Fiona McLean - *Merrill Lynch - Analyst*

You won't give any indication of when you expect some awards, do you expect more this year?

Thierry Pilenko - *Technip - Chairman and CEO*

I'm not going to make any comment about what could happen in this business because there are so many projects that have been talked about for so many years that I will not speculate on that. I just say that it's a technology Technip believes in.

Fiona McLean - *Merrill Lynch - Analyst*

Okay, thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you very much. So, thank you again for attending our conference call and have a good day.

Kimberly Stewart - *Technip - VP, IR*

Ladies and gentlemen, that 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 questions or require additional information. Once again thank you for your participation and please enjoy the rest of your day.
