

# FINAL TRANSCRIPT

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**TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call**

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Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

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*Technip - Chairman & CEO*

**Kimberly Stewart**  
*Technip - Head of IR*

**Julian Waldron**  
*Technip - CFO*

## CONFERENCE CALL PARTICIPANTS

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*Simmons & Company - Analyst*

**Amy Wong**  
*JP Morgan - Analyst*

**Dave Thomas**  
*Citigroup - Analyst*

**Geoffroy Stern**  
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*Merrill Lynch - Analyst*

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*- Analyst*

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**Mick Pickup**  
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## PRESENTATION

**Thierry Pilenko** - *Technip - Chairman & CEO*

Good morning, ladies and gentlemen. Thank you for participating in Technip's conference call. I'm Thierry Pilenko, Chairman and CEO of Technip. With me are Julian Waldron, CFO, Bernard di Tullio, COO, Arnaud Real, our Deputy CFO, as well as Kimberly Stewart 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.

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**Kimberly Stewart** - *Technip - Head of IR*

Thank you, Thierry. I would like to remind participants that you can download fourth quarter and full year 2009 results press release and presentation on our website, Technip.com. Statements in today's press release, as well as those made during the conference call, which are not historical facts are forward-looking statements within the meaning of the Private Securities

Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

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.

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**Thierry Pilenko** - *Technip - Chairman & CEO*

Thank you, Kimberly. I'll be going over the full year 2009 during this first part of the presentation. So this time a year ago we stated that despite the crisis we would not change our strategy and that we would focus our team on project execution to drive profitability, renew our backlog in line with our risk parameter, and as well as maintain our investment programs in assets and be opportunistic and protect our solid financial profile, all with the goal of preserving shareholder value.

So we believe that we have met the objectives that we set out early 2009, despite market uncertainty. And we delivered a record operating margin from recurring activities of 10.5% in 2009. Through very selective bidding we expanded our backlog to EUR8b. We accelerated our CapEx program by taking advantage of the market conditions to renew our fleet by acquiring the hull of the soon-to-be-launched state-of-the-art Apache II. Our R&D also grew where we'll -- we'll go into it in more detail later.

We continued to recruit and enhance our internal processes. And we also had very strict stewardship of our cash with -- which increased from the -- to EUR1.8b. And, given this performance, the Board of Directors recommends a 12.5% increase in our dividend to EUR1.35 per share.

So these results were in part due to our Technip's successful completion of a multitude number of projects in 2009. In fact, for those of you who have the slides, on slide five we have listed some of the major projects. I will just highlight a few of these contracts.

For the Subsea segment, I'd like to point out that we had a fast-track deepwater MA-D6 phase II project for Reliance in India, which demonstrated Technip's ability to deliver complex and global projects. We also set a world water depth record at 2,350 meters with Perdido spar and the flow lines for Shell in the Gulf of Mexico.

In the Onshore business segments I will highlight that we delivered four of the six LNG trains in Qatar, as well as the first train of the Yemen LNG, plus many other projects. In fact, 2009 was really the year of construction for the Onshore business. And in the Offshore business we delivered the world's first floating wind turbine platform for the high wind project for Statoil in Norway.

At the same time, we largely renewed our backlog. We made a priority to win a balance of contracts which could earn a good profitability. And in our backlog we won large, prestigious contracts such as Jubail, Jubilee and Goliat. But we also won FEED and service contracts which can drive larger EPC business in the future. And I would include in that category the Shell FLNG FEED and its frame agreement and the Petrobras FLNG FEED. Last, we also won a multitude of diversified and medium-sized contracts of bread-and-butter, so to speak, including, for example, GASCO ASAB 3 project which will be finely managed from our center in Abu Dhabi.

Now let's take a closer look at our backlog evolution over the past few years. And you can see that our backlog is very balanced between Subsea and Onshore/Offshore. And nearly 70% of our EUR8b backlog was booked in 2009 alone. So to continue to grow and gain market share we also have continued to invest in R&D, which has increased by nearly 30% over the past three years. And that's without including the specific development for clients. And we also spend about EUR424m in CapEx to further expand our capabilities and our strategic assets. In parallel, we have also obviously continued to enhance our internal processes in HSE, Human Resources, compliance and risk management.

Feb. 18, 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

I'd like now to turn you over to Julian who will go over the financial highlights. Julian?

**Julian Waldron** - *Technip - CFO*

Thierry, thank you very much. I'll cover the operational highlights and financial highlights of fourth quarter and then go through some of the key elements of the full year financials.

On slide 11, going through the fourth quarter of Subsea operational highlights, compared to prior quarters we had fewer projects completed and more revenue from projects in execution. Of those, I'd mention Cascade and Chinook where we completed the most critical offshore phases. That project moves to completion in 2010. And, given the complexity of that project, we're pleased with satisfactory operational execution so far.

We have a lot of major projects entering their offshore phases in 2010, and the revenue in 2009 represents their execution phases. I'd note in particular Jubilee and Pazflor.

Order intake was EUR879m, including the Goliat, the final part of Jubilee after the contract signature, a number of smaller North Sea projects and an important contract for, in Egypt, for Phase VII of the Burullus West Delta project. So going into 2010 we've just over EUR3b of backlog.

Turning to Onshore/Offshore, as Thierry mentioned, we turned over the fourth Qatar LNG Train as planned in fourth quarter. And our other major projects progressed, as you can see on the slide. Order intake was just over EUR1b for the two segments.

One contract, one significant main contract, was the ASAB 3 contract in the Emirates for about \$400m. In addition, we extended an existing FEED contract into a much larger detailed engineering and procurement project in Europe. And, in terms of geographic diversification, we had a good quarter for order intake in India, for example. The combined Onshore/Offshore backlog at year end therefore stood at around EUR5b.

On slide 13, turning to financial results of the segments, Subsea revenue was down in the quarter, but up around 7% for the full year. EBITDA margin was good in the quarter. We again took some charges against vessels as part of the ongoing review of the fleet. And the quarter four EBIT margin at 18.1% enabled us to exceed the full year objective with an EBIT margin for the year of 18.8%, above our initial target of 16% to 18%.

Revenue in Onshore/Offshore reflected the end of the large lump sum turnkey projects in Qatar in particular, and these projects, legacy projects, represented below 25% of the revenue in the quarter compared to just over 30% you'll recall in Q3. And we've got a few hundred million euros of backlog remaining for these contracts in 2010.

Profitability was a little above our expectations across the two segments. The EBIT margin in the quarter was 6.6%, and therefore for the full year it was 5.3%. And that's comfortably above last year's level of 4%. And the 5.3% for the full year 2009 is ahead of where we expected to be a few months ago. The quarterly performance was driven essentially by good project execution on the Onshore side in amongst the smaller projects which contributed a lot of the profitability.

On slide 14 accordingly, despite the drop in revenues, our EBITDA rose 6.5% and our EBIT 3% and the EBIT margin from recurring activities at 10.5% stood at a record level. We can comment in Q&A if you wish on currency impact. We had impacts negative on revenue and margin from the swings in, in particular, sterling. We remain primarily a dollar-based company in terms of our contract revenues, with over 50% of our revenues effectively denominated in dollars.

Slide 15, a few words on cost reduction initiatives. First, we prioritized throughout the year working with our customers to reduce their project costs. And we think that's been a successful way of helping them to proceed with projects and keeping our workload high. Secondly, in both Subsea and Onshore we've been able to extend our procurement base geographically.

Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

In Subsea we've further to go in widening our sources of raw materials. But the cost savings were, in some product lines close to and in some product lines in excess of the 20% target that we fixed at the beginning of the year. And that's helped to offset the price pressure to some degree that we've seen.

We've used the flexibility in our workforce. The total workforce is down around 1,000 year on year. That represents a movement in the contractor base as our permanent workforce is broadly stable.

OpEx, excluding R&D, fell by around 6% in the year. Within this we had a good reduction of G&A and other costs offset by, as we've mentioned before, a significant increase in tendering costs, reflecting the market conditions of 2009. A lot of bidding, some of it accelerated at short notice, but not all of it turning into FIDs, as you've seen. And, as I mentioned earlier, we've a number of additional initiatives, in particular, for example, around fleet costs launched for 2010.

On slide 16, to complete the view of the operational performance we've been able to maintain a good return on capital employed in our Subsea business.

Turning to the full year income statement on slide 17, I'll just mention TSKJ. We took the EUR245m charge as a separate line item for provision, as you can see. And the cost of potential resolution are all taken within this line item and reported in a non-allocable segment in our P&L. Come back to the cash impact later. We have assumed no tax impact and we have assumed that the provision will not be deductible for tax purposes.

And our charges reflect a number of moving items, but in particular a drop of interest income during the year. We had around 60% less interest income, representing the interest rate movements in 2009 versus 2008. Lastly, I'd note that we had lower financial income taken to revenue, around EUR25m across the full year, of which just over EUR4m in Q4, comparing to EUR46m in 2008. And the amount is likely to fall again in 2010. Minority interest charge is driven primarily by the good performance of our Subsea activities in India. Lastly, as [said] by Thierry, we've proposed a 12.5% increase in the dividend to EUR1.35 per share.

Slide 18 on balance sheets, fixed assets, tangible fixed assets, were up around 26% in the year. EUR424m of CapEx and EUR224m of depreciation being the key drivers. Our net cash rose from just over EUR1.6b at the end of 2008 to EUR1,784m at year end 2009. In the context of analyzing that cash balance, I would note that the net construction contract balance has been reduced by about EUR285m in the year as contracts were completed, passed over to clients. In short, we can expect less of the cash on our balance sheet to flow out in working capital than we expected a year ago.

And our cash performance reflects, on the one hand, our high profitability. Secondly, good project execution which means we have less contingent and warranty payments. And thirdly, the good order intake in the year which has sustained the construction contract balance to some extent.

I'll close on cash flow. And if I may I'll close on one technical point. At this stage, the TSKJ provision is recorded as a current liability on the balance sheet. We've no payment schedule as yet agreed. And that's one of the details that we need to work through. And this is therefore the most prudent accounting option. Accordingly, whilst you deduct that from net income, it flows back into the cash flow statement through the change in working capital. The underlying working capital movement on the current business is a positive of EUR16.5m, so a fairly negligible amount.

To finish on TSKJ, we do not know at this stage the details of the cash out for the provision. As I said, that remains something to be negotiated and discussed. But if you look at past precedents, it is possible and perhaps likely that the cash out will be over a period of two or more years.

I'll now hand you back to Thierry to talk about 2010.



Feb. 18, 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Thierry Pilenko** - *Technip - Chairman & CEO*

Thank you, Julian. And let's now take a look at how we see 2010 and '11, starting with our industry as a whole.

First of all, I wouldn't talk about a rebound because 2009 actually was not a crisis. Final investment decisions from our customers are still slow and uncertain, although many of our customers have already announced that their budgets for 2010 are increasing. However, there is still some uncertainty in the oil price which makes it sometimes difficult for our clients to assess the financial liability of some future projects. On top of that, in certain countries, such as Nigeria and Iraq, you have issues of credit availability and security which makes the market a little bit more uncertain in terms of production capacity.

Now, this being said, I believe there are many opportunities for Technip in the next couple of years because, first of all, upstream we -- our clients observe a declining production in the mature oilfields and in mature provinces. And at some stage this will have to be offset by resources that will have to be found in more difficult places, frontier areas, and that will require technology co-innovation. Downstream, we see an accelerating shift of the --- as the industry is moving from a refining and petrochemical capacity from the developed countries and building more modern plants closer to the resources, such as the Middle East, Latin America, or closer to the end markets, such as the -- as Asia.

So oil prices appear to be a bit more stable since a few months. And project cost has been substantially reduced. So that should be enough to trigger activity in shorter reaction markets, such as the North Sea. And we continue to observe a very high bidding activity worldwide.

Now going into more details of our business environment by region, I think we should draw a distinction between markets where a project will depend on near-term movement in hydrocarbon prices or other factors, and markets which should truly represent a strategic growth.

So in the first category we see the North Sea. The North Sea market may rebound with smaller operators which are more confident in their cash flows and credit access.

Same thing in West Africa. Nigeria activity and bidding will continue to be affected by political uncertainties, but this could rebound. Angola could sanction a few projects in 2010.

Onshore North America may see some renewed interest in the Canadian oil sands. While for US downstream markets we will continue to see a depressed market because of overcapacity, particularly in refining.

By contrast, deepwater Gulf of Mexico activity should remain robust. And we expect sustained activity in Brazil with the huge build up of operational asset needed in particular for the pre-salt development. Logistics and local fabrication will be key in this market.

In the Middle East we will continue to see strong activity in the UAE, Saudi Arabia and, to a lesser extent, Qatar. And Asia Pacific will be dominated by gas projects of all sizes, but led by Australia with new LNG projects.

So I think Technip's backlog geography and its future activity is well aligned with key growth markets. So we will continue to expand our Subsea capabilities. As you can see, on the slide 24, during the 2006/2009 period roughly 30% of Technip installations were flexible pipe and nearly 40% was rigid. So some people tend to look at Technip as a flexible company, but we actually offer much more than that.

We made continuous investment in manufacturing capacity. We have made strategic investments in logistics, notably in Brazil. And in Vitoria we are expanding the capacity of our factory. We acquired in 2009 Angra Porto, which is a location, which is a port just across from the Santos basin which we believe is going to be a tremendous asset for the development of the pre-salt fields.



Feb. 18, 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

On the technology side, slide 26, we will continue to drive growth and market share through innovation, with flexible pipes that will go deeper in colder waters and pipes that are more intelligent. So our initial results from ultra-deep offshore test of the 7-inch, 9-inch and 11-inch flexible pipes for sweet-and-sour service have been successful. And I think it's a very important news for the future business of the flexible. We are also working with Schlumberger to develop a new generation of intelligent flexible pipes, as we previously announced.

In the Middle East we are expanding our capabilities. We talked about this before, but now that we won the ASAB 3 contract, this contract is going to be entirely managed and executed from the Middle East, including our own construction resources for supervision.

Now looking at the backlog schedule on slide 28, you can see that Technip enters 2010 with a solid back -- balanced backlog of EUR8b, which gives us a good visibility and certainly a longer backlog than last year. So we enter the year with confidence in our execution capabilities and our market position. And I think this year we will focus greater attention on positioning our business for a long-term profitable growth worldwide.

So this concludes our comments. And we are now ready to answer the questions you may have.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). The first question comes from Mr. Ian MacPherson from Simmons & Company. Please go ahead. Your line is now open.

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### Ian MacPherson - Simmons & Company - Analyst

Hi. Good morning, and very nice reports obviously. Thierry, regarding your outlook for Subsea margins, about 15% this year, can you talk about the flow through with of course the four quarters? And do you have better visibility of above-average margin for the front half of the year versus the back half? Or is that not necessarily the case?

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### Thierry Pilenko - Technip - Chairman & CEO

Yes. Well, you know we are talking about 15%, or above 15%, for 2010, this is based on the obviously good visibility that we have on our backlog. We have continued to win contracts, including, of course, large contracts such as Goliat in the fourth quarter. And I think the Subsea business has shown some resilience in this cycle. And so the visibility is good. And we have a fairly large number of opportunities worldwide to grow this business. I'm not sure I understood the end of your question.

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### Ian MacPherson - Simmons & Company - Analyst

Well, no, I don't -- the thing is we've watched your margins sustain between 18% and 20% for eight quarters in a row. And so I wouldn't necessarily look for them to gap down to 15% to 16% in the first quarter just because you guided that. So is your guidance above 15% basically suggesting conservatism based on the lack of visibility in the very back end of the year or is there something structural that's going to move them out of the range they've been in for quite some time?



Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Thierry Pilenko** - *Technip - Chairman & CEO*

Well we generally don't comment quarter by quarter. But no, we don't see a drop on January 1 obviously. But we have looked at our portfolio mix and particularly the projects that have been won in 2009. And those projects are not as rich as what we had.

Now the other thing is, as we win new projects they are -- always the situation where we get into the installation phase and where the risks may occur during the installation phase. So in 2009 we continued to have very good execution in the installation phase. And if you remember well, when we talked, for example, about Cascade Chinook several quarters ago, we said that this contract's risks were more obviously during the installation of the risers. And this project was extremely successful and very smooth. So we always factor in the potential difficulties that you may have in contracts which are in the offshore campaigns.

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**Ian MacPherson** - *Simmons & Company - Analyst*

Okay.

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**Julian Waldron** - *Technip - CFO*

Ian, it's Julian. Just to give some color on that. If you look towards the second half of the year, for example, Pazflor goes offshore in the second half of the year, towards the end. That's going to be a significant contract in terms of revenue this year. So one has to have a certain amount of prudence against those campaigns. That's how we set the initial guidance in 2009, 16% to 18%. And as 2009 and in 2008, a lot of the upside against that range was thanks to good project execution.

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**Ian MacPherson** - *Simmons & Company - Analyst*

That's very helpful. Thanks. If I could just ask a quick follow-up question on Brazil. Are we still looking for a possible award for the Tupi flexible risers in the next month or two, or has that been pushed back? And what are your general expectations for significant contract awards to come out of Brazil this year given some perception that there could be some election year friction there?

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**Thierry Pilenko** - *Technip - Chairman & CEO*

Well I would not prejudge on when the awards are going to be made by Petrobras. Something I'd like to say is that there has been a very intensive studies about the different technical solutions for the development of Tupi and other fields. And it's not just awards around flexible or around risers. It's awards around how we are going to operate these fields in the future. So you will probably see awards concerning vessels, concerning logistics bases and risers and construction.

So now, as far as the timing is concerned, I think Petrobras are analyzing the different solutions at the moment. And in the first half of the year we should see some of these awards to be confirmed.

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**Ian MacPherson** - *Simmons & Company - Analyst*

Okay. Thanks.

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**Operator**

Our next question comes from Amy Wong from JP Morgan. Please go ahead. Your line is now open.

Feb. 18, 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Amy Wong** - *JP Morgan - Analyst*

Hi. Good morning. Just want to get some color on -- you have a very chart on slide 22 about the various regions. In terms of Technip's bidding pipeline, where are you the most optimistic? And would those projects rewards come in the Onshore or the Offshore?

**Thierry Pilenko** - *Technip - Chairman & CEO*

Well, you know the good thing about having a portfolio of projects, having a wide geographical coverage and a good portfolio of activities, three distinct segments but that complement each other in some cases, is that we can actually grab opportunities both Onshore and Offshore. And this being said, I think with the long-term renewed interest in deepwater oil, but also some gas projects in Asia, we will see very significant offshore projects being awarded. And we have positioned ourselves on some of the most technologically advanced of these projects. FLNG is a good example.

**Amy Wong** - *JP Morgan - Analyst*

And just to follow up on that, in the Onshore, where do you see the most opportunities for Technip in terms of near to medium-term contract awards, say in 2010, early 2011?

**Thierry Pilenko** - *Technip - Chairman & CEO*

I think Middle East will continue to be strong. Middle East is a place where we are going to continue to see very strategic investment in Saudi Arabia, in the UAE. And there is a very strong, I would say, political drive over there to create more values from hydrocarbon. And therefore we're going to see investment in refining and petrochemical capacity at a very large scale.

We are also going to see the development of Latin America. There are many projects in Latin America, Brazil, Venezuela maybe, Peru, Colombia. Many projects that are going to take place in Latin America.

**Amy Wong** - *JP Morgan - Analyst*

All right. Thank you very much.

**Operator**

Our next question comes from Dave Thomas from Citigroup. Please go ahead. Your line is now open.

**Dave Thomas** - *Citigroup - Analyst*

Yes. Good morning, Thierry. A couple of questions please. Firstly, on TSKJ, I'm very glad to see the line in the sand drawn under that, but would like to just hear you confirming that the EUR245m provision and the fact you've announced it is because you're very close to finalizing the negotiations with the SEC and Department of Justice.

And I'd also like just to hear your comments on whether there's scope for any further litigation in jurisdictions outside the USA.

Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Thierry Pilenko** - *Technip - Chairman & CEO*

So, two questions. First of all, yes, we are close to finalizing our discussions. But they are not finalized. And we think it's going to take between maybe four to 12 weeks to get to the finalization of this.

Now as far as other jurisdictions are concerned, we have fully disclosed in our previous disclosure where Technip had been cooperating with the various authorities and there is nothing new about that. And I cannot really comment beyond what was said in the disclosure, because we are still closing this discussion with the Department of Justice and the SEC. But there is nothing more than what is in the disclosure.

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**Dave Thomas** - *Citigroup - Analyst*

Okay. If I can move on then to just another question on the Onshore margins. Very strong 7.1% reported in the fourth quarter, as against 5% for the full year. What should we read into that? What was the contributor to that strong performance? And in terms of the guidance for 2010, flat year on year does appear conservative in that context.

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**Thierry Pilenko** - *Technip - Chairman & CEO*

I'll answer the first part of your question, then I'll pass it over to Julian.

First of all, we should not look at our margins in the various segments on a quarterly basis. We really have to look at what we said at the beginning of the year and look at the long-term trend. So I think yearly averages are more meaningful given the nature of our business.

So now I'll hand it over to Julian about the Q4 versus the rest.

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**Julian Waldron** - *Technip - CFO*

I have to say I think a couple of points to add to that. First, just to reiterate the point that Thierry made, if you go back to Q3, we had a lot of questions on the call as to why Offshore was so good in Q3 and now we're getting questions as to why Onshore was good in Q4. I think the trends over the year shows the direction in which the margins have been moving across the two segments. And I think it's that that we feel that you should both focus on and also judge us on relative to our objectives.

What's important for us, looking at the fourth quarter is, first of all, the de-risking of the underlying portfolio of business, with delivery of the fourth train, for example, in Qatar. So the quality of the earnings coming through reflects a profitable underlying book of business. Secondly, the source of the profits in both margin and absolute terms is from a very large number of the small or medium-sized projects in the portfolio.

We have several hundred projects in Onshore that contribute. And the good thing is that we're seeing consistent performance from that portfolio taken as a whole. And that's stands us, I think, in good stead looking forward, given the way that we're taking in orders.

If we did 4% in 2008 and we set ourselves a target to improve on that in 2009, reaching 5.3% for 2009 is above where I think the two of us expected to be three or four months ago. We were trending at around 4.75%, 5% margins for the first three quarters. We were a little better than that in quarter four. So I think if we're setting ourselves an objective to be around about the 5.3% in 2010, that's ahead of where we expected to be at this stage three or four months ago. And I think that -- that I hope people will take positively for the long-term stability of margins in our Onshore/Offshore business.



Feb. 18, 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Dave Thomas** - Citigroup - Analyst

Okay. Thanks, gents.

**Julian Waldron** - Technip - CFO

Thank you.

**Operator**

Our next question comes from Geoffroy Stern from Cheuvreux. Please go ahead. Your line is now open.

**Geoffroy Stern** - Cheuvreux - Analyst

Yes. Good morning. A couple of questions from me please. Looking at the backlog scheduling in the Subsea, your guidance seems a bit conservative given the fact that you have EUR2.1b of sales on your hands for 2010, which is -- which compares to EUR2.3b last year, which basically means that 2010 sales of EUR2.7b which is the upper end of your guidance. But is this assuming a flat spot market for 2010, whereas 2009 was clearly fairly weak, especially in the North Sea. So is your guidance basically assuming no improvement of the North Sea market?

**Thierry Pilenko** - Technip - Chairman & CEO

Do you want to answer that, Julian?

**Julian Waldron** - Technip - CFO

As Thierry said in his comments, we would expect to see a pick up in awards as we get into the second half of the year. But we don't see a scope for a major rebound because we didn't see a major slowdown -- we saw a slowdown but not a really material slowdown in 2009. So we see no particular reason for a very, very significant rebound. We would expect awards to pick up in the second half of 2010. But if awards pick up in the second half of 2010 that will impact revenue a little bit in '11, 2012 and beyond. But it's unlikely to have much of an impact in revenue terms and in profit terms this year.

**Geoffroy Stern** - Cheuvreux - Analyst

Okay. And with regards to Subsea, do you expect fewer projects to come to completion in 2010 versus 2009?

**Thierry Pilenko** - Technip - Chairman & CEO

Fewer projects reaching completion?

**Geoffroy Stern** - Cheuvreux - Analyst

Yes.

Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Thierry Pilenko** - *Technip - Chairman & CEO*

No, I think it's about the same pace. I would say the only difference is probably that Pazflor is a little bit bigger in terms of size than what we did for the biggest projects in 2009. But no, we have a very balanced mix of projects. You know Brazil, North Sea, Gulf of Mexico, Asia, Mediterranean, so -- West Africa. It's very balanced. So I don't think there is any real anomaly in the portfolio, if you want.

We have obviously Pazflor installation in the second half of 2010. But apart from that, two years ago we had Agbami. I would say maybe in 2009 we could take Cascade Chinook as a large project in the installation phase. But no, it's pretty much business as usual in a variety of provinces. And having a good footprint is really helpful because activity is balanced.

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**Geoffroy Stern** - *Cheuvreux - Analyst*

All right. And then maybe a final question, if I may, on the Onshore. Out of the EUR3b sales posted in 2009 in Onshore division, how much is coming from projects which did not generate any margin?

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**Julian Waldron** - *Technip - CFO*

Over the full year on the onshore side, about 27%, 28%.

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**Geoffroy Stern** - *Cheuvreux - Analyst*

And this takes into account the first contribution from the Jubail refinery?

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**Julian Waldron** - *Technip - CFO*

No, because that's not a legacy project. There was a little bit of revenue, particularly in Q4. But the legacy projects, about 27%.

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**Thierry Pilenko** - *Technip - Chairman & CEO*

And Jubail contribution in 2010 will certainly be on the revenue side but fairly small on the profit side.

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**Geoffroy Stern** - *Cheuvreux - Analyst*

And is it fair to assume something around EUR200m for Jubail in 2010 in terms of sales contribution?

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**Julian Waldron** - *Technip - CFO*

No, it will be higher than that.

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**Geoffroy Stern** - *Cheuvreux - Analyst*

It will be higher than this?

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Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Julian Waldron** - *Technip - CFO*

We've got about a EUR2.2b, EUR2.3b project. It's over, roughly speaking, four years. So even if you just calendarize it and split it down into 25/25/25/25, you get a higher number than that. It's not exactly that easy to split. But it's 20%, 25% of the project in revenue terms in 2010.

**Geoffroy Stern** - *Cheuvreux - Analyst*

And with regard to the [category 3, category 4] projects, what would we expect in terms of that contribution in 2010?

**Julian Waldron** - *Technip - CFO*

We have round about EUR300m to EUR400m of backlog, composed of legacy projects to be executed in 2010.

**Geoffroy Stern** - *Cheuvreux - Analyst*

All right. That's very helpful. Thank you very much.

**Julian Waldron** - *Technip - CFO*

Thank you.

**Operator**

Our next question comes from Fiona Maclean from Merrill Lynch. Please go ahead. Your line is now open.

**Fiona Maclean** - *Merrill Lynch - Analyst*

Thank you. I have two questions. Firstly, could you give some commentary on what type of competition you're seeing across your three segments and whether the intensity of the Asians is increasing?

And then the second question is again on -- for your three divisions, could you just run through how you see utilization rates for your engineers and your fleet for this year?

And also, just a comment on the progression on the Asiaflex plant and the ramp up that you expect.

**Thierry Pilenko** - *Technip - Chairman & CEO*

Okay. As far as competition is concerned, yes, there is a strong push from Asian competitors, Korean in particular, Korean competition, and in particular in the onshore business, but also for FPSOs. I think everybody has noticed what has happened with the Golita FPSO in the North Sea which has been awarded entirely to a Korean company.

We saw a fairly large number of projects in the Middle East also who have been given to Koreans or Korean companies. I would say generally they have been focusing on the parts of the projects that -- or rather, we have been focusing on the parts of the projects which are the most technological challenges, if you want, where we have the most technological challenges. But definitely we see this trend happening.

Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

Now as far as the utilization of the -- our fleet is concerned, we don't see a major change between 2009 and 2010. Of course, we've built a budget. We may see, here and there, markets getting a little bit softer for a short period of time. But utilization at this stage is not a concern for 2010 at all.

And as for Asiaflex, we should be able to start some production -- well, the commissioning of the plant should be ready by the end of 2010 and production will commence soon after.

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**Fiona Maclean** - Merrill Lynch - Analyst

Okay. And just a quick comment on the utilization of your engineers, Onshore and Offshore?

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**Julian Waldron** - Technip - CFO

Engineers Onshore, we have, in terms of backlog man hours, same -- very similar levels to last year. There are some regional variances, but they're similar to last year. So the visibility in the backlog, for example in North America, Onshore is pretty poor. But if we look at the contribution of, for example, Jubail or Shell to the utilization in our major European centers, that's in line, at least in line with last year. And with the taking on board of these small or medium-sized contracts in the Middle East, again, the same, roughly, visibility as last year.

So utilization across the board, I think to conclude, both on the Onshore and on the fleet and on the flexibles, we have a similar degree of visibility as we had 12 months ago.

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**Fiona Maclean** - Merrill Lynch - Analyst

Okay. Thank you.

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**Thierry Pilenko** - Technip - Chairman & CEO

If I may add to that, there is a little bit of contrast between, for example, what happened on the Onshore side between what happens in North America where the market has been pretty depressed, and Europe, Middle East, where we have restarted to recruit very actively. Actually we never stopped recruiting. We were just a little bit more cautious in the first part of 2009. But starting in the summer of 2009, we started recruiting actively, particularly in our main European, Middle East and Asian centers.

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**Fiona Maclean** - Merrill Lynch - Analyst

Okay. That's great.

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**Operator**

Our next question comes from Phil Lindsay from RBS. Please go ahead. Your line is now open.

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**Phil Lindsay** - RBS - Analyst

Morning. I've got a couple of questions. Firstly, on the onshore, just staying on that competitive environment. Some of your peers have commented that the competitive environment, particularly onshore Middle East, appears to be easing into 2010. Do you concur with that view?



Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

And the second question is on the qualification process for the ultra-deepwater pipe with Petrobras. Can you just confirm that Petrobras have fully qualified that pipe now? And perhaps you can give us a feel for when that kind of 3000m water depth pipe might come into production.

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**Thierry Pilenko** - *Technip - Chairman & CEO*

Okay, well, on the onshore competitive environment, I don't think we can say that we have seen a situation which is easier in -- or we will see a situation which is easier in 2010, particularly in the Middle East. So I don't know which competitor you refer to, but I think the intensification of the competition in 2009 was a fact. And we still see the same environment in 2010.

Now as far as the flexible pipes are concerned, we did the test in the Gulf of Mexico with the full support and knowledge of Petrobras, of course. But I would not comment about where do they stand with the qualification because it's a -- it was a research project. It went into a test, test in a cased hole run first, then test in real life for open sea.

I think Petrobras and obviously Technip were very, very encouraged by the result of this test. But it's still going to take some time before things are fully certified and ready to be used by our customers. But I wouldn't be surprised to see Petrobras being the first customer to do that. But we will comment on that as we progress with this project.

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**Phil Lindsay** - *RBS - Analyst*

Thank you very much.

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**Operator**

Our next question comes from Jean Luc Romain from CM-CIC Securities. Please go ahead. Your line is now open.

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**Jean Luc Romain** - *CM-CIC Securities - Analyst*

Good morning. Two questions, please. The first is about your capital expenditures in 2010. Should we expect less than in 2009?

The second is about Brazil. Could you confirm the Vitoria plant is currently fabricating flexible lines for the phase zero of Tupi development?

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**Thierry Pilenko** - *Technip - Chairman & CEO*

I'm not sure I understood your first question.

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**Jean Luc Romain** - *CM-CIC Securities - Analyst*

Your CapEx budget for 2010, please.

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**Julian Waldron** - *Technip - CFO*

CapEx 2010 we'd expect to be around about the EUR400m level. A little less on tangible fixed assets, a little more on IT. We enter into development phase of one or two of the major IT projects in 2010, and that will be part of the CapEx. On a tangible fixed -- in other words on the fleet and on the plants, a little less than in 2010 but on the same, broadly speaking, the same items.

Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

So we complete the Skandi Vitoria. We continue to work on Asiaflex, as Thierry mentioned, and on the new pipe-lay vessel. And we have some CapEx to make for our logistics and our installations, notably in Brazil.

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**Thierry Pilenko** - *Technip - Chairman & CEO*

Now to answer specifically your question about flexible manufacturing for phase zero of Tupi. I don't know all the details, but we are working on it. So are we already in a manufacturing phase? I'm not entirely sure. It could be, but I think you know there is obviously a lot of emphasis on Tupi because of the size of this discovery, because of the significance of this new play. But we should not forget that in Brazil a lot of the current activity is actually linked to very classical fields which are above salt and for which we have a lot of recurring activity. So -- but, yes, we are working on it.

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**Jean Luc Romain** - *CM-CIC Securities - Analyst*

Thanks, Thierry.

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**Operator**

The next question comes from Mark Wilson. Please go ahead. Your line is now open.

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**Mark Wilson** - *Analyst*

Good morning, gents. I'd just like to know about manufacturing CapEx for the new generation of flexible pipe. What will we see there in the next few years?

And just to confirm on the testing of flexible, so is there further out of cased hole testing going on in the Gulf of Mexico? Is that what we understand?

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**Julian Waldron** - *Technip - CFO*

In terms of manufacturing CapEx over the next two or three years, we'd expect our main focus to be completing Asiaflex and then continuing to expand the capabilities and capacity in Vitoria. Those will be the principal elements in order to improve the mix and upgrade the mix in Brazil for, in particular, for deepwater capability. We've done a little bit of investment in Le Trait to increase capacity, to take larger and more complex pipes. But over the next two, three years, Asiaflex and Vitoria are probably the two main destinations of CapEx.

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**Mark Wilson** - *Analyst*

Okay.

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**Thierry Pilenko** - *Technip - Chairman & CEO*

Now as far as the test on our flexible pipes are concerned, I -- obviously for competitive reason I don't want to enter into a lot of details, but we are very, very pleased with the first results. And it's an important research program in which we have invested a very large number of -- a very large proportion of our R&D program. And it will continue. It will continue because we have had very encouraging results. So now the details of whether we're going to do tests in the Gulf of Mexico or somewhere else and so forth, we will tell you after the fact.



Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Mark Wilson** - - Analyst

Excellent. Thank you.

**Operator**

Our next question comes from Alex Marie from Exane BNP Paribas. Please go ahead. Your line is now open.

**Alex Marie** - Exane BNP Paribas - Analyst

Good morning, everyone. Just a few questions please. About your dividend increase, could you please remind us what your policy is going forward on the dividends?

And then on your fleet for the Subsea segment, do you think there are some specific vessels in your fleet that would need to be replaced in the near future? And do you see opportunities similar to the Apache acquisition recently in the market?

And just lastly, on your business, let's say, in general and longer term, what areas do you think will be key focus past 2010?

**Thierry Pilenko** - Technip - Chairman & CEO

Okay. Well as far as the dividend is concerned, our policy is to have a dividend and to make sure that our shareholders are properly rewarded when we have good growth in our results. Okay?

Julian, you want to add something? No?

As far as the fleet for the Subsea segment, in the near future we don't have a major retirement plan. This could happen, but we don't have any major replacement plan in the near future. However, we have been very opportunistic with the Apache this year. And if there are good opportunities that are in the market, and we are checking the market all the time, looking at what vessels could be available, what companies could decide to sell their assets and so forth, or what we can do in a proactive manner. So we are looking at this type of opportunities, and we have the cash to do it.

Now longer term, what are the areas which are important? Well, I'm going to give an answer which is probably not going to be very satisfactory. But the areas where we are deepwater are all going to be important, because there has been a tremendous amount of high-quality seismic that has been shot from 2004 to, I would say, 2008, which has identified very nice targets. Drilling is about to commence. There is a very large number of deep water drilling rigs that are going to be commissioned in the next 12 months.

And I think, beyond that, obviously there will be discoveries and there will be Subsea installations. So what are the areas where we're going to see significant development? Of course, Brazil. Of course, the important Gulf of Mexico. But also many, many places in Asia where the geology might be a little bit more complex and the place may be a little bit more difficult. But there are some interesting targets over there.

We saw what happened in India, where Reliance decided to go deepwater. It's not ultra-deepwater. It's deepwater, 1400m or 1500m, and made very, very significant gas discoveries. So I think we are very well placed to tackle some of these opportunities.

**Alex Marie** - Exane BNP Paribas - Analyst

Thank you.

Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

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**Operator**

(Operator Instructions). We have another question from Amy Wong from JP Morgan. Please go ahead. Your line is now open. Sorry, Amy has just cancelled her question. We now have a question from Mick from Barclays Capital. Please go ahead.

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**Mick Pickup - Barclays - Analyst**

Morning, gents and Kimberley. Sorry, I pressed the wrong number for the queue before. Can I just go back to what Julian said earlier about your Onshore business, about you're running several hundred projects in the Onshore at the moment and how that squares with your talk of the Onshore targets, which seems to be going for some of the big monsters again? So how do you see that business trending going forward between more of the services business and some of the bigger lump-sum projects, please?

And secondly, Julian, given that this year you seem to have won a lot more smaller projects in Onshore, could you just quickly remind me of what you said about the working capital because that seems quite a good performance, given the lack of big lump-sum projects?

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**Julian Waldron - Technip - CFO**

So, Mick, Thierry might have some closing comments on the Onshore side, but I think we want to continue to have a very clear mix of projects. A couple of larger ones, yes, but I don't believe that there is a trend for us to go back to taking a large number of very large contracts. There has been no change, I think, to what we've been talking about over the last couple of years.

A mix of projects between, as Thierry highlighted in his comments, bread-and-butter business like ASAB, like the contract in Europe, a mix between full lump-sum turnkey or the project that I mentioned in Europe which is engineering and procurement only. And then feed that over time, some of them may convert into larger projects. But again, projects on which we've done the FEED, we think fit, even if they are large, with our risk profile.

So no change to the de-risking message that we've been passing over the last two or three years. I think we would just say that it is visible in the type of backlog we have and the profitability that that backlog is delivering in 2009 and we expect it to deliver going forwards.

As far as working capital is concerned, the better performance is first and foremost, I think, linked to better profitability across the business. Secondly, the order intake did hold up well and therefore we have sustained, to some extent, the net construction contract balance. And thirdly, you always plan to pay up in cash or contingencies, your warranties and the other risk provisions that you have. And if you manage those risks then you don't pay those things out. So that's -- those are the explanations I think to the better cash performance in 2009 relative to what we expected.

I still expect this year that construction contract balance to diminish further. And I still expect this year, on a normalized basis, a consumption of working capital, not as much as we were expecting a year ago, maybe taking us down to a normalized net cash level, EUR1.2b, EUR1.3b.

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**Mick Pickup - Barclays - Analyst**

And is that before or after the TSKJ?

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Feb. 18. 2010 / 8:00AM, TEC.PA - Q4 & Full Year 2009 Technip Earnings Conference Call

**Julian Waldron** - Technip - CFO

TSKJ, I think, as I mentioned earlier, although it's in as a current liability, I think it will go out over a longer period than that once we're through discussions. That's what I've seen in precedent. Therefore I don't think that you'll see significant variation to the number I've just given you, looking ahead just over the next nine months.

**Mick Pickup** - Barclays - Analyst

Thank you very much. Very clear.

**Julian Waldron** - Technip - CFO

Thank you very much, Mick.

**Thierry Pilenko** - Technip - Chairman & CEO

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

**Operator**

Thank you. This now concludes today's conference call. Thank you all for attending.

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