

FINAL TRANSCRIPT

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PRESENTATION

Operator

Ladies and gentlemen, good morning, everyone, and welcome to Technip's second quarter 2010 results conference call. As a reminder this conference call is being recorded. At this time all participants are in a listen-only mode. Later there will be a question and answer session.

I'd like to turn over the call to your host for today's conference, which is Mr. Thierry Pilenko, Technip's Chairman and CEO. Sir, you can go ahead.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Thierry Pilenko - *Technip - Chairman and CEO*

Good morning, ladies and gentlemen, and thank you for participating in Technip's conference call. I'm Thierry Pilenko, Chairman and CEO. With me are Julian Waldron, our CF,; Bernard di Tullio, our COO; Arnaud Real, our Deputy CFO; as well as Kimberly Stewart and [Thierry Conti] from our Investor Relations team.

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

Kimberly Stewart - *Technip - VP, IR*

Thank you, Thierry. I would like to remind participants that you can download the second quarter 2010 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 1995 Securities Act. 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. As usual during this call I'll go over the main events of the quarter followed by Julian who will present our financial results, and then I'll comment on the business environment and the full year 2010.

So let's take a look at the main operational highlights first, starting with our Subsea division. So among other we have successfully completed the world's deepest freestanding hybrid risers at 2,640 meters for the Cascade and Chinook project for Petrobras in the Gulf of Mexico. This project is actually an excellent example of how Technip has accompanied national companies in their global expansion.

In the North Sea, our new pipelayer vessel, the Apache II, completed her sea trials in May and successfully delivered her first project for Talisman in June.

In West Africa, offshore operations continued on the Jubilee field in Ghana and we are also preparing for the offshore operations for Block 31 and Pazflor in Angola which will enter the installation phase in the second half.

The installation of the 220 kilometers of Tupi gas export pipeline progressed well in Brazil.

Now some of our diving support vessels had lower activity this quarter. This combined with seasonal dry docking plus the upgrade of the Apache II, resulted in a vessel utilization rate of 70% for the second quarter, which is in line with the first quarter but lower than the 83% rate of last year.

By contrast, our flexible pipe production sites in France and Brazil continued to have good activity.

Let's move now to our Onshore and Offshore segments where we had good execution and the delivery of important projects which are highlighted on page five. Firstly, the progress on construction and pre-commissioning of the last two Qatargas liquefaction trains, so these are Trains 6 and 7 for Qatargas 3 and 4.

Secondly, during this quarter we turned over to our client the following plants; first, Dung Quat refinery in Vietnam, the Khursaniyah gas plant, Trains 1 and 2 in Saudi Arabia, and the second LNG train in Yemen.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

FEED activity has continued to progress as planned on the Shell Prelude and Petrobras Floating LNG contracts as well as a gas processing platform for Wheatstone, which potentially could be one of the world's largest float-over installation.

Now turning the order intake, for Subsea we have won a wide variety of small and medium-sized contracts. Starting with the North Sea, we said in the first quarter that we were seeing good tendering activity which resulted in a significant pickup in awards in this quarter, sometimes even ahead of what we had anticipated. I would mention Marulk, which will be installed in 2011, and which is also a technology first because it's the first heated reeled pipe-in-pipe.

In Brazil, the backlog includes the Tupi pilot flexible pipe projects that we talked about before. This is a significant award which confirms the importance of the technology -- the flexible pipe technology for the development of the pre-salt reservoirs. We also stated during the first quarter call that we were seeing potential awards in North Africa, which, in fact, materialized with the award of the West Delta Phase VIII project for Burullus in Egyptian waters.

For the Onshore/Offshore segment we won a significant EPCIC in Asia which is actually combining an Offshore and an Onshore portion. We were also awarded an extension for the artificial island FEED for ZADCO in the Middle East, and several small and mid-sized projects in Europe and Latin-America.

I will now hand you over to Julian.

Julian Waldron - *Technip - CFO*

Thierry, thank you very much. So I'll turn, first of all, to page eight and the Group financial highlights. So revenue, as you've seen, was 14% lower this quarter than the quarter a year ago. There was a positive currency impact this quarter, pretty much every currency in which we operate, in particular real, sterling, ringgit, Norwegian kroner and of course the dollar were above their levels last year relative to the euro.

In terms of margins, I'll come back to that in more detail segment by segment, but the margin held up, I think, pretty well in both the main segments.

Underneath the operating profit line, financial charges overall were minus EUR8m, that's an improvement on a year ago, lower foreign exchange costs from IFRS mark-to-markets being the main driver of that, slightly higher income from Treasury as well. And we had an effective tax rate in the quarter just over 31%.

Turning to Subsea in the second quarter on slide nine, the revenue reflects the vessel utilization primarily, that Thierry mentioned earlier. The margins are just over 17% in the first quarter at the operating profit level, just under 17% in this quarter, so we're seeing a similar trend quarter-on-quarter for those first two quarters of the year.

No particular elements to call out on the operating profit line. We had some final scrappage costs on the old Apache vessel and in addition, as you heard from Thierry, we completed the Cascade/Chinook project during the quarter.

In Onshore/Offshore the 7.1% margin is a good operating margin for those two segments. I'm not going to comment on the two segments individually, as you know I don't think there's a lot of significance in looking at quarterly margins for those two apart, but together the 7.1%, we think, demonstrates the underlying earnings potential of these two segments combined.

Within that margin and within the revenue line, just over 5% of the revenues came from legacy. A year ago we were still up around the 20 plus percent level and in the first quarter we were still at 15%. So you can see just mechanically how the newer book of business and the decline of the legacy is leading to a better margin contribution. And as Thierry mentioned, we had one or two projects which were turned over to customers during the quarter and that also helped the margin somewhat.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

So all in all, I think we look at Onshore/Offshore and say that that's a satisfactory performance both for the second quarter and for the half as a whole.

Turning to cash flow on slide 11. The main element I think of cash flow is the movement in the working capital and there, as you look through the balance sheet you'll see a significant decline in the net construction contract balance. So the working out of the excess advances that we indicated was likely to happen during the course of the year is happening and has happened significantly during the second quarter. The construction contract balance at the end of the quarter was around about EUR450m, so we're getting down to what I think we'd considered to be normalized levels, a little bit more to go, but I think that's moving in the direction that we anticipated.

CapEx, we'd expect somewhere around EUR480m of CapEx for the year, that's the EUR400m that we indicated back in February plus the additional costs for the Skandi Niteroi, the vessel that we acquired in Brazil at the beginning of the quarter, and the first payments for the Niteroi went out during the quarter.

And from a cash flow perspective, a dividend of EUR1.35 per share was paid out during the quarter.

Slide 12 and slide 13 on backlog. The order intake for the second quarter was just over EUR1.5b split equally, as Thierry as mentioned, between Subsea on the one hand and Onshore/Offshore. And that gives us a backlog at the end of the half of close on EUR8.3b. Of that, around EUR2.9b is estimated to run off during the last six months of the year and that underlies our confirmation of guidance in revenue for this year. We have close on EUR4b for 2011 in backlog and about EUR1.5b in 2012. It continues to be a balanced backlog between the segments which, as you know, is one of the things that we have targeted in the way that we take in new contracts. Overall the backlog continues, we think, to give us good visibility, not only for the rest of this year but also going into 2011/12.

And the backlog by geography and by market split is given on page 13. The geographic balance continues to look satisfactory in our eyes and we'll continue as we go through the second half of the year to maintain that geographic balance. I think if you look at where we've taken in orders during the first half that is fully in line with that strategy.

And in terms of market splits there's an increase in what we call shallow water, that essentially reflects the business that we've taken in during the quarter in the North Sea, and the refining part which reflects in particular the contract in Saudi Arabia for Al Jubail continues to be the other major part of the doughnut.

With that I'll hand back to Thierry to talk about the outlook.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Julian. Well let's look now at our business environment region by region and I'll start with the North Sea where the pickup in tendering activity that we saw in the Norwegian side of the sea in the first half has started to result in contract awards, as I said. And we believe this will continue in the second half of the year. But in contrast, the European Onshore market remains very slow.

The Middle East and North African operators continue to make strategic investments and prospects are quite substantial even if this is a part of the world where the competition remains particularly intense. The next important wave of contracts will include several refining and petrochemical projects. Timing on these awards is still uncertain but some of them could be awarded around the end of 2010 or the beginning of 2011.

In West Africa, the situation is still uncertain in Nigeria but bidding is picking up both onshore and offshore in Nigeria. The pace in Angola is more sustained than Nigeria and longer term we expect to see major deepwater opportunities in West Africa. Many



Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

of these developments will require more local content and therefore more direct investments in permanent infrastructures in the countries we talk about.

Moving East to Asia Pacific we see a sustained interest in large gas-related projects as well as investments in refining and petrochemicals for the local markets in Asia. We also believe that this region is a promising market for flexible pipe solutions.

Crossing to the Americas I'll start with Brazil, and in Brazil Petrobras continues on its growth path both for the development of traditional fields as well as the pre-salt reservoirs, and this development in the pre-salt will require major infrastructure and equipment investment. Therefore, we will continue to reinforce our strong position in Brazil with logistics capabilities, which we have already started to invest into, and obviously local content.

In the rest of Latin America, in fact, there are quite a number of opportunities both upstream and downstream, but the timing of the final investment decision is much more difficult to forecast in countries like Venezuela or Chile or Colombia.

Onshore North America is slowly recovering with some activity in Canadian oil sands and also downstream in the USA particularly in the upgrading or revamping in the refining sector.

Lastly, in the Gulf of Mexico, I know you all want to hear about what we think about the Gulf of Mexico activity. I think it's still difficult to predict all the repercussion from the Macondo tragic incident, but at this stage we don't have any direct adverse impact on our 2010 operations or forecast. Nonetheless, the drilling moratorium will likely delay near term final investment decisions for Subsea and Offshore. However, and that's interesting, FEEDs and studies for deepwater developments continue to be awarded with the same pace. And in the longer term I am absolutely convinced that operators will prefer to work with the strongest contractors in this deepwater environment, contractors that have been investing in safety and operational integrity.

So to summarize the first half of 2010 we have progressed according to our priorities, so EUR2.9b of new orders, delivery of the Apache II, purchase of the Skandi Niteroi in Brazil, key technologies awards such as Tupi pilot and the Prelude FLNG.

We also stayed focused on execution, hence the good results, and this is pretty much what we will do in the second half of this year. We'll pay particular attention to the large Subsea projects which are entering into installation phase; it's a little bit similar to what we had last year in the second half, a lot of focus on offshore installation.

So looking at the full year we confirm our 2010 outlook. Group revenue should be around EUR5.9b to EUR6.1b and you can see that from the order intake for 2010 we should be able to reach this target.

In terms of operating margins, the Subsea segment is on track to exceed 15% and the combined Onshore/Offshore margins is also looking good at the half year.

With that I will now turn over and be ready to answer the questions that you may have. Operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). There is a first question from Mr. Ian Macpherson from Simmons. Sir, you have the floor.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Ian Macpherson - *Simmons - Analyst*

Hi, good morning, Thierry, Ian Macpherson here. Two questions if I may. First, you gave us the outlook back in March about subsea orders for the industry, 2010 should resemble 2008 and 2011 should resemble 2007 if I recall correctly. I just want to get an update on that, if anything has changed or if that's still looks intact.

Secondly, just more near term with respect to your portfolio of work in Subsea for the second half of the year. Is there anything with regard to the gestation cycle of the work that should auger for lower margins in the second half versus the first? Or should we just think of your minimum 15% EBIT margin as just being appropriately conservative at this point? Thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, has something changed since last time we spoke? Yes, definitely, something has happened in the Gulf of Mexico, and as I said, it's very likely to delay some of the projects. However in most deepwater basins, whether it's Brazil, West Africa or projects in Asia, we haven't seen any slowdown in the projects therefore we think those projects are going to be awarded to the industry.

Now, I think before the incident of the Gulf of Mexico, we probably had better visibility to compare year-on-year like the way you do it, so I may not want to enter now into a comparison year-on-year 2007 to 2011 or 2010 to 2009. But definitely we see a pickup in the North Sea, we see Brazil on a strong path, we have talked about the uncertainties in the Gulf of Mexico, West Africa, there are a number of projects that are being lined up, some of them are going to be announced I guess in the next quarter or so, and Asia is focused on some large gas projects.

Now, as far as the pricing environment is concerned I think the pricing environment that we see today and that we will see in the second half is very similar to what we saw in the first half for Subsea. Now in terms of margins we are not yet ready to give you guidance for margins for 2011 and beyond, but I would say the pricing and the competitive environment has not changed significantly compared to three of four months ago.

Ian Macpherson - *Simmons - Analyst*

Okay and then really on the margin question I was wondering if you have really more closeouts in the first half than the second half (technical difficulty) the dynamics for the sequential development in margins.

Thierry Pilenko - *Technip - Chairman and CEO*

What we said is that in the second half we will have more large projects in the installation phase but we will be very focused on the execution of these large projects so we are well on track to maintain our guidance, as I said before.

Ian Macpherson - *Simmons - Analyst*

Okay, good. Thank you very much.

Operator

There is a question from Mr. Phil Lindsay from RBS. You have the floor.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Phil Lindsay - RBS - Analyst

Yes, good morning. On Jubilee, I understand that the client is kind of actively looking at additional phases for this project that will likely require more subsea infrastructure, and I would imagine you're pretty well positioned for that given you've been involved in the first phase. Do you have any kind of feel for timing on that? Or is it still too early?

Thierry Pilenko - Technip - Chairman and CEO

I think it's still too early. Obviously we will see how the first phase goes but this is a project that has been run extremely efficiently by the customer and by our teams and now we know that the customer has announced additional reserves and they will probably want to tie these reserves in as quickly as possible. But we also know that there is one of the shareholders that is selling his stake at the moment so I think it's too early to tell when this second phase will take place and with which configuration.

Phil Lindsay - RBS - Analyst

Okay that's fine, and just a second one. Can you talk a little bit about a backlog build in Asiaflex? I know obviously you announced the first contract back in, I think it was the first quarter, but we've really not heard much since then. Can you just tell us how that's going please?

Thierry Pilenko - Technip - Chairman and CEO

This is moving forward but we are still waiting to finalize a few contracts. So we announce contracts only when we have signed those contracts.

Phil Lindsay - RBS - Analyst

Okay. Thank you very much.

Operator

There is a question from Mrs. Fiona McLean from Merrill Lynch. You have the floor.

Fiona McLean - Merrill Lynch - Analyst

Thank you, it's Fiona. I've got three short questions. Just on the Onshore margin can you just try and give us a little bit more clarity on what the underlying margin in that business should be, because when you look at the run rate in the first half and extrapolate that into the second the margin guidance there does look incredibly conservative.

Then secondly, just your thoughts on the recent consolidation in the industry and what impact, if any, it's going to have on your business.

Then thirdly, we're just still waiting for any news flow in terms of your thoughts on building any additional vessels for your fleet. I know you've been looking to target an ultra-deepwater vessel, maybe you could just give us an update on what the thought process is there and timing, etc.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, well for the question on the Onshore margin, I'll ask Julian to answer this question, but I think we shouldn't draw conclusions from one quarter, but Julian.

Julian Waldron - *Technip - CFO*

Fiona, good morning. I think I'd like to reiterate some of the things we've been saying for a while about Onshore/Offshore. For the last few quarters if you stripped out the legacy you were looking at a margin that was in line with our view of the industry average which is between 6% and 7%. Our challenge was to move out the non-profitable legacy contracts successfully, deliver them to customers and to move those out with no further negative impact on the P&L and so far I think that's what we've achieved. So more than anything you're beginning to see the underlying margins in the business come through reflecting those indications we've given you over the last few quarters.

Now as that happens you will see from time to time as profitable projects are delivered to customers the same sort of things as you've seen in the Subsea segment, which is good projects get well executed and as they get executed and delivered to customers so contingencies and other provisions can be taken back through the P&L. And as we move to a business with no legacy then that will make some of the swings around about that industry average. But without giving guidance on the future, which we're not here to do yet for over 2011 and beyond, I think you're just seeing what we said that you would see as the Onshore/Offshore business was cleaned up and moved to a profitable new book of business.

Fiona McLean - *Merrill Lynch - Analyst*

Okay, that's very clear. Just a follow-up question on that, when will all of the Qatar projects complete? And are there any other major Onshore projects completing in the second half of the year?

Julian Waldron - *Technip - CFO*

There are no other major Onshore/Offshore projects to complete in the second half of the year and we will have completed the last two Qatar trains by the end of the year.

Fiona McLean - *Merrill Lynch - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman and CEO*

And then we'll be in the warranty phase for the Qatar projects, we are still -- we are already on the warranty phase for the first four trains.

Fiona McLean - *Merrill Lynch - Analyst*

Yes, yes.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Thierry Pilenko - *Technip - Chairman and CEO*

Now coming to consolidation, first of all, what I'd like to say is that the consolidation that was announced about four weeks ago was not a surprise because I think both Acergy and Subsea 7 said that they tried three or four times to look at how to consolidate those two companies, I think, so that was to be expected. In general, I think consolidation is good for our industry as projects are getting bigger and more complex. What I also believe is that Technip has the size and the capacity and the technology to compete very efficiently on these larger projects.

So now moving on to your next question in fact, which is related, which is about building additional vessel, or looking at additional services, I think it makes a lot of sense for us to look at expanding our portfolio of activities. And if you look at what we are currently doing in our joint venture, I must admit at this stage, a joint venture with Allseas, we are delivering 220 kilometer of pipeline, which is a business that normally we would not be doing with our traditional assets. And typically these are the type of services that we see that are going to gain in importance. However, we haven't made any decision at this stage about how we are going to tackle this market and how and whether we're going to build additional vessels. We are delivering next year, the end of next year, Deep Energy, our new pipelayer vessel. We have some ideas of expanding the fleet. But we haven't made any decision at this stage on how we would do it.

Julian Waldron - *Technip - CFO*

I think, Fiona, if I may, we've expanded the fleet by two vessels over the last 12 months. The Apache II, I guess, is a replacement for the old vessel. But the Niteroi is a new one, and an expansion of what we do in Brazil. So we've been looking to expand our fleet and renew our fleet over the last 12 months, and will continue to do that. We continue to think there are potential opportunities out there.

Fiona McLean - *Merrill Lynch - Analyst*

Okay, that's all very clear, thank you.

Operator

There is a question from Mr. Geoffroy Stern from Cheuvreux. Sir, you can go ahead with the question.

Geoffroy Stern - *Cheuvreux - Analyst*

Good morning, can you hear me? Yes, sorry about this. Just a question regarding your net cash position, what are your expectations for the end of this year? And then do you still expect the Shell Prelude contract, the first contract to be awarded towards the end of this year?

Thierry Pilenko - *Technip - Chairman and CEO*

I'll let Julian answer the first question.

Julian Waldron - *Technip - CFO*

We said at the beginning of the year that we expected somewhere above EUR1b, EUR1.1b, EUR1.2b or so in net cash at the end of the year. There'll be some puts and takes around that based on what happens on currency movements which impact the cash. We'd expect roughly speaking half of the TSKJ payments out this year. So not a material change up or down to what we told you at the beginning of the year. I think most of all, the proportion of that cash that is solidly on the balance sheet and not

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

accounted for by the net construction contracts and the advances is moving in the right direction, shall we say. And you see that in the balance sheet over the last several quarters, but particularly this quarter.

Thierry Pilenko - *Technip - Chairman and CEO*

Back to your question about Shell Prelude, I don't think we ever said that we would have this award by the end of this year. I think we are not in control of this award. But I think Shell communicated on that talking about first quarter of 2011. This project, the FEED is progressing well. We are addressing all the technical issues, like we would do in a FEED. And I don't think there's at this stage any change in the visibility that we had on this project. But it is not a project for the end of this year.

Geoffroy Stern - *Cheuvreux - Analyst*

All right, and maybe just another question. The strong pickup in the North Sea activity for the subsea market has it started to translate into a rebound in the pricing power for the subsea contractors?

Thierry Pilenko - *Technip - Chairman and CEO*

No, what I said is that the pricing environment is about the same. So it may translate later on, but at this stage I wouldn't say that.

Geoffroy Stern - *Cheuvreux - Analyst*

Okay, thank you.

Operator

There is a question from Mr. Alex Brooks from UBS. Sir, you can go ahead.

Alex Brooks - *UBS - Analyst*

Good morning, everybody, thank you for the question. Most of my questions have been answered. I've got one which is on the legacy turnover. You've very kindly given us the proportion of revenue which is coming from legacy turnover over the last few quarters. Can you tell us what you think it's going to be for the remainder of the year?

Julian Waldron - *Technip - CFO*

Hi, Alex, good morning. Thanks for the question. We've got less than EUR100m to go.

Alex Brooks - *UBS - Analyst*

Okay, okay. Good, thank you.

Operator

There is a question from Mr. Guillaume Delaby from Societe Generale. You can go ahead with the question.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Guillaume Delaby - Societe Generale - Analyst

Yes, good morning. I would like to come back to two of your answers, if I may. Regarding consolidation, you just said that you can more or less compete on your own vessels, the new Acergy Subsea 7. Does it mean that you rule out any big acquisitions in the future? This is my first question.

And my second question is regarding Brazil. I would like to know if in the last weeks if you haven't noticed some kind of slowdown in activity as an indirect consequence from what happened in the Gulf of Mexico?

Thierry Pilenko - Technip - Chairman and CEO

Two good questions. First one, we are not ruling out anything. But at the moment, what we are saying is that in all the key markets we are extremely well-positioned with the right assets, with factories of flexible pipes and integrated model, strong engineering whether it's in Brazil, the North Sea, Gulf of Mexico, West Africa, Asia. And therefore we can compete very strongly with -- in a landscape where there is one less competitor. So -- but I wouldn't rule any option for the future. We will do what we think makes sense for the shareholders.

And by the way, we have plenty of time to look at both Subsea 7 and Acergy over the past three years as we all know that there was several possibilities of consolidation.

Now as far as Brazil is concerned, no, we have not seen any slowdown in activity. Petrobras continues to be a very safety-conscious company and a very professional company with very strong procedures. And we haven't seen any change in the way they are approaching their deepwater business following the Macondo incident.

Guillaume Delaby - Societe Generale - Analyst

Thank you.

Operator

There is a question from Mr. Lars-Daniel Westby from DnB NOR Markets. You have the floor.

Lars-Daniel Westby - DnB NOR Markets - Analyst

Yes, good morning, thank you very much for taking my questions. I just wanted to talk a little about the lower activity that we're seeing and you also say in your report that you're seeing lower activity in the North Sea. For me, lower activity means lower utilization, which is also what we see from your report which again gives lower prices. I'm just a bit curious, if we look at the lead time on the project, if you can give some comments on the trends for the margins going forward. I'm just thinking that the margins should improve when utilization improves, which is not -- isn't something we're seeing at the moment? But you could see that the trends will continue down on the margin situation. So any comments, I would appreciate.

Thierry Pilenko - Technip - Chairman and CEO

Okay. Well, we said we had seen lower activity in the current quarter with lower utilization. Part of it was linked to the fact that the Apache 2 was being built or fitted, and therefore came into the second quarter relatively late. We had the sea trials in May and we did the first projects in June. And as you know, we generally use our main pipelay vessel plus diving supervessel plus our vessels which explain the lower utilization in the North Sea. And I think that as far as margin is concerned, I would not say

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

that we're going to see a continuous degradation of margins in the future. I said that the environment, the bidding environment hasn't changed significantly over the past six months. And in I don't think, in terms of margins, I don't think we will see a movement, a significant movement either downward or upward in the next six months.

Julian, you want to add something?

Julian Waldron - *Technip - CFO*

I think that the same answer at the beginning of the year and at the end of the first quarter, we said that we were seeing a lot of tendering activity in the North Sea, and that we were hopeful that that tendering activity would turn into awards in the second half of 2010. I don't know about our competitors, but certainly what we've seen is that for us that's turned into awards in May and June. And that's a little earlier than we expected. So I think we see the evolution in the North Sea in terms of activity, and therefore utilization of our assets in the North Sea and our people in the North Sea as probably being marginally more favorable than it was three or six months ago.

Lars-Daniel Westby - *DnB NOR Markets - Analyst*

How would you describe the competition in the North Sea at the moment?

Julian Waldron - *Technip - CFO*

Competition is unchanged from the last several years. There's no new players, there's no players dropped out. So it remains pretty much unchanged. At the moment, we're seeing that the skills we bring, the assets we have, and the engineering solutions, for example, on Marulk that Thierry mentioned earlier on, are the ones that are well-suited to the market. So we're winning business.

Lars-Daniel Westby - *DnB NOR Markets - Analyst*

But is it unchanged from good environment or from a fairly competitive environment?

Julian Waldron - *Technip - CFO*

I don't think there's any new players come into the North Sea market over the last several years, nor has anyone gone out.

Lars-Daniel Westby - *DnB NOR Markets - Analyst*

Okay. And just a question on Skandi Vitoria, which is also a Brazilian-flagged vessel that you're building, do you think that will end up with Petrobras as well?

Thierry Pilenko - *Technip - Chairman and CEO*

Will end up with Petrobras?

Lars-Daniel Westby - *DnB NOR Markets - Analyst*

The Skandi Vitoria?

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Thierry Pilenko - *Technip - Chairman and CEO*

Yes. The contract is already signed for the Skandi Vitoria. So I think we are planning sea trials some times in August or September.

Lars-Daniel Westby - *DnB NOR Markets - Analyst*

Okay. Okay, thank you very much, that's it for me.

Julian Waldron - *Technip - CFO*

Thank you.

Operator

There is a question from Mr. Jean-Luc Romain from CM-CIC. Sir, you have the floor.

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

Good morning. My question relates to West Africa. You mentioned the deal activity picking up in Nigeria, continued tendering activity in Angola. Do you still expect awards of large contracts in the second half of this year? Or might it be rather for 2011?

Thierry Pilenko - *Technip - Chairman and CEO*

I think there will be most probably an announcement about [Fluv] in the next three or four months, in the next quarter. After that, there are several projects that are being bid. And what I said about Nigeria is that we see at least one large project offshore. We see also some interest with uncertain timing, where we see some interest in LNG in Nigeria again.

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

Thank you.

Operator

There is a question from Mr. Christyan Malek from Deutsche Bank. You have the floor.

Christyan Malek - *Deutsche Bank - Analyst*

Hi, good morning, gentlemen. Three questions from me. Firstly, on the Middle East, to what extent is it central to growth in your business for onshore for next year and beyond? And given the competition, are you willing to take a lower margin to be able to secure projects? Or is that even a debate within management for yourselves?

Secondly, regarding the offshore construction business with the delay in FIDs and potentially further, less concerned about the timing potentially but more in terms of when the installation booking onto your P&L occurs. And with regards to that, are you concerned perhaps that utilizations will fall into next year as these legacy projects complete this year and you have a vacuum in FIDs and legacy booking for year and year after? So bottom line is how will margins play out in that scenario next year and the year after? Not on construction but on the installation component.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

And finally, Brazil competition, are you seeing any intensifying competition from large players trying to access the market with discounts on vessels? And are you willing to take large discounts on your [cart] vessels in order to be able to secure new work with Brazil?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, lots of important questions. Let's start with the Middle East. This is probably the place where we have seen the most intense competition on the onshore project, particularly with competition coming from Asia and Korea in particular. Your question was about are you ready to take much more risk and much lower margin. I think the answer to that is we don't want to get into a price war where we will end up with additional or future legacy contracts, okay?

So therefore we are really looking at our chances of winning project by project. And we are trying to position ourselves on projects where we have a very good understanding of the market, the technology and the customer. And so that's what we did in the first half of this year. We want PNB. Some of those projects are not multibillion, they are EUR300m, EUR400m, EUR500m, or a little bit more. But that's okay with us. We are not ready to enter into a price war.

As far as offshore construction is concerned, I think what you are referring to is probably the deepwater Gulf of Mexico. And it is true that the deepwater Gulf of Mexico had seen very little floaters, very few floaters for the past couple of years. And I wouldn't say a slowdown, but was pretty slow compared to previous years in terms of number of projects and so forth. And we were about to see a wave of new projects.

Now, it is too early to say which projects is going to go ahead, which project is going to be delayed, how is it going to impact the installation. But, why? Because we just don't know when the moratorium will be lifted.

So let me maybe try to draw a little bit of a scenario for the moratorium. First, shallow water drilling is ongoing. Secondly, drilling relative to water injection, gas injection or any workover activity is still ongoing. Now, as far as the moratorium is concerned, it's really for deepwater drilling, whether it's appraisal, development or exploration. So I think until the well is definitely killed, there is no chance that we'd see any change in the moratorium, that's my personal perspective.

Then once the well is killed, I think people will start looking at what really makes sense for the business, for the economy, for Louisiana, for Texas and for the industry in the Gulf of Mexico. And I think the first step would probably be to look at production drilling, drilling for development and production. Why is that? It's because when you're dealing with production and development, you're dealing with a known environment where you have a known pressure regime in the reservoir, and where you have design, well geometry and procedures that are adequate for this geological environment.

It's a different story for exploration or for appraisal. I think it's going to take much more time for exploration to pick up again. In the meantime, what we don't know is what -- how the new regulations that will take place in terms of safety, in terms of oil spill response and so forth. That's still too early to say.

So it's a long answer to your question. But it just tells you that it's too early to say what's the impact on installation. But I am hopeful that the first projects that will be sanctioned will actually be production projects, therefore those which require installation. We'll probably know more in two or three months about the schedule.

Christyan Malek - *Deutsche Bank - Analyst*

Thank you. Two follow-ups. In the context of your scenario that you've painted, will utilizations for Technip on the assets go up or down next year versus this year?

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Thierry Pilenko - Technip - Chairman and CEO

As I said, it's too early to tell but I would say fortunately to some extent a lot of the activities that we have planned for the Deep Blue, which is our main asset, is ongoing at the moment, will be finalized. And then the Deep Blue moves on to West Africa to work on projects that are going to go well into 2011. And by then we will know whether the activity in the Gulf of Mexico is affecting the overall utilization. But at this stage, as I said in my statement and as I said in my notes here, we don't see an impact on 2010. And I guess in two, three months we'll be able to give you more color on that.

Christyan Malek - Deutsche Bank - Analyst

And just on -- sorry, one final thing. You mentioned you're happy in all markets, or relatively comfortable. In terms of your rigid market share, it appears to be lagging what you have in flexible and equally given the world is still skewed towards rigid. Do you sense that you need to beef up your construction and utilization capacity? And to what extent does Allseas do that for you in the sense that you've already got a JV with them.

And then linked to that, on the deepwater side, the ultra-deep installation capability you mentioned, are you comfortable with where you are, or do you want to build or buy an asset that can go to the next leg of depth?

Thierry Pilenko - Technip - Chairman and CEO

I think I already answered the question about build or buy. We haven't made a decision yet. But definitely we believe that there is an opportunity to go in deeper water in spite of what people may think about deepwater. I think as bad and important this incident in the Gulf of Mexico is, the oil is in deepwater, a lot of oil is in deepwater and the deeper water and this oil will be exploited.

Now our experience with the project joint venture that we have with Allseas, it's not formal joint venture, it's a project joint venture, is that we see that there is a market, we see that we can work pretty efficiently with Allseas. And obviously as we want to broaden our portfolio so that our clients can get broader solutions, we have to think about how we're going to do that. But we haven't made a decision yet.

And that jumps to your -- the last question that you had about Brazil. In Brazil, yes, there is a market, particularly for these long risers or long pipelines and this market is developing. And at the moment we are addressing through the venture.

Now your statement about rigid versus flexible, I want to come back to that. Because if you look at our Deep Blue activity today, and many of the other -- and the Apache and so forth, most of their activities actually are rigid type laying. The Deep Blue is more than 80% of the activity which is rigid pipe. In fact over the period 2006-2009 we installed more kilometers of rigid pipe than flexible pipe. So it's not a matter of religion about rigid versus flexible, it is the activity to design a solution that is the most adapted to the customer.

Take the Marulk project that we just won. This is pipe-in-pipe project, heated pipe-in-pipe. This is rigid pipe. So -- and I think both technologies will continue to coexist. We have now broken some barriers in deepwater with the Tupi pilot project, which is going to be flexible. We'll probably see other projects in Brazil which are going to be rigid and vice versa. So it's -- it is not about a war between the two, it's what is the best solution for the customer.

Christyan Malek - Deutsche Bank - Analyst

Brilliant. Thank you very much.

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Operator

We have time for only one more question. The question is from Mr. Kenan Najafov from Citi. You have the floor.

Kenan Najafov - Citigroup - Analyst

Hello, this is Kenan Najafov from Citi. A lot of my questions have been covered, but just a couple of smaller ones. Could you update us on the status of the flexible pipe qualification for the pre-salt in Brazil, please?

Second question is about floating LNG, your activities, and the view in Australia and Brazil, please?

And the third question would be just a clarification on the margin recognition. I understand the project closeouts in the Onshore business have helped this quarter. Why haven't we seen a similar effect due to closeouts in the Subsea segment? Thank you.

Thierry Pilenko - Technip - Chairman and CEO

Can you start with the margins, Julian?

Julian Waldron - Technip - CFO

Thanks a lot for the question. I think you do see it in the Subsea margin. This year we started the year saying that we had an objective to do more than a 15% margin in Subsea. We did 17.1% in Q1 and 16.9% in Q2. And some of the difference between a floor of 15%, if you will, and the margin that we had turned out, is to project closeouts. In Q2 the principal project closeout was Cascade-Chinook. So you see it on both segments, both the Onshore/Offshore and the Subsea. It's there and it's there already. It was there last year as well. And if we continue to execute well, I hope you'll continue to see it in various quarters in the future. Thierry?

Thierry Pilenko - Technip - Chairman and CEO

As far as flexible pipe qualification is concerned, we have nothing really new to report compared to what we said two months ago, which is we had the tests at 3,000 meters which were successful up to a 9-inch diameter. There are a number of other elements beyond the pipes, the fittings and so forth, which need to be qualified and tested. And this is the process is ongoing with Petrobras. But the confidence that we acquired with this test, I think, brought confidence to Petrobras go ahead with the pilot on Tupi. So this is ongoing. And once we have the full certification and blessing from Petrobras, we will let you know.

Now as far as floating LNG at the moment, we are working on two major projects; one is Shell, one is Petrobras. And those projects are moving ahead. I think what we have seen since we started these projects is that they are other customers that are interested in the technology but we are yet to see the first final investment decision. And as I said, the first one will probably come from Shell in 2011, but this is their call. Does this answer your question?

Kenan Najafov - Citigroup - Analyst

Yes, thank you. And just a clarification on the flexible pipe qualification, in terms of is there a timeframe, talking about the end of this year, for the completion of this process?

Jul. 22. 2010 / 8:00AM, TEC.PA - Q2 2010 Technip Earnings Conference Call

Thierry Pilenko - *Technip - Chairman and CEO*

I think the end of this year is probably reasonable. But this was initially a research project. So put timeframe on research when there are still elements that need so --- yes, I think six to nine months is probably a good timeframe. Could go faster. I don't have the latest, latest details on this qualification of the additional parts. Okay?

Well, if there are no other questions, thank you very much for attending this call and may see you on the roadshow. Bye-bye.

Kimberly Stewart - *Technip - VP, IR*

Ladies and gentlemen, this concludes today's conference call and we would like to thank you for participating. As a reminder, a replay of this call will be available on our website in about two hours. You are invited to contact us in the IR team should you have any questions or require additional information. Once again, thank you for your participation and please enjoy the rest of your day.

Operator

Ladies and gentlemen, thank you for your participation in today's results conference call. We would like to clarify that the replay of this call will be available within the next two hours. The replay will be on your website www.technip.com in the Investor Relations section or by dialing plus 331 7200 1500 or plus 44 203 367 9460 or plus 1877 642 3018 using the confirmation code 270307 hash key. The replay will be available for two weeks. Thank you and goodbye, you may now disconnect.

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