

FINAL TRANSCRIPT

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TEC.PA - Q3 2010 Technip Earnings Conference Call

Event Date/Time: Oct. 28, 2010 / 8:00AM GMT



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PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's third 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 would now like to turn over the call to your host for today's conference call, Mr. Thierry Pilenko, Technip's Chairman and CEO. Please go ahead, sir.

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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 of Technip. With me are Julian Waldron, our CFO; Arnaud Real, 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.

Kimberly Stewart - *Technip - VP, IR*

Thank you, Thierry. I would like to remind participants that you can download the third 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 Private Securities Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimers which are an integral part of today's press release and slide presentation. Also a replay of today's call will be available on our website approximately two hours after the call ends.

I now hand you back to Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Kimberly. During this call Julian will go over the operation and financial highlights of the third quarter and I will then comment our strategic priorities and the outlook for 2010 and '11. Julian.

Julian Waldron - *Technip - CFO*

Thierry, thank you very much. So I'll turn to slide four and take Subsea operational highlights first. We completed offshore operations on a number of projects, notably Caesar/Tonga and Angostura in the Gulf of Mexico, and Broom in the North Sea. We continued our offshore operations on Jubilee and we started Block 31 and West Delta Phase VII during the quarter. And we completed the main offshore operations, there's still some additional [VSB] work to do, the main offshore operations on the Tupi gas export line.

Our vessel utilization rate was, as expected, higher than in Q1 and Q2 at 81%. This is still 4 points below last year which in the quarter was 85%. Our flexible pipe plants both in Brazil and in France continued to be busy during the quarter.

If I turn now to Onshore/Offshore, we delivered Qatargas Train 6 during the quarter to our client and I just note that since the end of the quarter we also delivered Train 7. So all six trains and the associated gas plant are now delivered to the clients and the execution phases of these projects are thus completed. We've also obtained a ready to start-up on [Araslefin] ethylene plant also in October.

Other than that we advanced well on medium-sized and more recent projects such as the biodiesel plant in Singapore and the Grupa Lotos facility in Poland, and these are close now to being handed over to the client. And we continued work both on newer existing projects such as the Jubail refinery and Asab and PMP, and also on our key FEED projects.

If I turn on slide six to order intake and start with Subsea. Order intake in Subsea was EUR720m so we had a book-to-bill above 1 for the segment and it contained a good mix of projects. As in the second quarter, Brazil and the North Sea were the most important regions. For example, in Brazil we won the flexible supply for Papa Terra and in the North Sea the conversion of a

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high level of tendering into awards continued as far as Technip was concerned, and it helped both our backlog therefore for 2011 and for outer years. And we continue to see good strength in the North Sea market.

Elsewhere I would just like to confirm that we had no impact on our H2 operations from the Macondo incident. Our main vessel, the Deep Blue, has now left the Gulf and is in Africa working both on Jubilee and Block 31. Another vessel, the Apache II has arrived in the Gulf and is now working on pre-booked projects. And whilst we remain cautious about some aspects of the Gulf of Mexico going forward, for example, permitting, we do see our clients continuing to seek to advance on their deepwater developments and we have more visibility, we think, in the Gulf now compared to three or six months ago.

Looking at Onshore/Offshore on order intake, the largest contract in the quarter was an offshore project in the Neutral Zone between Saudi Arabia and Kuwait, called KJO. That project was bid and won and will be executed by the Middle East Region we formed last year.

We won an extension to existing activity in Central Asia with a broader scope and a good number of FEEDs, including two significant pieces of work in North America.

We've been able to grow our Onshore/Offshore backlog over the last 15 months with a combination of one or two large flagship projects, with a very good balanced backlog of smaller and medium-sized projects and we had the for two segments nearly EUR5.4b of backlog at the end of the quarter.

If I turn now to P&L and look at Subsea, Subsea for the third quarter had a margin of 16.9% (sic -- see presentation) and this leaves us above our 2000 objective for the third quarter in a row and we've therefore as you've seen increased our 2010 margin guidance. Revenues for the quarter included good contributions from Jubilee, Block 31, Pazflor and the Tupi gas export project in Brazil.

Slide eight, Onshore/Offshore P&L, we grew margin by a point year-on-year and we're again around 6% for the two segments combined. Within the revenue we had about a 5% contribution of legacy and that's in line with what we indicated at the end of July and with the delivery of Train 7 in Qatar in October we can confirm we'll have the last leg of revenues from legacy in the fourth quarter. So that, again, is as planned.

The margins between the two segments are quite contrasted and I'd, again, encourage you I think to look over a longer period rather than just on one quarter. You'll recall that in onshore -- sorry in offshore a year ago we had a single project that came to conclusion and we were able to release some provisions on that. And over the first nine months of this year we've had an operating margin for the two segments combined and individually around about 6%.

Looking at slide nine, overall for the Group revenue was off nearly 12% with onshore being the main driver of that, but the operating margin crept up from 10.1% to 10.3%.

Below operating margin, financial charges were slightly better year-on-year with higher interest income and in particular lower mark-to-market impacts. There was very little interest income taken to revenue, about EUR3m in the quarter. And our tax rate was 29.4% which is in line with our expectations and that drove net income of EUR103m.

Turning on slide 10 to the balance sheet and cash flow, underlying working capital was largely unchanged in the quarter. For example, you see that construction contracts which were EUR450m at the end of June were EUR470m at the end of September. That compares to EUR860m at the end of September a year ago.

The main working capital movement is therefore the TSKJ payments. We spent the first \$158m in the quarter and that from a cash flow point of view flows through the working capital line.



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CapEx at EUR126m includes some of the milestone payments on the new vessel, the Niteroi, and we note in the press release this morning that we'd expect full-year CapEx to be around EUR500m for the year. At the beginning of the year we indicated EUR400m and since then, as you know, we've bought the Niteroi, or the 50% stake in the Niteroi, and we've taken on some additional contracts on logistics in Brazil, particularly in Vitoria and we've spent some CapEx on that.

We closed our EUR200m private placement in July, at ten years as planned, and we were also able to drawdown some financings in Brazil for our assets there. And net cash at the end of the quarter was EUR1.36b.

I'll close on slide 11 on the backlog scheduling. We have about EUR1.6b of business in backlog to execute in the fourth quarter and that supports our full-year revenue guidance. And we now have EUR4.5b of business estimated for execution next year and EUR2.3b scheduled for execution in outer years. I think if anything I'd expect our order intake in the last quarter to extend further our visibility, in particular for those outer years.

And with those comments I'll hand you back to Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Julian. Let's look now at how we executed on our strategic priorities this quarter. Firstly, we continued to build a balanced backlog with a EUR1.6b order intake, of which 45% is in Subsea and 55% in Onshore/Offshore.

Secondly, we delivered a pipelay vessel, Skandia Vitoria to Petrobras, I remind you that this is the first Brazilian-flagged heavy construction vessel built in Brazil.

Thirdly, we signed a strategic agreement with MISC, which is a subsidiary of Petronas, to invest in MHB which will help us reinforce our offshore and onshore segment position in Malaysia but also outside Malaysia as we will see in a minute.

On the technology front, I think I would like to highlight two important projects. First of all the Islay reeled heated pipe-in-pipe project in the UK North Sea, and the integrated product bundle for Papa Terra for Petrobras. This is actually the first application of this IPB proprietary technology in Brazil.

So still in Brazil we continued to expand our logistic capabilities both in Vitoria and Angra Porto.

And lastly, we have grown our work force pretty significantly to date with the net addition of about 550 employees since the beginning of the year.

On slide 14, among the several diversified projects that we've won, I would like to highlight this quarter the FEED of the Marine Well Containment System for the Gulf of Mexico which is a system that will be managed by Exxon Mobil on behalf of a consortium of several companies, the largest companies in the Gulf of Mexico, to be able to respond to an incident of the size of Macondo.

And the other element I'd like to highlight is the hydrogen plant, two hydrogen plants in the USA which show that there is some movement on the upgrade of existing refineries.

And the Khafji -- and finally the Khafji offshore project in The Middle East.

On slide 15 I'd like to come back for a minute on the Islay project in the UK. These are tiebacks in the North Sea which are getting longer which increases the possibility of hydrates forming in the pipeline. So we have studied that technology for a number of years now, heated pipe-in-pipe which is going to be a first in rigid pipe to address these flow assurance challenges. And we will continue to invest in both rigid and flexible solutions to define more technologically-rich solutions for our clients, and so far we've been quite successful with this strategy.



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I'd like now to zoom on the Asia-Pacific region and in particular on Malaysia where we've made a very significant investment in the last quarter. We have an established presence in Asia for almost 30 years with about 3,800 employees across the region and we are accelerating our investment in Malaysia, first of all because of its central location in Asia, but also because of its hydrocarbon potential.

So the first major step is Asiaflex, which is the first flexible and umbilical manufacturing plant in the region, which is at commissioning stage. And the second step is our investment in MHB which will provide us access to Malaysian and Turkmenistan onshore and offshore markets and a long-term relationship and collaboration with the PETRONAS subsidiary. So these investments for us are fundamental to grow our local presence and to leverage our engineering expertise in this area.

Now let's look quickly at how we see the business environment region by region. I've not going to repeat what we said last quarter; I'm just going to focus on the main changes since last quarter.

In the Gulf of Mexico, as we pointed out, as Julian point out before, the moratorium was lifted in October and we see a transition period, particularly with some difficulties on drilling permits. But in spite of that our visibility has improved for the medium term as we start to see that several deepwater production developments have regained momentum.

Brazil continues to show positive momentum with a lot of tendering activities for both traditional and pre-salt fields.

The Middle East should remain strong with substantial investment, in particular in Saudi Arabia with several gas refining and petrochemical projects. However, in general, the timing of this award is uncertain still and the competition remains pretty intense in this region.

In Africa, we see that Nigeria is gaining momentum and that's new, and that's both onshore and offshore, probably offshore first and then onshore later. So that's very good news because Nigeria had been pretty slow over the past three, four years.

Finally, in the North Sea tendering activity remains high both in the UK and Norway and with the relative oil price stability in that region, I think the clients' confidence is increasing and therefore we expect much better momentum in the awards in the coming few quarters.

So before addressing our new 2010 outlook, I would like to give you some color on how we see 2011 for Technip. It's obviously a very preliminary view as we are just starting the budget process and we'll be coming back to you in February, as usual, with our 2011 guidance.

So moving to slide 18, looking ahead at the oil and gas service industry as a whole we have seen that new project momentum has grown in 2010 but some of them have slipped in 2011. So, as I said before, there are uncertainties in the timing and still a lot of competition in all our markets but the relative oil price stability plus the importance for our clients to sustain their strategic investments are really good drivers for the growth next year.

So for Technip our EUR8.5b backlog gives us fair visibility and even if there remains important business to be won during the remainder of 2010 that means that we can look at growing our Group revenue in 2011. And at this stage in 2011 we see a Subsea operating margin around 15% and Onshore/Offshore margins being sustained year-on-year.

But let's go back to 2010 because we still need to finish this year. So after three solid quarters pretty much or slightly above targets, on targets or slightly above targets, we're able to raise our 2010 operating margin outlook. We now expect Subsea operating margins around 16.5% and close to 6% for Onshore/Offshore combined.

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). We have a first question from Mr. Alexandre Marie from Exane BNP Paribas. Please go ahead.

Alexandre Marie - Exane BNP Paribas - Analyst

Good morning, everyone. The first question, you mentioned operating margin of 15% in the Subsea for next year. Shall we see this like this year's margin, i.e. a floor rather than a target, or is it definitely a target for your Subsea business?

Then I'd like to talk a bit about the US business because you have said in the past that you didn't want to take any onshore contracts in the US and Australia and this quarter you took a contract with Valero. So has your view changed at all on US onshore business, or shall we say that there is so little business elsewhere that you had to go where you previously didn't want to go?

And finally, you said there is some momentum in Nigeria, so can you mention a few specific projects? Are we talking, for example, about NLNG or other projects?

Thierry Pilenko - Technip - Chairman and CEO

Okay, I'll let Julian answer the question on the Subsea margin and then I'll talk about the market in Nigeria and the US.

Julian Waldron - Technip - CFO

Thanks. Good morning. We're trying to give you an indication on 2011 four months, five months earlier than we did last year so I think it's a good time for us to try and help you look for the industry and for Technip a year ahead. At the moment we see margins around 15%, that's what the press release says and that's what it means. As we get closer to February we'll refine that.

I think the qualitative comment I'd give is that we've got a very good book of business booked for next year, we've got a good level of backlog for a high level of visibility and we're trying to translate that into an element for you to look at. There've been lots of industry comments on the fact that margins will go down next year for the industry but I don't think anyone has given a number on that. We think that the impact for Technip is there but we think it will be perhaps more limited than the some others in the industry have been indicating. And that's why at this stage we think around 15% is the right language to give you.

Thierry Pilenko - Technip - Chairman and CEO

Now as far as your two questions on the business and on the projects, I'll start first with the North American business that we have won. The two projects that I highlighted are hydrogen plants and you know that we are the leaders, or one of the leaders, in hydrogen plants. These projects are engineering and procurement and do not have construction risk and so they are fully in line with what we said we would do in the North American market. So we are not taking construction risk on these projects, the construction is outside of the scope even though we're going to obviously work with Valero to ensure that this construction is as smooth as possible. So no change in the strategy and still a lot of focus on hydrogen technology.

As far as Nigeria is concerned I would say we start to see momentum on the Egina project offshore. And there are some serious talks about reactivating or resurrecting the Brass LNG project which has both an onshore and offshore component. So I think we have now a little bit more visibility in Nigeria as an industry than we had six or nine months ago.

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Alexandre Marie - *Exane BNP Paribas - Analyst*

Okay, thank you very much.

Operator

We have a question from Mr. Mick Pickup from Barclays. Please go ahead.

Mick Pickup - *Barclays - Analyst*

Good morning, gents. Just a follow-on from what Alex Marie just said there, he mentioned going into the US. If I'm to believe press reports that are out there, it looks like you're bidding in Algeria at the moment on a refinery out there. Now I can't remember you being in Algeria historically so how does that fit in with the policy of areas you know well, subcontractors you know, things you know well?

Thierry Pilenko - *Technip - Chairman and CEO*

Good question, Mick. Yes, we are bidding in Algeria and we should have some news about the outcome of these bids in I guess the next few weeks. However, what I'd like to say is that, first of all, it is not true that we haven't been working in Nigeria -- Algeria because we've been involved very much in the Arzew project both at the FEED stage of the LNG and at the P&C level.

Secondly, the project that you are probably referring to, which is a revamp or an upgrade of the refinery, is something that has been on the radar screen for actually a very long time, because that was part of the investment that Sonatrach wanted to do. So we had ample time to look at the conditions of subcontracting and also the execution plan with the customer and that was one of the projects that were postponed as Sonatrach was being reorganized. So we had a lot of time to analyze how we would execute that project in that existing refinery. But we'll be able to talk more if and when we sign this contract.

Mick Pickup - *Barclays - Analyst*

And can I just ask a boring question on the SG&A, it jumped up a lot in the quarter, can you just tell me what's behind that please?

Julian Waldron - *Technip - CFO*

I think the most important driver, and frankly it's been that way over the last 18 months, is still selling and tendering cost. We're still spending more than we'd like on dealing with the volume of tenders and the fact that tenders are coming in, being bid, then being rebid and further bid. So the timing of those is both being pushed out which is leading to further bidding phases and also in some cases being pulled in and assembling a team for responses, even if the project has been on our radar screen, quicker than we expected is just leading to additional cost.

There are some other things, there's a currency impact and so forth but the key, I think, negative if you will underlying, or difficult underlying driver is probably the selling and tendering line.

Mick Pickup - *Barclays - Analyst*

Okay. Thanks a lot, Julian.

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Julian Waldron - *Technip - CFO*

Thank you.

Operator

The next question is from Mrs. Fiona Maclean from Merrill Lynch. Please go ahead.

Fiona Maclean - *Merrill Lynch - Analyst*

Thank you. It's Fiona from Merrill Lynch. I have a few questions. Firstly, if we look at Brazil there's a lot of discussion now about Petrobras requiring some additional new units for the region. Can you give your latest thoughts on whether you're still looking to invest in new (inaudible) deepwater capacity? And would those vessels just be for Brazil?

And then in Australia, can you give us an indication of the timeline that you see for these projects, and that's excluding Prelude which we are expecting in the first half?

And lastly, just if you can give us a flavor of what you're seeing in terms of demand for your Asiaflex plant that's opening this year. Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. I'll start with Brazil. Yes, there is a tender out in Brazil for additional capacity, pipelay capacity. I think at the moment Petrobras is talking about six units and there were a lot of talks about what type of vessels and how many vessels would be needed for the development of both the traditional fields as well as the pre-salt fields. I would like to remind you that Petrobras is also bidding these new vessels because there are a number of units that will have to be retired in the timeframe 2013 to 2015. So these are not going to be net additions but some of them are going to be replacement for retired vessels.

As far as Technip is concerned we are studying these opportunities and we will make a decision to participate or not based on our criteria for return on capital. But obviously we are very serious in Brazil, we have continued to invest, we are positioning ourselves strongly in particular with the large diameter pipes and flexible pipes and also with the IPB, as you've seen we have won the IPB for Papa Terra, which is a traditional field, it's not a pre-salt field. And therefore it's important for us to see how we can continue to participate in that market through additional assets, but obviously it's too early to talk about any decisions at this stage.

Going to the Australian projects, I would say everything that you already said. I think in the past a lot of projects were supposed to start almost all at the same time and we see the classical Australian syndrome I would say, which is to stagger the projects rather than having them all at the same time because there is definitely a shortage of resources in the country to execute those projects. So we continue to see obviously a very strong momentum on Gorgon but also on Wheatstone and in fact on Wheatstone we are involved with and we work for Chevron on designing the top side and the platform. And I think some projects like in the Queensland area, like Gladstone may be a little bit more, I wouldn't say delayed but shifting towards a later stage. But we continue to see a lot of interest in the Australian market for gas projects and for LNG projects that are going to produce liquefied gas probably after 2015.

Now as far as Asiaflex is concerned we at the commissioning phase now. As soon as the plant is operational we are actually, we have an opening ceremony for the plant at the end of November and we will be starting producing our first lines and we are working on several prospects at the moment.

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Fiona Maclean - *Merrill Lynch - Analyst*

Okay. Can I just ask a follow-up? How many vessels do you actually see getting retired between 2013 and '15?

Thierry Pilenko - *Technip - Chairman and CEO*

Any vessels being retired?

Fiona Maclean - *Merrill Lynch - Analyst*

How many can you identify?

Thierry Pilenko - *Technip - Chairman and CEO*

I'm not sure I can give you a number on this one because -- but in Brazil there are probably two or three.

Fiona Maclean - *Merrill Lynch - Analyst*

Okay, thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Brazil only, yes? There may be other vessels outside of Brazil but I think in Brazil there are at least two or three units we know of that are going to come to the end of their useful lives.

Operator

The next question is from Mr. Martijn Rats from Morgan Stanley. Please go ahead.

Martijn Rats - *Morgan Stanley - Analyst*

Yes hi, good morning. I've got two questions if I may. First of all on the Onshore, a lot of your peers have been winning a lot of contracts over the last 12, 18 months in the Middle East. Again, for Technip in this quarter the Onshore order intake was somewhat modest and the backlog declined. I was wondering how keen you are to participate in this outlook for very strong spending because it seems that it's not external demand for projects that seems to be the limiting factor, it seems that perhaps you're bidding very selectively or not that much. I was wondering how you see that going forward.

Secondly, I have a question about the cash balance. Obviously this is not new, this has been there for some time now but I think when the outlook is uncertain nobody really expects you to do anything with this large amount of cash. But now that you and also your peers are commenting that the outlook is rapidly improving, that the outlook for order intake starts to firm up, that the industry is recovering, it might be time to start to put that money at work in a more meaningful way. I was wondering how you think about your acquisition strategy from here on?

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, I'll answer the question on Onshore and I'll let Julian answer the question on cash. First of all, on Onshore, we have been rebuilding backlog over the past few quarters, I think over the past six quarters you have seen that our onshore backlog has



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grown. It is true that we have been selective, we have been selective in The Middle East and there was also pretty fierce competition in the Middle East.

Now if you look at the large contracts won in the Middle East, we were actually one of the first to win a very large contract, which was Jubail and we felt the conditions were right for us because we had done the FEED. We don't look at just onshore in the Middle East, we look also at offshore projects because there a couple of projects that are developing offshore in KJO which we won this quarter, is an example, but there will be more, particularly in Abu Dhabi in 2011, 2012.

So yes, we've been selective. Yes, we are today finishing the execution in Qatar for the large LNG projects but you know at the beginning of the year we won PMP in Qatar which is a slightly smaller size than the giant projects, the giant LNG projects, because I think it was around EUR800m, but we still have a strategy to bid selectively in the area and there are a number of projects in Saudi Arabia in particular where we are currently bidding.

Martijn Rats - Morgan Stanley - Analyst

Okay.

Julian Waldron - Technip - CFO

Martijn, good morning. On the cash, first of all, I think when I look back over the last 18 months of so we've turned at least as much of the cash that we had on our balance sheet then into cash that is not represented by construction contracts, so that is more available for us, so I think that's a positive development.

In terms of areas where we can use it I'd mentioned two things. First of all, the investment in Malaysia is a strategic investment for us, I don't think there are many other opportunities of that scale, but if we can continue to accelerate our local content in key countries then we will look to do that.

And referring back to one of the earlier questions, in Brazil there continues to be a demand for assets and we have the ability to respond very flexibly and very quickly and very favorably to those demands for assets to help grow the business over the medium term. So, those are probably the areas where we're focusing most of our time in terms of cash usage.

Martijn Rats - Morgan Stanley - Analyst

All right, thank you.

Operator

The next question is from Mr. Phil Lindsay from RBS. Please go ahead.

Phil Lindsay - RBS - Analyst

Hi, good morning. Just one question actually. Can you discuss with us the margin opportunity in Onshore? Presumably you're not content with just the industry average in the medium term and some of your peers recently have highlighted upside potential for their onshore margins. But, with competition remaining intense in key onshore markets, how does Technip differentiate itself and what has the Company got in its armory to drive margins forward? Or does the level of competition prevent any meaningful upside?

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Julian Waldron - *Technip - CFO*

Phil, thank you for the question. I appreciate what others in the industry say. I think though as far as Technip is concerned we are still in a phase with our shareholders of building our reputation for delivering a good margin on a sustainable basis in our Onshore/Offshore business. And for a number of quarters that's what we've been telling you that we want to deliver and we feel when we look at 2010 and also when we look forward to 2011 that we are beginning to show our ability to deliver that.

There will, I'm sure, be a time to be more ambitious but for the moment the right thing to do is for us to focus on delivering what we said we would deliver. We're nearly there and we want to maintain the focus internally to make sure that we get there fully solidly and deliver absolutely what we said we'd promise.

Phil Lindsay - *RBS - Analyst*

Okay, fair enough. Thanks.

Operator

The next question is from Mr. Guillaume Delaby from Societe Generale. Please go ahead.

Guillaume Delaby - *Societe Generale - Analyst*

Yes, good morning. Two questions, if I may. First, if I remember, the amount of your legacy contracts for 2010 was roughly EUR300m with a zero EBIT margin. Could you confirm more or less this amount?

And second question is regarding 2011 prospects. If we compare your backlog today with your backlog one year ago we can see strong improvement in Onshore and Offshore but the Subsea backlog remains more or less the same. On the other hand, in 2011 you will benefit from new assets which will contribute during the full year like the Apache II, Skandi Niteroi, and probably also Asiaflex. So, does it mean that -- do you expect some kind of growth in subsea in 2011 as well, even if it is not reflected in the backlog yet?

Julian Waldron - *Technip - CFO*

On legacy contracts from memory on the July conference call we indicated we had about EUR100m of revenue on legacy for the second half, that's essentially all related to Qatar. One train delivered during the third quarter, one train delivered during the fourth quarter. So, that EUR100m will be done by the end of the year and you can assume that it's roughly split between Q3 and Q4. And we had around about 5% of our On/Off revenue in Q3 came from legacy. So, those numbers I think tie up.

As far as the backlog is concerned I think we are, again looking back over the last five or six quarters, in a difficult or uncertain market for order intake. We've slightly grown over that period our Subsea backlog. As you look forwards the main new contributor for 2011 in terms of revenue will be Asiaflex but that is very much in a period of ramp up. The Apache II, I'll let Thierry comment on the Niteroi in Brazil, but the Apache II is much more of a replacement vessel for the old Apache. So, there's no real delta in revenue coming from that vessel, it's just a swap out of an older for a newer.

Thierry Pilenko - *Technip - Chairman and CEO*

And as far as the Niteroi is concerned, first of all, we need to finish the vessel. It's still being built but we are very hopeful, I wouldn't say confident, that as soon as it's operational we'll be able to put it in operations with Petrobras. But at this stage, as

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you know, we haven't announced a contract for the Niteroi, but the demand is very strong in Brazil. So, that is the plan. At that time we'll be able to communicate more. So, I think it's more, if you want, an impact on order intake for sub-segments here that we are talking about rather than a 2011 revenue impact.

Guillaume Delaby - *Societe Generale - Analyst*

Thank you, that's very helpful. Thank you.

Operator

The next question is from Mr. Andrew Dobbing from JP Morgan. Please go ahead.

Andrew Dobbing - *JP Morgan - Analyst*

Yes, good morning. A couple of questions please. I understand you're doing the FEED for the hydrocracker on the EUR20b, I think I've read between EUR15b and EUR20b, for the Jubail petrochemical project, I guess that's the one that's moved from Ras Tanura. There appears to have been a bit of a trend that at least in Saudi Arabia when you're doing the FEED you get the EPC as well. Do you believe you're in a strong position on that project? And can you please update us on the timing? Are you already bidding for that project, for the EPC of that project?

And, secondly, can you confirm whether you are in fact discussing a new-build spar for Anadarko for the Lucius field in the Gulf of Mexico? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, two good questions. Yes, as you noted, Saudi Aramco is moving forward and pushing for this petrochemical complex. I would not comment on the timing of that complex because this is very much a client decision. I would just say that it seems both Saudi Aramco and Dow, they are a partner on the ethylene cracker, are very motivated to push this project.

With the change from Ras Tanura to Jubail, there was a slight change in design, actually a pretty important change in design that we have to take into account in the FEED. And we are very active with this FEED, and I think we will be in a very good position to understand the client needs and to propose our technology for the construction phase. However, we are still a long way from final in the spend decision and we haven't yet received the EPC tenders. Okay.

Andrew Dobbing - *JP Morgan - Analyst*

Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

So, there will be many packages over this EUR15b to EUR20b project. And don't think that the cracker itself is EUR20b -- EUR15b or EUR20b. It will be, as usual, many packages and we will have the same strategy as before in Saudi Arabia. We like the packages where we have done the FEED, we like the packages which are -- where technology is important and obviously if we can provide our own technology this is a plus for us and for the client. And we have a good track record with Dow on crackers, but this is a market which is open and I don't know about the final investment decision. It could be end of 2011, it could be 2012, you would really have to ask Saudi Aramco and Dow about what their plans are.



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As far as Anadarko in the Gulf of Mexico are concerned, I think Lucius has a high probability to move forward relatively quickly and that's why we said that now that the moratorium is lifted and because Anadarko were very close actually to make decisions on this project. But, in the next couple of quarters we should see a decision on that and we believe that a spar solution is the preferred solution but we haven't seen a decision yet on this one.

Andrew Dobbing - *JP Morgan - Analyst*

Thanks very much.

Operator

The next question is from Mrs. Dominique Patry from Cheuvreux. Please go ahead.

Dominique Patry - *Cheuvreux - Analyst*

Yes, good morning. I have first a question on the Subsea margin guidance for 2011. Just would like to know to which extent you are taking into account the recovery of the North Sea market and its potential impact on the utilization of your fleet, and especially of your DSV fleet.

And then I have a question regarding the offshore construction market in Australia and to which extent you are happy with your fleet and your asset base to tackle this market?

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, I start with the Subsea margin and I think the underlying question is why are we giving a margin which is so precise and maybe so early in the cycle when we used to give this type of margins early in the year, so in February. The first point is it's because we can. We have visibility on our backlog. We also want to be very transparent because we want to tell our investors how we see the market for 2011. I know this was a big question mark about where are the margins going in the Subsea. And we may see 2011 around 15%, which is probably slightly better than some of the communications, the qualitative communications, that we have heard in the market.

But we want also to indicate that we are in a business which is not like drilling, or seismic, or reservoir evaluation, where things can change very rapidly and pick up rapidly with pricing momentum when the market picks up, because we are mostly on very, or longer term contracts.

Now, there is, I would say, one exception to that which is the North Sea. The North Sea can pick up more quickly than the other markets. Generally, we see the North Sea going down faster and picking up quicker because of the smaller size of projects and the activity in tiebacks and so forth. And so, the utilization in the North Sea should improve in 2011. But, the North Sea is just one of our regions and we see good signals in terms of bidding and in terms of awards. Some of the awards happened in Q3 we will probably see much more in Q4, or Q1 of next year. But, this is not just driven by the pickup in the North Sea and utilization of the DSV should be adequate next year.

Dominique Patry - *Cheuvreux - Analyst*

Thank you.

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Thierry Pilenko - *Technip - Chairman and CEO*

Offshore construction market. There are a very large number of projects in Asia and that's not only Australia there is also a large project for offshore China, which is only going to be awarded in the next six to 12 months. And now, your question is do we have all the assets we need to address this market? Well, globally with our fleet, with our global fleet, the answer is yes. Now, some of these projects are very big and require very high capacity in terms of top tension and so forth, so in that case we would have to mobilize some of our vessels from other regions. But, that's part of the dynamics in Asia Pacific.

Dominique Patry - *Chevroux - Analyst*

Meaning that you could not take all the growth in other markets with this growing momentum offshore Australia and South East Asia?

Thierry Pilenko - *Technip - Chairman and CEO*

We should not forget that by the end of 2011, early 2012, we will have one more vessel, a high capability vessel, which is the Deep Energy, which is going to come into the market. So, I think we have now a fleet which has been significantly renewed and is capable of tackling almost any type of the subsea projects that we have on our radar screen at the moment. And when it comes to larger diameter trunk line type of activities, like we've done in Brazil for the Tupi gas export line, we have established relationship with some of the vessel owners and the operators that can help us install those larger pipelines. So, I think we know how to execute all the projects that we have on the radar screen at the moment and I don't think we will have capacity constraints.

Dominique Patry - *Chevroux - Analyst*

Okay, thank you very much.

Operator

The next question is from Mr. Ian Macpherson from Simmons. Please go ahead.

Ian Macpherson - *Simmons - Analyst*

Hey, late in the call, so just picking up the pieces here. I have one question in three parts about your margin guidance. The first question is, or the first part is, since you apparently have more visibility today to see your margin than you did a year ago, should we read explicitly that there's less conservatism than you had a year ago because you guided 2010 at slightly above 15%, and you're coming in 16.5% to 17%. So, because you have more visibility does that mean we should infer less conservatism to the number?

Secondly, when we spoke a quarter ago I think the outlook was for Asiaflex to be a non-contributor to the profit for 2011. Is that still the case, and does that constitute any potential variability into your margins, if it performs better or worse next year?

Finally, with regard to the margin trajectory, are you expecting a flat margin next year or one that continues to trickle lower starting above mean and exiting the year next year below mean? That's it, thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

Julian, do you want to answer the questions on margin guidance and trajectory?

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Julian Waldron - *Technip - CFO*

2012, forgive us, I think, we're probably going to duck that one at this point given that we're in October 2010. (multiple speakers).

We're five months before we normally give a quantitative outlook and quantified objectives. So, I think if you make the step to give a number at that stage you need to do it with a degree of prudence because neither Thierry nor I would wish to disappoint. The same dynamics in our Subsea business against that will apply as they always have done. We need to continue to take in projects to fill the remaining gaps we have in our schedules, both for vessels and for manufacturing. That's the same as it was a year ago and the same as it was two years ago.

Secondly, a driver of margin over the last two to three years has been project execution. Project execution has been one of the key drivers taking us from (technical difficulty) 15% to the around [16.5%] this year and next year and indeed for the year following. It will continue to be a driver of our margins in Subsea and increasingly in Onshore/Offshore as well. So, I don't believe there's any difference in the way that we've put together our thoughts on 2011 now compared to a year ago. We've just tried a little earlier because we've had very many questions on it and because we do have a good backlog already in house. We just felt that it was the right time for us to try and be helpful.

Thierry Pilenko - *Technip - Chairman and CEO*

As far as the Asiaflex contribution is concerned we will be ramping up production at Asiaflex throughout 2011 and our business is made of a lot of moving parts. So, I would not consider that Asiaflex be a large contributor to our margin momentum in 2011. It's probably more likely a 2012 event.

Ian Macpherson - *Simmons - Analyst*

Thank you both. And then the last question about the trajectory of margins next year. Flat or trending lower through the year?

Thierry Pilenko - *Technip - Chairman and CEO*

I wouldn't give a trajectory at this stage because we gave very preliminary guidance on the margin, the trajectory will highly depend on our project execution, as Julian was saying.

Ian Macpherson - *Simmons - Analyst*

That's helpful. We appreciate it.

Operator

The next question is from Mrs. Amy Wong from UBS. Please go ahead.

Amy Wong - *UBS - Analyst*

Hi, good morning, guys. Just a quick question on your order intake, which was pretty impressive this quarter. You guys had EUR720m in Subsea, and I was just wondering how much of that is new orders and how much of that is actually variation orders based on the projects that you are currently executing on?

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And the second part of that question is looking at your current portfolio of projects under execution, what's the potential for variation orders going forward? Thanks.

Thierry Pilenko - Technip - Chairman and CEO

Julian?

Julian Waldron - Technip - CFO

Amy, thank you for the question. A couple of comments I think. Variation orders are in our judgment no different at Technip than they are anywhere else in the industry. And, secondly, we've seen no material change in the way that the market has functioned either Onshore or in Subsea for variation orders over the last two or three years. It's neither become more prevalent nor less prevalent. It's a part of the market, you're dealing with two or three year projects, and therefore in most projects you have VOs. They are not a significant driver of order intake this quarter, they've not been this year and they weren't last year either. It's not an order intake driver at all.

But again, I really don't think we're any different from anyone else in the industry in the amount or the way in which we look for them. I think the whole industry operates the same way. But, it's not a driver of the order intake for the last several years.

This quarter, other than the flagship projects that we mentioned by name, what you miss is the smaller projects in the Gulf, the smaller projects in the North Sea, some of the smaller projects in Brazil, which in subsea are relatively small, \$10m, \$20m, \$30m, which are not always press released and which are not always therefore named. And our Subsea business is made up, and has been for a while now, of probably a much larger number of these smaller orders than maybe is easy to see for analysts and shareholders externally.

Amy Wong - UBS - Analyst

Could I just have a quick follow up on that then. With these smaller projects we typically expect the offshore component to happen much sooner and that they start contributing to your top line much sooner as well. And I see that the revenue coverage for 2011 is also quite good at this point in the year. So, does that have an impact or how does that factor in to your 2011 margin guidance then?

Julian Waldron - Technip - CFO

Well, it means that we do have the good backlog that you've seen. But, I would caution you, although the projects may be executed in a relatively short period of time, it can be a two or three or one month campaign to do a tieback, for example, we have put some emphasis this year, for example in the North Sea, on booking not just 2011 but looking forward to the outer years. And, as I think I mentioned earlier, as we go through the last two, three months of the year trying to improve visibility in the outer years is going to be one of the focuses we have. So, although the projects may be short in duration they can still be booked one to three years ahead.

Amy Wong - UBS - Analyst

Great, thank you very much.

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Operator

The next question is from Mr. Kjell Erik Eilertsen from Fearnley Fonds. Please go ahead.

Kjell Erik Eilertsen - *Fearnley Fonds - Analyst*

Yes, good morning. One brief question regarding the depreciation and amortization, what explains the jump sequentially and is this the level we could see going forward including any margin guidance?

Julian Waldron - *Technip - CFO*

Depreciation and amortization this year we began the year expecting it to be around about EUR160m, and I don't see any change, material change, relative to that for the full year. In the third quarter you have a couple of things playing. You do have the beginning of depreciation for some of the new assets. You have one small write-off that we took in the quarter for an asset that is damaged and that we don't expect to be able to recover. I don't think for a particular quarter it's that material and it doesn't change what I'd suggest for the full year.

And next year, currency aside, you'll probably see a little bit of a tick up because you'll have the full year impact, from the Skandi Vitoria in particular, and some of the depreciation in Asiaflex as well beginning next year. We'll talk more about that in February.

Kjell Erik Eilertsen - *Fearnley Fonds - Analyst*

Okay, thank you.

Julian Waldron - *Technip - CFO*

Thank you.

Operator

The next question is from Mr. Christyan Malek from Deutsche Bank. Please go ahead.

Christyan Malek - *Deutsche Bank - Analyst*

Yes, good morning, gentlemen. Three questions if I may. Firstly, on the subsea industry, rather than focusing on the margin and obviously direction's probably negative next year, can you just give some commentary around the structure of this industry mid to longer term in light of a lot of new pipelay vessels coming on stream? The supply/demand picture obviously always is difficult to tell but do you feel that margins in this business have the potential to go back to where they were at peak level, assuming a \$60 to \$85 oil price? Just slight visibility beyond the longer term qualitatively please.

The second question is on the new acquisitions or targets for acquisitions, is it from all the commentary you said so far, clear that you don't want to make a large scale acquisition? You're looking just to do local content, small bolt-on extensions on vessels?

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Thierry Pilenko - *Technip - Chairman and CEO*

Okay, thank you, Christyan. Going back to the first, the structure of our industry, I think as you know well there is currently a pretty important merger that is taking place in the subsea business, which is the combination of Acergy and Subsea 7, and that is good news for the industry because I always said that this is an industry that would probably consolidate. At the moment, what we have seen as far as new assets are concerned is that you've probably noticed that they have been much, much slower coming onto the market and some of the smaller players are actually having difficulties not only to finish those vessels but also to find a market for those vessels. So, it could well be that we have more consolidation happening in the future.

Now, whether we are going to go back to the margins of the previous peak, I don't have a crystal ball. But, there is one thing which is sure is that the international oil companies are more and more focused on offshore developments and the demand will grow. Seismic has identified a lot of new prospects offshore that have been drilled successfully but are yet to be developed. So, I think the demand for offshore assets and activity will pick up in many basins and I think we are not the only ones to say that, that offshore will pick up, in spite of what we may have heard or what we have heard during the Macondo incident.

Now, as far as targets for acquisitions and so forth we always said that we would first and foremost focus on execution and on making sure that we bring the right assets for the right markets and we are going to continue to do so. But, if the right opportunities are coming, such as buying a vessel or a group of vessels or whatever, we will be looking at it. But, this is not something we are worried about every day.

Christyan Malek - *Deutsche Bank - Analyst*

Just one follow up on that. If you talked about the joint venture with Allseas Trunk Lines, is that -- just to be clear is that focused in Brazil?

And secondly, what's stopping them from just breaking apart from that joint venture? And I guess the question behind the question really is do you want to be in trunk lines on a major scale or are you happy to have the engineering input and not the asset input?

Thierry Pilenko - *Technip - Chairman and CEO*

First, I think the success that we have had in Brazil on this first project bodes well for the future on projects with Allseas, okay. That could be in Brazil, that could be outside of Brazil, we know how to work together and we know what each party is bringing to the table.

The second thing I'd like to say but in a more, in a broader sense, is that the trunk line business, I'm not talking about the North Stream or the very, very long and large pipelines but the trunk line business is probably going to increase over the next few years because we see that more and more whether it's in Brazil or in Australia or in Asia in general. We see that our clients are tempted to link fields and therefore very often more and more now we see an element of infield pipelines where we are very strong and where the [surf] solutions are very strong, but we also see these tens of kilometers of trunk line between fields or between platforms and so forth, which is taking place. This is a market which is growing and it's interesting for us to develop relationships such as the one we have with Allseas to be able to tackle this market.

Julian Waldron - *Technip - CFO*

Christyan, it's Julian, if I may, our relationship on that Tupi project was not just an engineering relationship, we brought tangible assets. I know that the question was vessel assets but the asset that we brought, which was the logistics base at Angra Porto, is just as rare an asset in Brazil as the pipelay vessel. So, I think it was a bit of a win-win for ourselves and Allseas. We both

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contributed know-how, we both contributed assets. Most importantly, the clients we believe got a fantastic project outcome. So, I think all of those things together show that that can be a very successful model for all concerned.

Christyan Malek - *Deutsche Bank - Analyst*

Great, and one that you could take globally basically?

Julian Waldron - *Technip - CFO*

Collectively perhaps, yes.

Christyan Malek - *Deutsche Bank - Analyst*

Great, thanks very much.

Julian Waldron - *Technip - CFO*

One more question, I think.

Operator

We have time for one more question. The next question is from Mr. Kenan Najafov from Citigroup. Please go ahead.

Kenan Najafov - *Citigroup - Analyst*

Thanks for taking my question. The question, well questions, just a follow up on the use of cash, is there a possibility of a raised dividend and how much of the EUR2.6b is the client's cash?

And maybe a quick update on the FLNG efforts in Brazil and Australia please?

Julian Waldron - *Technip - CFO*

Good morning. I'll answer the first one and I'll pass over to Thierry for FLNG. We raised the dividends this year and we've always said we both like paying a dividend and to the extent that we can find ways to increase that dividend then that's very much at the forefront of our thinking, very much at the forefront of our thinking.

In terms of the structure of the cash balance, out of the EUR1.36b net cash on the balance sheet, at the end of December, sorry at the end of September, EUR470m of that was represented by net construction contracts. There are many different ways of looking at it but I know that that's the one which is I think most current in the market in terms of looking at what's "ours", if you will, and what isn't. FLNG?

Thierry Pilenko - *Technip - Chairman and CEO*

On the floating LNG, an update on the two projects that -- well, three projects actually, we're working on. First of all, Shell, so for Shell we are working both on a generic model and on -- which is called GFLNG - and on the Prelude FEED, PFLNG, both of them are on schedule, are on track, and we should be able to deliver something to Shell sometime in the first quarter of 2011,

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and I think Shell will then have to see when they make the final investment decision. But, that's obviously not our decision but Shell's decision to launch the construction. But, this project is going well.

The second project is the Brazilian project for Petrobras. I think as far as we know Petrobras is still looking at different options for their gas and floating LNG is only one of these options. So, I think most likely Shell should go ahead before Petrobras.

Kenan Najafov - Citigroup - Analyst

Thank you very much.

Thierry Pilenko - Technip - Chairman and CEO

Thank you very much.

Kimberly Stewart - Technip - VP, IR

This concludes our conference call for today. Thierry, did you have any last words?

Thierry Pilenko - Technip - Chairman and CEO

Thank you again for attending and have a good day.

Kimberly Stewart - Technip - VP, IR

So, ladies and gentlemen, this concludes today's conference call. We'd like to thank you for your participation. As a reminder a replay of this call will be available on our website in about two hours. You're invited to contact us, Thierry Conti and myself, and the IR team, should you have any additional questions. Thank you again and enjoy the rest of your day.

Operator

Ladies and gentlemen, this concludes the conference call. We thank you all for your participation, you may now disconnect.

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