FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day everyone and welcome to the conference call for Technip 2005 Results. This conference is being recorded. [OPERATOR INSTRUCTIONS]. I would now like to turn the call over to Christopher Welton, Vice President of Investor Relations. Please go ahead, sir.

Christopher Welton - *Technip - Vice President, Investor Relations*

Thank you. Good day, ladies and gentlemen and thank you for participating in Technip's 2005 Results conference call. Our 2005 accounts as well as their comparisons from last year can be found in today's earnings press release and slide presentation, both of which are available on our website, technip.com. Mr. Daniel Valot, Technip's Chairman and CEO is hosting today's call. He is joined by the group's CFO Oliver Dubois as well as other members of Technip's executive committee.

I would like to remind participants that statements in today's press release and slide presentation as well as those made during this conference call which are not historical fact are indeed 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 integral parts of today's earnings press release and slide presentation. Also a replay of today's call will be available on our website approximately two hours after the end of this call. I would now like to turn the call over to Mr. Daniel Valot, Chairman and CEO of Technip.

Daniel Valot - *Technip - Chairman and CEO*

Thank you, Chris. Good day all of you. Thank you for being with us. What I plan to do is just to walk you through quickly -- through the presentation we put on our website this morning and then try to answer your questions. So on the whole year 2005 highlights, as you've seen our backlog exceeded quite nicely the level of EUR11 billion this year. We've seen more than 11 -- well, EUR11.2 billion at the end of 2005. A very huge progression compared to what it was 1 year ago. Net cash is now increasing again -- reaching EUR668 million at the end of 2005. And based on our good prospects and improved cash position we are having to propose to the next shareholder's meeting an upgrading our dividend by 11.5%.

So on page 5 -- slide 5, we show the progress of the order intake. Order intake is basically twice what it was in 2004. This comes from the main contracts which are listed on slides 6, 7 and 8 -- 6 is about the SURF projects, the most important ones in 2005 were the AGBAMI SURF project [inaudible - accent] in Nigeria as well as the AKPO FPSO project [total] in the same country. We had also good size contracts in Brazil, the Far East, the U.S. and the North Sea. On LMG, slide 7, the two contracts which we entered in into our backlog in 2005 are RASGAS III in Qatar and Yemen LMG. It's fair to say that in fact in Qatar, starting in December 2004 up to January 2006 its three contracts regards [Qatargas] II, RASGAS III and then Qatargas III and IV, each one with the value for Technip sales of about $1.6 billion so it has been a great year for us for LMG.

On slide 8 we show the many wells for refining and petrochemicals. Refining the two main targets which were reached were the Dung Quat refinery in Vietnam, which is a grassroot refinery, and the Horizon Oil Sands in Alberta. It's extra-heavy oil unit which is very important progress for our company. We believe there will be a lot of jobs for us in this northern part of Alberta in the coming years. In petrochemicals, three major steamcrackers in the middle east -- 1 in Kuwait, one in Saudi Arabia, one in Qatar. Net cash position is shown on slide 9. We've been moving from the net debt position of close to EUR900 million at the end of 2001 to a net cash position of 668 at the end of last year. So a very strong progress in cash generation all over those years.

Slide 10 shows what we are doing in order to improve shareholder value. We featured some [inaudible - accent] division measures by buying sales convertible bonds and options to buy shares. Also through the split -- the 4-4-1 split, we made in May 2005 in order to increase the liquidity of the -- of our stock, and we are today proposing as I said an increased dividend of $0.92 per share compared to $0.825 per share those past years.

The following pages show you our main numbers. I won't go into many details -- the numbers are well known. As you know, and that was made public last week, we had a disappointment on one major SURF project which led us to the numbers you see which basically show very limited progress compared to 2004 in terms of operating income and earnings per share. You also notice that the net income is down by 16% but that comes mainly from the new accounting rules related to the convertible bonds. And we will come back on that later on.

You've got -- on slide 13 -- the performance by business segment. Overall good progress for all business segments but SURF because of the incident I mentioned just before. So the SURF margin ratio is down from 10% last year to 6.6% last -- this year. We believe that's a one-time item and we will get back to our 10% level in the coming years. You've got the full year group income statement on page -- on slide 14. Cash flow on page 15. Cash flow show -- they're - the strong generation of cash coming from [inaudible - accent] cashflows and even more so from the change in working capital. In front of that we have the capital expenditures, 166, dividends of 32. So the net increase in cash is 754 and we were also able to cut debt by EUR90 million. Group balance sheet is depicted on page 16. I don't have any comment beyond this one.

Net return on capital employed on slide 16 shows a large progress from 6.5% in 2004 to 10.5% in 2005 and that comes mainly from the fact that we are working with less capital employed given the net cash position being generated.

Well, we've decided to call for the convertible bonds. We had a window of opportunity because our stock price has been above 120% of the [inaudible - accent] price of those bonds for 15 days, so we have the possibility to opt for this goal of convertible bonds and that's the reason why we are doing it right now. So the bond orders, we'll have the opportunity to go and get $187 per bond on the 23rd of March 2006. But of course there is also the opportunity, if they decide so, to exchange their bonds for Tehnip shares. And one bond is equal to four Technip shares. They will get if they do so -- if they opt for the exchange for shares, they will get 90% existing shares, 81% newly issued shares. The difference being that the existing shares will get dividends which will be paid in May. In case of exchange, the operation will be slightly accretive for existing shareholders by about 1%. In case of cash -- [written note] in cash, of course it will be highly accretive which will trigger an accretion of about 12.5%.

The next slide shows the progress in backlog -- plus 65% during the year, which means that we have now an unprecedented level of visibility with backlog being equal to 25 months in revenues, something we never enjoyed before. Slide 20 shows the split of this backlog between the various activities. Today the most important portion of this backlog is gas and energy and this is in fact mostly energy, with 31%. Deepwater stands at 25%, petrochems 19, refining heavy oil at 14% and shallow water at 9%.

Okay. We believe and that's what is shown on slide 22 and the following ones that we are now in a much different cycle than the ones we've been through in the past. It will be probably a longer and more important cycle than what we have known in the previous cycles just because there is a real problem of capacity both for production, refining and the petrochemical facilities. So all those slides -- 22, 23, 24, 25 are -- and 26 -- are the same topic. They show that we are lacking capacity so both in terms of the production there is no more spare capacity. In terms of refining throughput or [inaudible - accent] operating rates, the world is lacking capacity. There is a burgeoning demand coming from a lot of countries, especially China and India. And so there will be a need for maximum investment effort both upstream and downstream in order to cope with the situation and one of the areas in which there will be a lot of capital spending will be probably the world of LMG and GTL for which we have shown estimates on slide 26 of the CapEx which would be required in coming years.

Okay. Now, moving to the next page, page 28 -- we show the main prospects which are in front of us for the next 12 months. It's far from exhaustive -- we could bear the targets which seem to be closer to us and what can be seen is that again and again, the size of the project is -- the project is growing. We have now even in refining and petrochems, a number of projects which are depicted as XL or XXL -- extra-large meaning they're both EUR1 billion for us and if we are working with [inaudible - accent]. So that's the case in gas and LMG and that was the same last year. But it's now becoming the case also in refining and petrochems.

In order to cope with this growth in our business we are adding to our engineering and project management resources -- that's what is shown in slide 30. We moved from 18,000 employees at the end of 2001 to close to 21,000 at the end of last year, so it suggests that our workforce has been increasing by almost 3,000 people. In fact, it's more than that because during this period of time we have sold a number of non-core assets and those non-core assets employed when we sold them, about altogether 3,000 people. So in fact if we are comparing apples to apples, we have increased our workforce by about 6,000 people during the last four, five years. So it's a massive effort which has been -- we have been able to accomplish without too many troubles. We are still able today to find the competencies we need and we have also been able to keep our turnover ratio at a rather low level, a stable level, in spite of the many pressures which exist in our industry these days.

We are also adding to our capacities in terms of marine and industrial facilities so we are adding a new vessel -- a new build which has been launched and will be delivered probably in the middle of 2008. It will be both a diving support vessel and a medium construction vessel. And the other effort we are doing is on our two flexible plants -- our two flexible pipeline manufacturing plants. The one in Victoria in which we are increasing the capacity by about 50% and the one in France in which the plan is to increase capacity by 20%. And that leads of course to higher capital expenditures for us. And our CapEx in 2006 truly could be about EUR240 million -- about 50% higher or 45% higher than what we got in those past years.

In terms of financial targets for 2006, we are shooting for revenues of EUR6.8 billion compared to 5.4 in 2005, based on the assumption that the Euro will be equal to $1.25 which was the level we've seen in 2005. And in terms of operating margin our target is to exceed 5% which would be a nice progress compared to the 4.3% we are achieving this year. So that's the extent of my quick presentation and now we are ready to take our questions, together with my colleagues. Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you. [OPERATOR INSTRUCTIONSThe first question comes from James Herbert from UBS. Mr. Herbert, please go ahead with your question.

James Herbert - *UBS Warburg - Analyst*

Yes, good afternoon. Two questions. The underlying SURF result in Q4, if we were to add that to the cost overrun, shall we call it, that are under negotiations that you announced last week -- and get back to underlying SURF result it does look as though it was an exceptionally strong result with over 15% EBIT margins. So I'm wondering is that representative of the SURF business going forward or was there some release of contingencies or provision that boosted that result? Or was it mostly particularly strong for example? And then secondly, your increase in dividend, I'm wondering what is your new dividend policy? Are you still talking about a 50% payout ratio going forward or has that changed?

Daniel Valot - *Technip - Chairman and CEO*

Okay. Thank you for those two questions. On the first, fourth quarter margin, I believe the margins during the specific quarter are not something which has a lot of signification. So if we didn't have this unfortunate incident of last week we would have been around 13 -- sorry, 10% for the full year 2005 as we did in 2004. And that's also the level we are shooting for in the coming year, perhaps a little bit better. But - so the fourth quarter margin for SURF probably included a few projects coming to completion on which we recognized some margin. But once again, the quarter is too short to be really meaningful in terms of margin ratios.

On your second question it's true that we've always said in the -- all those past years that our dividend policy would be to target a payout ratio of about 50% and that's something we have too still in mind. I do believe that next year based on our current projections we should be about to show that the dividend paid in 2006 would not be too far away from 50% of the net income for the same year 2006. So let's say that we are producing this policy [inaudible - accent] one year of events compared to the fact. But since our dividend was left at the same level for the past five years and given the fact that our yield today is pretty low compared to the market average we thought it was about time to raise a little bit the dividend and to show the confidence we had in the management in the future of this company.

James Herbert - *UBS Warburg - Analyst*

Can I ask one additional question?

Daniel Valot - *Technip - Chairman and CEO*

Yes.

James Herbert - *UBS Warburg - Analyst*

Just on the subject of falling off in dividends really. Assuming that the convertible debt holders elect to go and convert to equity, in the past you've steered clear of doing buybacks, share buybacks. But would you consider going forward changing that attitude and perhaps doing a buyback in the future?

Daniel Valot - *Technip - Chairman and CEO*

Well, we'll see how it goes there. But if the -- most of the bond holders elect to go to the exchange of the bonds against equity, it's clear that we will end up with very large excess of cash. It would be in the net cash position of about EUR1.2 billion, which is more than enough. So we will have to see how we get most of this excess cash to our shareholders. It can be buying back shares on the market or making a kind of special operations in order to increase the net income per share. We have not yet decided what we will do, because we have first to watch what's going to happen between the conversion and the exchange. But the intention is if we end up with a lot of excess cash is to return most of it to our shareholders.

James Herbert - *UBS Warburg - Analyst*

Okay, thank you very much.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. Rats of Morgan Stanley, please go ahead with your question.

Martijn Rats - *Morgan Stanley - Analyst*

Yes, good afternoon. Two questions if I may. First of all, in the industries division showed the EBIT margins over on sort of 4.6%, which is sort of approaching a more normal level of that division and its' a lot better than what we've seen in the last few years. Would you say that that is now a sustainable level that we can continue to expect going forward? And also, what I wanted to understand a little bit better is that indeed, if most of the convertible bondholders choose to convert into shares, the excess cash position will be very significant. But will there be a lot of working capital requirements that you -- for which you would need a lot of cash if perhaps the order intake slows down and some of the prepayments that you've been getting in 2005, start to unwind. Will that be a significant drain on that cash position?

Daniel Valot - *Technip - Chairman and CEO*

Sorry, I was -- well, we'll start with your first question. Industries division is very nice operating margins during the fourth quarter of last year. It's true that the problems of the past are now in the past. And you remember we had two areas of difficulties in 2004 and again in the beginning 2005, which were bad contracts in Saudi Arabia in chemicals on one side. And on the other side the losses we are making on Technip by [inaudible - accent] the start-up we created in the U.S. And so we decided to stop this experience, to shut down this new affiliate during the last summer. And we had the completion of the project in Saudi Arabia during the first quarter of last year.

So it's true that now those difficulties are behind us and moving the operating margin of the industries division to something like 4.5% is in my view, what we are expecting at - anyway it's what I'm expecting from the guy in charge of the industry division and we should normally be able to generate in the future on a, I would say, medium-term basis, something like 4.5 or 5 or even a little bit more or so, operating margin.

Now, on your second question, [inaudible - off mic] -- okay as you noticed we had a very marked improvement in the working capital during 2005, which was to some extent, or a large extent being to the fact that our order intake increased quite dramatically. It's clear that a portion of this cash will be consumed by the execution of the contracts, quite normally. So if we end up after conversion with a -- something like 1.2 billion net cash position, that's not something, we should take for [granted] for the rest of our lives. It might go down as we progress the execution of the contracts. But, nevertheless, for a company like ours, which -- with revenues of 4 to 6 or let's say close to EUR7 billion next year, which has normally negative working capital requirements rather limited needs for capital expenditures. Well, we don't need to carry a very large cash balance. So, as I said before, if we end up in this position it is our intention to return most of the excess cash to our shareholders.

Martijn Rats - *Morgan Stanley - Analyst*

Okay. Can I just ask one more question, just to clarify the [Chrysania] project, has that been booked as backlog in the fourth quarter of '05 or will that be booked in the first quarter of '06?

Daniel Valot - *Technip - Chairman and CEO*

It has not been booked during the last quarter of '05 -- it's still today a service contract for which -- what we have booked in our backlog is about EUR45 million.

Martijn Rats - *Morgan Stanley - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman and CEO*

It's expected to be converted in to a large sum during this first half of 2006, probably during the first quarter.

Martijn Rats - *Morgan Stanley - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. Stephane Bensoussan of Exane, please go ahead with your question.

Stephane Bensoussan - *Exane - Analyst*

Yes, two questions. On the soft market, what is the prospect on that market globally. Do you expect to grow into further in '06, despite the fact that there are not many contracts from West Africa to be awarded?

Daniel Valot - *Technip - Chairman and CEO*

Okay, on the soft contracts, our crystal ball shows very strong -- well a strong market compared to last year. There is no significant reduction. There will be less elephants in Africa. But there are still a large number of projects elsewhere, especially in the U.S. and Brazil. And the [marshy] market is also booming given the -- with the higher crude oil prices we have today. A number of very small quick and dirty projects of tiebacks are becoming the [economical], and so the operators want to put them in place as quickly as possible. So, all together our soft markets seems good in 2006 and expected to pick up in 2007.

Stephane Bensoussan - *Exane - Analyst*

One question, could you disclose the -- on the year 2005 the total cost of the convertible bond and maybe if you can saying what was the share due to the FAS impact and the share of the premium?

Daniel Valot - *Technip - Chairman and CEO*

Okay, so the cash cost of the convertible was 6.8 -- EUR6.1 million exactly, the cash cost. The cost of the interest which is 1%, okay. Then you've got the amortization of the reimbursement premium, which is EUR13.3 million. You've got the depreciation of the emission costs, which is EUR2 million. And then this fantastic discovery of -- in the new accounting standards called the split accounting of the convertible bonds, which generates a charge which is new. Didn't exist in 2004, since we applied those new standards IS 32 and 39 as of the 1st of January 2005. So, in 2005, we have this additional charge called the split accounting which amounts to EUR16.6 million. So, all together it's about EUR38 million of the which the cash portion is 6.1.

Stephane Bensoussan - *Exane - Analyst*

Okay.

Daniel Valot - *Technip - Chairman and CEO*

And then to tell you the truth, I'm very happy that we will get rid of this thing in - - within one month because it's really a burden -- an unnecessary burden to have a final [inaudible - accent], which is costing 6 million in cash and 13 million in [your accounts]. And it creates a lot of complexity in our income statement. It's very difficult for everybody to understand that there is -- we have on one side net income, which is what it is a number of shares which remains more or less the same. And a very big discrepancy when we looked at the change in net income per share. So this inconsistency will be eliminated once the convertible bonds are either paid back in cash or exchanged for shares.

Stephane Bensoussan - *Exane - Analyst*

Okay. And the very last question, quick question on the disposal of Gulf Island Fabrication, could you say what was the contribution of this company in 2005?

Daniel Valot - *Technip - Chairman and CEO*

I don't remember -- okay, it has been a very disappointing contribution all those past years. It has never been really profitable and last year it made a loss of about 5 million. So we are -- I think it was a good thing to dispose of these assets.

Stephane Bensoussan - *Exane - Analyst*

And the EUR15 million disposal we have in the cash flow statement, is the sale of that asset?

Daniel Valot - *Technip - Chairman and CEO*

No, not at all. Not at all. The sale will be booked in our accounts in 2006. Because even if we made the preliminary agreement at the end of last year, the deal was closed in January this year. So, it will hit our books this year and it will hit our books in a positive manner.

Stephane Bensoussan - *Exane - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. Mick Pickup of [inaudible - accent], please go ahead with your question.

Mick Pickup - *Lehman Brothers - Analyst*

Yes, a slightly difference there last name being Pickup here with Lehman's. Couple of questions for you gentlemen, I see you're building a new boat. I assume this is the one you were talking about 12 months ago and now complete. Can you just talk me through the market for new boats out there and the supply/demand balance you see. Because several of your competitors are out there already building new boats and I find it difficult to see whether there is going to be a surplus of capacity from 2008, 2009. And secondly, one of your competitor's new boat is aimed at the flexibles market and given your strength in that market, can you talk a bit about flexibles market and type of contribution you're getting from Coflexip these days?

Daniel Valot - *Technip - Chairman and CEO*

Okay, on the new boat we were mentioning, it's the same we were mentioning some six or eight months ago. It's not an additional one compared to this one. And I believe we are in relatively -- we are in an extremely safe position, because this boat will be used primarily for the service contract, a multi-year service contract. We are signed with [Stratoid], which is a contract for five years extendible to, I believe eight years. So, this vessel will find a utilization for most of the vessel day for a long period of time through this service contract for Stratoid in the Norwegian North Sea. So, I believe we are in good shape there. Some of our competitors have announced they were going to launch the construction of new vessels. While that's their decision, we have on our side this new vessel which is going to be launched and which is supported by this long-term contract. So we feel safe and we feel good about it.

Mick Pickup - *Lehman Brothers - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman and CEO*

On the flexible market, well, what can I say. We are -- last year our market share on the flexible market was 34%, so that's our, I would say historic position. We believe we can keep this position in the future. We have the tools to keep it. That -- what is needed is that we adjust our production capacities to the growth of the market and that's exactly what we are doing. That's the reason why we are increasing the capacity of our plants. Of course, the competition is tough, but we are still the market leader and we believe we are able to keep this position in the coming years.

Mick Pickup - *Lehman Brothers - Analyst*

Okay and can I just ask one quick one afterwards, just looking at your list of contracts the one which seems to have slipped off, which was there previously, which was the Pearl GTL project. I can't remember seeing that being delayed, can you tell me what's going on there?

Daniel Valot - *Technip - Chairman and CEO*

Which one are you mentioning --

Mick Pickup - *Lehman Brothers - Analyst*

You have the Pearl GTL in November as an XX --

Daniel Valot - *Technip - Chairman and CEO*

Oh, yes. The Pearl project is something which is still on our radar screen. But it will come that's for sure. And, what can I say -- it's still on the list, but probably we feel less excited about it than we were one year ago.

Mick Pickup - *Lehman Brothers - Analyst*

Okay, thank you very much.

Operator

Mr. [Alamorald Dominique] of Merrill Lynch, please go ahead with your question.

Alamorald Dominique - *Merrill Lynch - Analyst*

Yes, good afternoon. Just one question. In the past you have been talking about strengthening your industries position. Maybe you can update us about that, particularly now that you have this excess cash and if the convertible bond is fully converted into shares, that you have enough cash there to do some things?

Daniel Valot - *Technip - Chairman and CEO*

Oh, yes, the problem is not the cash, the problem is to find and select the right opportunity. And so far we have not selected the -- exactly the opportunity we are priming up. That's one thing. The other thing is that for the time being we have plenty of things on our plate with the big contracts we have to monitor. We as you've seen our backlog went up from 6 billion to 11. It's probably going to continue to be very strong in the coming years, given the oil and gas market as it is. So the -- we have to pay a lot of attention to this situation and it would probably [unproductive] to distract a portion of our time -- I mean the management time to take care of a major acquisition.

So we are not going to rush to make an acquisition in the industries segment, just because the cash is available. We are going to make it - the day we find the right target, and the day we will be able to take care of this acquisition properly. So, that's not probably for two more [mornings]. So, but nevertheless, what I want to stress is that it remains our goal for the long run to increase this industries division. We still want to make it grow up to 10 to 15% of our consolidated revenues. As we said, it's a medium-term target and more and more as we are busy with the big oil and gas contract. It's not a short-term target, but a medium-term target.

Alamorald Dominique - *Merrill Lynch - Analyst*

Okay, fine, thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Mr. [Inaudible - accent], Asset Management, please go ahead with your question.

Unidentified Participant

Yes, thank you very much. I three quick questions. The first one, when you said the 30 -- basically 32 million of non-cash charge relating to the convertible bond in '05, am I right to compare it to 11 million in '04?

Daniel Valot - *Technip - Chairman and CEO*

That's a good question. In '04 it was 17.

Unidentified Participant

17.

Daniel Valot - *Technip - Chairman and CEO*

No, it was 14 - you're right. In French GAAP, it became 17 in IFRS, okay?

Unidentified Participant

Okay, so that --

Daniel Valot - *Technip - Chairman and CEO*

It was 14 in French GAAP, so you are exactly correct. But when we translated our 2004 accounts from French GAAP to the new accounting standards, it became 17.

Unidentified Participant

Okay. And when I look fully audited, i.e., the financial expenses, you report 66.4, is IFRS?

Daniel Valot - *Technip - Chairman and CEO*

Right.

Unidentified Participant

Right, okay, so I understand better. Thank you. The second question I have, which I'm not sure I understood the answer you gave to one of the previous questioners. When you are going to increase your work load next year for targeted sales of 6.8 billion, i.e. an increase of roughly 1.5 billion of turnover. What is the working capital requirement you would expect from this increase of activity because of arelease of advanced [financial].

Daniel Valot - *Technip - Chairman and CEO*

Mr. [Seglio] I'm not surprised you didn't understand my answer because from time to time it's better for me to answer something nobody can understand. But frankly speaking, your question is a fantastic question. I never heard this kind of question. I need some thinking to -- before answering to that. So if you don't -- because it's not an easy question, no? So if you don't mind we will think about it and somebody from investor relations will call you back. I'm unable to answer your question right now.

Unidentified Speaker

Okay.

Daniel Valot - *Technip - Chairman and CEO*

I'm sorry.

Unidentified Speaker

And I have a third one which I'm sure you're more able to answer. Ultimately when you show these very slides about the structural change of your industry in a way I'm tempted to wonder because your business last year was 11% gross margin and this year are 10.6. As we enter '06 and '07 and the demand on the suppliers is going to be much more stronger, what is the likelihood that in fact [they] conserve issue and therefore you have an issue again about not being able to deliver the parts you need to complete your contracts?

Daniel Valot - *Technip - Chairman and CEO*

Well you're talking about the tension on our suppliers, right?

Unidentified Audience Member

Yes, yes.

Daniel Valot - *Technip - Chairman and CEO*

Yes, well that's--that's an excellent remark because it does exist. As you can imagine with so many oil and gas projects are underway much more than in the past, most of the manufacturers of I don't know what, compressors, valves, steel pipes and so on and so forth are extremely busy, much more than they were before. So that's something with which we have to pay extra attention, extra care. That's what we are doing today.

So before ourselves going to make an offer for a lump sum turnkey job we check very carefully the availability of the equipment and the price of the equipment in order to avoid bad surprises. But it's true that there is and there will be a lot of tension on our suppliers, on our construction sub-contractors which means that basically we are in a much more favorable environment in the engineering construction industry than we have been for many, many years. But still, and we are - we'll keep our eyes open -- there are still a lot of risks in front of us which have to be managed very carefully.

Unidentified Audience Member

Okay so when you give 10% target, which is, of course, the average historical of SURF, the fact of the matter is you still have a non--a risk which you can't guarantee for sure which is on the delivery?

Daniel Valot - *Technip - Chairman and CEO*

Oh sure.

Unidentified Audience Member

Sure, okay. Thank you very much [then].

Daniel Valot - *Technip - Chairman and CEO*

Thank you Mr. Seglio.

Operator

Thomas Martin of Citigroup. Please go ahead with your question.

Thomas Martin - *Citigroup - Analyst*

Hi there. I was wondering if you could give us some information on your capacity expansion that you mentioned on the flexible plans. Is there a timeframe over which those expansion plans are going to be delivered?

Daniel Valot - *Technip - Chairman and CEO*

Well in - the most important project is the one in--in Brazil. It's supposed to be completed by mid 2006. It involves some reclaim so that's the most significant portion because the -- the space is very congested today so it's [inaudible - accent] which will require some time and then we will start the new machines and so on and so forth. It's expected to be completed by this -- next summer [inaudible].

Thomas Martin - *Citigroup - Analyst*

And do you have the numbers off the top of your head for the current capacity of each of those plants? Is it bring them up to similar sizes or is there a big differential in size after the upgrade between the two plants?

Daniel Valot - *Technip - Chairman and CEO*

I don't have those numbers on the top of my head. It's a bit difficult because the capacity can be expressed in number of kilometers of pipes of this or that diameter. But since the diameter is growing, the number of kilometers is no longer reflecting a the simple way the capacity of the plant. So I would -- I would rather get back to you. So once again sorry but somebody from investor relations will call you back.

Thomas Martin - *Citigroup - Analyst*

That's no problem. And one final question related to that. I don't know if you can give any indication on this as well, but is -- is can you give any idea of what proportion of this expansion is necessary to deliver contracts that are already in the backlog and what sort of proportion of this is adding capacity for future growth in the business?

Daniel Valot - *Technip - Chairman and CEO*

Well it's -- it's obviously something we are making because we believe we have extremely good chances to face increased demand given what is on our radar screen. So it's not expenses we make in the kind of speculative way. We have extremely good senses of having to make this expansion to satisfy the demand which is -- which is coming on the market.

Thomas Martin - *Citigroup - Analyst*

Okay. That's great, thanks.

Operator

[Mr. Paul Andriessen] of Fortis Bank, please go ahead with your question.

Paul Andriessen - *Fortis Bank - Analyst*

Good afternoon gentlemen. In the interview you posted on the -- on the e-mail this morning with your business media you commented that in the first half you expect the backlog to remain more or less level although you are approaching the $1.6 billion Qatargas III and IV projects during this timeframe. Could you comment? Is there some weakness to be expected temporarily in the order intake elsewhere?

Daniel Valot - *Technip - Chairman and CEO*

No. Let's assume we make -- we have revenues of 6.8 billion this year. Let's assume it's split equally between first half and second half. So first half would be 3.4. In order to keep this backlog at the same level we would need to enter into the backlog 3.4 billion of new business, okay? So this is already partially covered. As you said rightly there is about $1.6 billion coming from Qatargas III and IV.

There will be, I don't know how much, about 1 billion coming from the [Cosania] project which is going to be transformed into a lump sum turnkey job during this first quarter. So that's -- that's quite significant order intake which is already in our hands. Add a few other contracts as we go -- there are always a few--a few contracts coming. And we should normally during the first half of this year easily keep the backlog at the same level or even slightly above without having to change a number of targets. What I said is that for the first half we are -- we are going this way. For the second half we will have to again win new major projects in order to be able to continue to grow the business.

Paul Andriessen - *Fortis Bank - Analyst*

Okay, okay, okay. But it's not a specific expectation that at the half-year you expect the backlog to be in the same range at -- now at year-end 2005?

Daniel Valot - *Technip - Chairman and CEO*

Yes -- plus or minus I don't know how many percents, but it should be not very far away from what it was at the end of last year.

Paul Andriessen - *Fortis Bank - Analyst*

Okay thank you. And the second question from -- I think it was slide 26 you showed us the expectation for the LNG and GTL markets going forward, and this shows quite a bumper in 2007, and then some decline again towards 2008. Do you expect this market to, let's say, level off somewhat after 2007, or is it only an expectation of a temporary decline?

Daniel Valot - *Technip - Chairman and CEO*

I would say please don't take those indications too -- too closely. It's estimates based on what we know about projects pursued by a number of companies. It's quite clear that not all of those projects will materialize within this time -- timeframe. Some projects may slip from one year to another one. So on this slide we show what we know but -- so 2007 should be higher than 2008. But you need only one project to [sleep] by a few months to have a different picture. And once again it's just estimates based on our knowledge of the market. We are not the ones making the decisions and starting the project.

The purpose of this slide is just to show that after the very prolific years we have had in '04 and '05 there are still plenty of [rewards] which are expected in LNG and GTL in the coming two or three years. And that shows that this business will continue to be a booming business for at least two or three years and probably much more than that since as you've seen on the picture which is on the left side of this -- this slide the world LNG imports are expected to move from -- about 11 million tons in 2000 to well in excess of 350 million tons in 2020. So there will be the need to build a lot of LNG [terminals].

Paul Andriessen - *Fortis Bank - Analyst*

Okay thank you very much.

Daniel Valot - *Technip - Chairman and CEO*

[Plus the] GTL plants.

Paul Andriessen - *Fortis Bank - Analyst*

Okay thank you.

Operator

[OPERATOR INSTRUCTIONS]. We have one more question, Mr. James Herbert from UBS. Please go ahead with your question.

James Herbert - *UBS Warburg - Analyst*

Okay thanks, just one more question other people have touched on. The cash balance of 2.2 billion that you have as you said earlier contains some money that can be considered even advanced customers or money that's required for the ongoing operation of the business. I'm just wondering can you give any indications of the scale or is it just sensible to take this as the first estimate this change in working capital we had in '05 of plus 622 million if there's no exact number out there, would that be the kind of figure to look at for -- of the EUR2.2 billion how much is actually required for the ongoing operations?

Daniel Valot - *Technip - Chairman and CEO*

I'm not sure I understand completely your question. I've got the feeling that your question is out of the EUR2.2 billion of cash what comes from advanced payment on contracts and what can be looked at as real cash belonging to the company.

James Herbert - *UBS Warburg - Analyst*

Exactly.

Daniel Valot - *Technip - Chairman and CEO*

Exactly that's your question?

James Herbert - *UBS Warburg - Analyst*

Yes.

Daniel Valot - *Technip - Chairman and CEO*

All right. I don't have the answer to your question because that's not the way I look at it myself. I belong -- all this cash belongs to the -- to the company and I can't dispose of it. But -- but you're right, a big portion of it is advanced payment, down payments paid by the customers the day we sign the contracts. So this money is supposed to be a return to the client if the contract was interrupted.

The reality is that out of 1,000 contracts perhaps one out of 1,000 is interrupted for whatever reason. So the chance that we have to get back this -- this money to our customers is extremely slim. So I understand the question -- in theory it's advanced payments which are amortized over the execution of the project. And if the project was interrupted the day after the signature, we would have to return all this money to the client. But that almost never happens. So, frankly speaking, I understand the meaning of your question but it's not a question I'm asking myself because I think it's not -- it's not appropriate -- it's not relevant -- and therefore I don't have the answer. But that's -- that's something we can look at for you if you're real interested and we'll compute that and give you a call to give you the answer.

James Herbert - *UBS Warburg - Analyst*

Thank you, I think it would be useful information. Thank you.

Daniel Valot - *Technip - Chairman and CEO*

Okay thank you.

Operator

There are no further questions at this time and please continue.

Daniel Valot - *Technip - Chairman and CEO*

Well thank you very much for your attention. I don't have any -- any other comment to make. I do hope that we'll show you in 2006 that we are able to deliver nice returns. And so we will see some of you during the upcoming road shows and the other ones we'll have our next rendezvous, which will be in May with you for the -- our first quarter statements. Thank you very much.

Christopher Welton - *Technip - Vice President, Investor Relations*

Ladies and gentlemen this concludes today's conference call and we would 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 are, of course, invited to contact Investor Relations at Technip should you have questions or require additional information. Once again, thank you for your participation, and please enjoy the rest of your day.

Operator

Thank you for your participation in today's results conference call. We'd like to clarify that a replay of this call will be available within the next two hours. The replay will be on our website, www.technip.com in the Investor Relations section or by dialing +44 207 806 1970 using the confirmation code 6924862# or by dialing +33 171 23 0248 using the confirmation code 6924862# or by dialing +1-718-354-1112 using the confirmation code 6924862#. The replay will be available for seven days. Thank you and good-bye. You may now disconnect.
