FINAL TRANSCRIPT

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Daniel Valot
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CONFERENCE CALL PARTICIPANTS

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Lehman Brothers - Analyst

Thomas Martin
Citigroup - Analyst

Michael Carter
ING - Analyst

Lee Pricik
JP Morgan - Analyst

PRESENTATION

Operator

Good day everyone and welcome to the conference call for Technip first half 2005 results. This conference is being recorded. At this time all participants are in a listen-only mode. Later there will be a question and answer session. If anyone has difficulty hearing the conference, please press the star, followed by the zero on your touchtone phone or activate the DTMF button for operator assistance.

I would now like to turn the call over to Christopher Welton, vice president of investor relations. Please go ahead, sir.

Christopher Welton - *Technip - VP IR*

Thank you. Good day, ladies and gentlemen. We are pleased to welcome you to the second quarter and half year 2005 results conference call. Hosting today's call is Mr. Daniel Valot, executive chairman and CEO, who will offer some opening comments before we open the call up to questions from the audience. Also participating on today's call from Technip are Olivier Dubois, CFO, Daniel Burlin, CEO of Onshore-Downstream, Jean Deseilligny, head of commercial and business operations and Ivan Replumaz, CEO Offshore.

Before we start, I would like to remind our listeners that statements in today's press release and accompanying documents as well as those made during this conference call which are not historical fact 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 disclaimer which is an integral part of today's press release and the accompanying slide presentation, which are available on our Website, technip.com.

A replay of today's call will be available on our Website approximately two hours after the end of the 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*

Hey. Good to be with you. I suggest that you save time for your hundred or thousands of questions that I just will give a brief description of the highlights of this first half 2005 since you got hold of the press release and the presentations which we sent over on the Website.

So the main highlights in a nutshell. Order intake during this first half is a record for Technip at 4.2 billion euros and in addition to this order intake we have a number of contracts which have been either signed or clinched under LOI or MOUs which add that additional business, particulars to 3 billion euros, so this year is starting as an extremely attractive year in terms of order intake.

At the end of June 30, our backlog stands at 8.2 billion euros, so it is an unprecedented backlog for Technip. We held on to 19 more revenues, a very high level. When you think about it, 8.2 billion euros is pretty close to 10 billion dollars and that would present, expressed in dollars, an increase in the past three years of about 70%, so this is an extremely good year in terms of new business for us.

In terms of earnings, as you know, we had flat first half in terms of revenues at 2.5 billion euros and we are very proud to have been able on this basis to increase our operating income by more than 13% and our net income per share by close to 16%. That shows that even in times where we have been suffering from the increase in raw material cost and deep fluctuations between the dollar and the euro, we have been able to straighten the profitability of the company.

Third point, we generated rather high, rather large cash flows during this first half, which allowed us to again cut our debt, our net debt to where it is minimal, it is 80 million euros. And our gearing ratio is at 4%. We do believe that it is very important for a company like us to be able to be awarded very large contracts and in order to be able to get very large contracts I think it is extremely important to be able to show a very strong balance sheet, so that is in a nutshell the main highlights of this first half and of course, I am with my colleagues happy to be able today to answer your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. Ladies and gentlemen, at this time we will begin the question and answer session. If you have a question, please press the star followed by the one on your touchtone phone. If you wish to withdraw your question, please press the star followed by the two. Your questions will be answered in the order they are received. If you are using speaker equipment today, please lift the handset before making a selection. One moment for the first question, please.

Once again, ladies and gentlemen, if you wish to ask a question, please press the star, followed by the one on your telephone for a question. If you wish to withdraw your question, please press the star followed by the two.

Our first questions from Mr. James Hubbard. Please go ahead with your question.

James Hubbard - *UBS Warburg - Analyst*

Good afternoon. James here at UBS. With the new build diving support vessels that we scuttled (ph) contract and the improvements in the existing fleet you refer to in your presentation, is there any change to the cap ex guidance for '06 and then a second question. There are news reports Qatar is going to delay some of the large projects it's got planned, partly due to contracted capacity constraints. I am wondering, does that have any impact on your expected times for Qatargas III and Qatargas IV?

Daniel Valot - *Technip - Chairman and CEO*

Okay, on the first question, cap ex, it is a very goods question. We mentioned in the documents that this will lead us to increase or cap ex in the coming years. It is a little bit too early to say exactly by how much. Take it as a guess for the time being. What I would expect our cap ex to go up some 50% both in 2006 and 2007. I set it as a guess or as a preliminary schema (ph) because we are not yet finished with the review of the things on which we want to invest in the coming years and we have also a program of small divestitures which is underway so I don't know what the net impact will be, but take it as an order of magnitude.

Your second question - Sorry?

James Hubbard - *UBS Warburg - Analyst*

And the possible delays to Qatargas III and IV.

Daniel Valot - *Technip - Chairman and CEO*

Yes, yes, yes, second question Qatar. Our understanding is that some of the GTL project were announced by Qatar are being postponed for a variety of reasons. One of the reasons, I believe is that the Qatarese are realizing it is not in their best interest to come to quickly to come to gas from the reservoir, so they need to be a bit more careful. Second reasons is that I believe they cannot carry out too many projects at the same time, but, nevertheless, our understanding is that the LNG project which has been announced are on their way and are not likely to be postponed.

So we are expecting a decision from the client on the Rasgas III during the summer and we expect a final decision on Qatargas III and IV by the end of this year. Don't take it for granted. It is not a promise. I cannot make any promise. It is our best understanding of the situation today.

I believe those projects can fly. The GTL project will be probably postponed. Don't forget that even if we have only, if I may say so, Qatargas II, Rasgar, III, Qatargas III and IV plus the petrochemical plant, it is already a lot of activity in this very small country so that probably the most they can afford to have built at the same time.

James Hubbard - *UBS Warburg - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Thank you. Ladies and gentlemen, if you have any additional questions, please press the star followed by the one on your telephone. As a reminder, if you are using speaker equipment, please lift the handset before making your selection.

Our next question comes from Ms. Lee Padik of JP Morgan. Please go ahead, madam.

Lee Pricik - *JP Morgan - Analyst*

Oh, hi. This is Lee Pricik (ph) from JP Morgan. A few questions. Firstly, if you can give some more clarity on your revenue expectations for the remainder of 2005 and 2006. If possible, a split between your onshore and offshore divisions and also on the orders that you've taken in 2005 so far, can you give an indication on the average margin on those?

Daniel Valot - *Technip - Chairman and CEO*

Okay, on your first question, revenues, you'll remember, the beginning of this year our guidance said revenues should be somewhere between 4.8 and 4.9 billion euros and that was based on the assumption that we would have the euro standing at 1.25 dollars for the full year. Obviously, the situation today is not the same as we got to value of the dollar and in addition to that we had a big inflow of new contracts since the beginning of this year which are adding to the revenues.

So, so far during the first six months, our revenues were 2.5 billion euros. What we have in our backlog today shows us that this backlog should generate during the second half pretty close to 2.4 billion euros so it is very, very, likely today that our revenues for the full year will be in excess of 5 billion euros.

Now, on - your question was also related to 2006. We will have a better idea of what 2006 will look like once we've got the full order intake for the year 2005, of course, but assuming - well, based on the backlog we have today and the assumptions we can make regarding further additional intake, further order intake during the rest of the year, our guesstimate today that 2006 would be pretty close to 6 billion, but take it as the best guesstimate we can make for next year and that would be more or less equally split, probably, between the offshore activities and onshore activities.

Regarding the margins, I will tell you once the contract has been completed, we know the kind of margins we are shooting for when we price, we know which kind of margins we are expecting when - once the contract is awarded to us and our contract is a long story that can last three or four years and from time to time there can be some discrepancies, positive or negative between the pricing at one time and final outcome of the contracts.

Obviously, in the current environment, we feel rather positive about the future for margins in the coming years for a number of reasons. First, the competitive pressure from our competitors is less, actually, than it was - less tight than it was a couple of years ago because there are plenty of new contracts on the market, plenty of business.

Second, the pressure coming from higher euro and from higher raw material cost is diminishing so all that gives us a lot of confidence in the fact that we might be able to achieve better margins on our contracts in the future.

Now at this stage, obviously, it would be silly to provide any kind of numbers on that but it is a strong feeling we have and based on actual facts that we might be able to do much better in the future than what you see so far.

Unidentified Speaker

Okay thank you.

Operator

Thank you. Ladies and gentlemen. If you have any additional questions, please press the star followed by the one on your telephone now.

Our next question comes from Mr. Mick Pickup. Please go ahead, sir.

Mick Pickup - *Lehman Brothers - Analyst*

Good afternoon, gentlemen. (unintelligible) this early on. Just looking at your presentation, you've gone into a great deal of details about the number of engineers on your staff requirement. You talked that you have the flexibility to expand your staff base if and when contracts come through. Now, from my understanding, everybody out in the industry is very occupied at the moment. Are you facing any pressures in increasing your headcount and are you expecting any pressures in keeping your existing headcount?

Daniel Valot - *Technip - Chairman and CEO*

Well, the good thing with Technip is that our main centers are located in places where there is not call activity (ph). Our main centers are based in Paris and Rome and we showed that in the presentation the average turnover in those centers is less than two percent.

Obviously, as you can imagine, and that's linked to, I would say, jump to our own reasons that the number is much higher in a lot of places in the world, especially the U.S., but altogether we are blessed being basically centered in continental Europe, to have, I believe, a much lower average turnover than most of our competitors. So that's the situation we have today.

As far as hiring the people, we've hired a lot of new people in the past year just to cope with this increase in the business we had and we moved from about 19,000 people to more than 20,000 people now and we have not - well, from time to time it is not easy to find exactly the right specialist you want but so far we didn't have any major problem in hiring the people we need to hire.

The third point is that as we show - like to show in this presentation, there is a lot of built in flexibility in the company like ours, when the size of the contract doubles, the size of the staff you need to manage this contract would increase by 20 or 30% so don't be scared by the big numbers you can see regarding our order intake or backlog. That is something we can cope with. We are, well, to say the truth, today we are still interested in getting more contracts and in the near future, we are bidding on some major projects and if we do so it is obviously because we believe we still have the capability to execute those contracts in a proper way.

Just to give you an indication of our difficulty to hire people, right now we got on our Website 28,000 applications a year, so the difficulty we have is not in finding people, the difficulty we have is to make a selection among all those applications.

Mick Pickup - *Lehman Brothers - Analyst*

Okay, and a second question if I may. You say your utilization of your construction vessels is at 95%. Does that pose any risk going forward? Is that at the right level or do you think there is not enough headroom within that?

Daniel Valot - *Technip - Chairman and CEO*

Well, I would say we are faced during the first half of this year a number of constraints on a variety of projects which led to this situation in which we had to hire additional vessels from third parties and we had this constraint during the first half coming from a couple of projects.

For the full year, our guesstimate would be to have this rate of utilization on the construction vessels to go down on a full year basis at something like 90%, I would say, which means since we had 95% during the first half we should go down during the second half to some 85% so that will be a much more manageable level.

So let's take it is a peak we had during this last two quarters. It's not reflecting the situation of the fleet being completely overstretched. In fact, it is, as you know, a blessing to have a high rate of utilization. It is becoming a bit more difficult when it is too high, which is what we experienced on a couple of projects so far this year, but for the full year we believe the situation is manageable.

Mick Pickup - *Lehman Brothers - Analyst*

Thank you very much.

Daniel Valot - *Technip - Chairman and CEO*

Thank you.

Operator

Thank you. Mr. Thomas Martin of Citigroup. Please go ahead with your question.

Thomas Martin - *Citigroup - Analyst*

Good afternoon, gents. Mick's just asked my question on construction vessels. I'll ask one on the diving support vessels and we've got utilization rates about 68% in the first half of this year and I guess that market is a reasonably high demand for your vessels. Do you expect to be able to take advantage of perhaps a tide market in the North Sea in the second half of this year? Would you expect those utilization rates to rise and also will you be earning good margins on those vessels if the day rates are high?

Daniel Valot - *Technip - Chairman and CEO*

Well, 68% for the first half is a rather high level compared to the previous years so I would assume for the full year we will have a higher rate of utilization on the DSVs than what we had in the past year so that should normally translate into higher profits getting to the better margins.

Don't forget on the DSVs we are doing two things right now. We are selling one of the DSVs to Naganos (ph) which is going to get out of our fleet next month and out of the North Sea by a wait of a year, they'll be in Southeast Asia. So that's one thing we should add in - this contribution to the market.

On the other hand, we have decided to order the construction of a new DSV to replace the Orelia (ph). That will be a DSV but also a pipe laying vessel. It will be to be used outside of the North Sea so we are trying to get the best advantage of the market on which we see some very positive trends.

Mick Pickup - *Lehman Brothers - Analyst*

Okay. Thanks.

Operator

Thank your. Our next question comes from Mr. Michael Carter of ING. Please go ahead, sir.

Michael Carter - *ING - Analyst*

Good afternoon. I have three questions. You were hazarding a guess on revenue numbers for next year and I wonder if you could hazard a guess what the split in offshore would be between SURF and facilities business. Do you think it will be inline with this year or something different?

Daniel Valot - *Technip - Chairman and CEO*

Professed (ph) we think that this is very early to say so as you have seen from our numbers, the backlog has increased in the facilities much faster than in the SURF business but the situation is now completely difference since we signed the agdami (ph) job in July, so there is also a nice increase in the backlog of the SURF. Speaking at the end of July 2005, I said I cannot see any reason why the split between SURF and facilities would be very different next year compared to what it has been last year but really it is difficult to be more precise at this stage.

Michael Carter - *ING - Analyst*

Thank you. I've got a couple of other questions. The first one is one accounting. It was interesting to see the impact to you by FRS 39 in the quarter was positive whereas for an unnamed large competitor of yours it was negative. Do you think this just has to do with the timing of when the orders came into the backlog and were hedged?

Daniel Valot - *Technip - Chairman and CEO*

Well, I don't know about the competitor you are referring to, first. Second, for us it is just the impact of the dollar getting stronger. On dollars we're boating over to cover our positions. So I would - well I have a lot of respect for the new accounting rules but I wouldn't pay to much attention to those mark to market valuations which will be up one quarter, down the following quarter. We have spent a peaceful life without the mark to market on the hedging instruments so far. Now we make sure quarter after a quarter a plus or minus which says no, we only can make signification (ph) in my sense so I wouldn't pay too much attention to those things.

The only problem that we are facing is that it is now becoming quite a crazy exercise to provide any guidance, any precise guidance on what can be the net income in the next quarter on the next year because those mark to market might introduce a lot of volatility in our numbers, our netting of numbers.

Michael Carter - *ING - Analyst*

Thank you. My last question, if I can give the last question.

Daniel Valot - *Technip - Chairman and CEO*

Sure.

Michael Carter - *ING - Analyst*

Is one gets the sense from a lot of operators that the market is beginning to tighten considerably in your line of businesses. Does this translate, in the near term, into being able to get more lenient, easier clauses in contracts, shifting more of the risks back onto oil companies or is that still wishful thinking still at this stage?

Daniel Valot - *Technip - Chairman and CEO*

No, it is no more wishful thinking. It has really started to be translated into facts on the contracts we are clinching these days. We have, I wouldn't say, better terms and conditions. I would say much less unfavorable terms and conditions than the ones we had a couple of years ago. The balance between the owners and the contractors was really getting mad and I suspect two things happened. First the size of the business which is in front of the contractors today is such that they have recovered some bargaining power and so we are able to get substantial, significant changes in the terms and conditions in the contracts we signed today.

Second, a number of oil companies have started to realize that they had been getting too far and it was not at the end of the day in their best interest to put too strong, too tough terms and conditions on the small shoulders of the contractors. Some of them have been experiencing the nightmarish situation in which the contractor they have on several contracts is getting belly-up which is very bad for their projects, of course, so I believe things are really changing in this area these days.

Michael Carter - *ING - Analyst*

Thank you.

Operator

Thank you. There are no further questions at this time. Please continue.

Daniel Valot - *Technip - Chairman and CEO*

No further questions? Okay well ...

Operator

Excuse me?

Daniel Valot - *Technip - Chairman and CEO*

... thank you very much for your attention and we'll see you - when will that be? November? And hopefully we will confirm during the third quarter the good trends which have been deglup (ph) during this first six months. Thank you very much.

Christopher Welton - *Technip - VP IR*

Ladies and gentlemen, that concludes this conference call and we would like to thank all of you for your participation. As Mr. Valot said, our next conference call will be Thursday, November 17th at 3 p.m. Paris Time, when we will release our third quarter and nine month results.

As a reminder, a replay of this call will be available on our Website, technip.com in about two hours. If you have any questions or need any further information, please give either Zavy (ph) or Dwent (ph) or myself a call.

Once again, thank you for your participation and please enjoy the rest of your day.

Operator

Thank you for you participation in today's results conference call. We would like to clarify that the replay of this call will be available in the next two hours. The replay will be on the Website at www.technip.com in the Investor Relations section or by dialing +44 208 515 2499 using the confirmation code 447404# or by dialing +33 170 99 3294 using the confirmation code 123284#, or by dialing +1 303 590 3000, using the confirmation code 11033536#.

The replay will be available for seven days. Thank you and goodbye. You may now disconnect.