

FINAL TRANSCRIPT

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CORPORATE PARTICIPANTS

Daniel Valot
Technip - Chairman & CEO

Ivan Replumaz
Technip - CFO

CONFERENCE CALL PARTICIPANTS

Peter Testa
One Investments - Analyst

Dominique Patry
Ca Cheuvreux - Analyst

Martijn Rats
Morgan Stanley - Analyst

Jean-Luc Romain
CM-CIC Securities - Analyst

Stephane Bensoussan
Exane - Analyst

James Hubbard
UBS - Analyst

Thomas Martin
Citigroup - Analyst

Katherine Tonks
CSFB - Analyst

Nick Griffin
Deutsche Bank - Analyst

Duncan Goodwin
Merrill Lynch - Analyst

PRESENTATION

Unidentified Company Representative

Conference call. Hosting today's call is Mr. Daniel Valot, Technip Chairman and CEO. Mr. Valot will comment first on the group's performance before opening the call up to questions from the audience. 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 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 disclaimer which is an integral part of today's press release and the accompanying slide presentation which is available on our website, Technip.com. A replay of today's call will be available on our website approximately 2 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 & CEO*

Thank you Chris. Good day all of you. As you know seen from our press release, our earnings are up and right in line with our expectations on the business development side, compared to 2003 which was extremely successful. We have been less successful so far this year, but we still hope that there will be plenty of business for us in the coming near future. Perhaps I can walk you

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through the presentation which has been put on the website so that we can share the information which is contained in this presentation and afterwards we will move to the Q+ACY-A. So the revenues for the 9 months is up 12 percent, operating income 16 percent, and net income 44 percent. As a reminder, you probably are fully aware that our target for the full year, we are plus 9 percent on revenues, plus 13 percent on operating income, plus 35 percent on net income on the full year basis. So we are slightly ahead of this progress on the first 9 months which gives us a lot of confidence in our capacity to be on target for the full year.

On the order intake side, -52 percent, this is obviously a disappointing number, but we all remember that the level of order intake in 2003 was exceptionally high, especially during the first quarters of the year. As a result, our backlog went down 23 percent. Our (indiscernible) is still improving with a 16 point improvement compared to the same period last year. We are now at 12 percent year income compared to close to 28 percent. If we can move to the onshore activities. As you can see, the backlog is down 16 percent. Revenues are up exactly by the same percentage, 16 percent, with more important growth on the facility side, plus 26 percent. EBITA stands at EUR122 million which gives a 6.6 percent EBITA margin. I would say that the SURF margins are back to what we call their normal level, (indiscernible) level, around 10 percent, at the EBITA level which means after depreciation. On the facilities, as you know the numbers we have today are not extremely meaningful because we changed since the beginning of this year.

Our accounting method to the progressive margin recognition which means that on those projections which have started at the end of last year, we'll start them. We are today generating revenues which carry no margin or at least on which we don't recognize any margin today. On the onshore activities it is in this area of decline that the backlog is the most important. As you can see we have declined 28 percent. Revenues are up 8 percent. EBITA has been growing 3 times faster than revenues, especially on Onshore-Downstream. As you can see the performance is rather good with an EBITA margin which stands at 4.2 percent now. Industries is still suffering a little bit because of mainly 2 factors. 1 is the startup of our new affiliate in the U.S., (indiscernible) life science for which we are today incurring the cost of starting this new outfit without having much revenues and margin in front of it.

The other 1 is a contract we had in the Middle East, which is pretty close to completion now on which we suffered mainly in relation with problems of security, of safety, which have been prevailing in this region especially during last year. In fact, it's a project which is located in (indiscernible), Saudi Arabia. There were major security problems during spring. Group income statement. I want to comment all the lines. I think it is important to get the very marked improvement we had on the tax side. As you remember, last year, we had a very high tax burden with negative corporate tax rates on the first 9 months which was about 45 percent. We are back today to something which is more normal, with a net (indiscernible) to tax rate of slightly less than 35 percent, and this is a very important factor. It explains to a large extent why, with an improvement in operating margin of 16 percent, we have been able to generate the 44 percent improvement in net income before goodwill, amortization and exceptional items.

Looking at the cash flow statement, as you can see the operating cash flow was EUR172 million during this first 9 months, which covers the dividend on CapEx very nicely since its equivalent to 130 percent of dividend and CapEx. Our CapEx, a bit low at this time of the year, at EUR50 million, a bit low compared to our original budget which was around EUR130 million. We believe that towards year end we should be pretty close to the budget, probably around something like EUR110 million to EUR120 million, but there has been some shifting of some programs from the first 3 (indiscernible) quarters towards year end. Net debt (indiscernible) ratio, we have again reduced the net debt compared to 1 year ago by 59 percent, and that translates into a very low (indiscernible) ratio at 12 percent today compared to 28 percent 1 year-ago, 32 percent 2 years ago.

Return on equity on an annualized basis pre-tax, we show today 11 percent compared to 8.7 percent, so that is quite encouraging for us. We are not yet at the level we would like to be. We are targeting something like 15 percent in the coming years, but we make good progress compared to where we were not so long ago. The next slide, page 10 is on our backlog. As you can see, we are now at the level which is pretty close to the 1 we had 2 years ago. What is, I believe, interesting is to know that even if we are disappointed of course by the level of this backlog, if we started (indiscernible) year, it still represents close to 14 months

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in revenues which is more or less the kind of yardstick we had for many, many years. Of course, we would be more satisfied with a 20 percent (indiscernible) as was the case 1 year ago, but once again it was a bit exceptional.

But even so, I think interesting in terms of profitability for the coming years is the fact that the offshore portion is growing in this backlog. It stands now at 46 percent compared to 42 percent to 1 year ago, 52 percent 2 years ago. What is even more interesting is to look at the share of our SURF activities inside this backlog. It stands today at 31 percent. It was 28 percent 1 year ago, 21 percent 2 years ago, and as most of you know, generally speaking we generate much better margins on the SURF business than we do on the rest of the business. Now, what are the prospects in front of us? We put on this slide, page 11, the market as we see it for the coming 12 months. Those numbers integrate both the tenders we have received and what our market intelligence tells us about the next orders which are likely to be, to come on the market.

As you can see, there is very strong increase in the market potential for us with EUR14.4 billion expected in the next 12 years in terms of (indiscernible) our competitors on the offshore side, and a very marked increase on the Onshore-Downstream side with something like EUR16 billion worth of contracts expected to be awarded to the industry, to some of our competitors in the next 12 months, with a very strong increase in particular on the gas side, gas processing. We are now expecting very big awards especially on LNG (indiscernible) GTL, and most significantly in the Middle East, some of them might be decided very soon. A few news for the shareholders. As you have seen from our press release, we have decided this year to take into account the fact that the French system of avoir fiscal tax credit is going to disappear at the end of this year and we have decided to make our shareholders take advantage of this tax rating for the last time by providing early payment on the dividend. This early payment is quite substantial. You will remember that last year our dividend was EUR3.3 per share. We decided to pay an early portion of it in the amount of EUR2 per share which would carry the tax rate of EUR1. We believe it is a significant advantage for our shareholders. Other news for the shareholders. We have been selected, we have been advised by Euronext in the last days, that we have been selected for 2 new Euronext indexes, 1 which is the Cap Next 20 (ph) which is an index in which, as the name suggests, will be listing the companies which are just after the Cap 40. Another 1, which is the Euro Next Cap 70, which is an index in which you will find the most important market caps in France, in the Netherlands, Belgium and Portugal, and we are a member of this -- will be a number of this new index.

And we have been, again, confirmed as a member of the Dow Jones system (indiscernible) indexes, which is (indiscernible) special for us. As I said, we reconfirmed our targets for the full year. We are confident now, given the evidence we have during the first 9 months that we should be able to reach those targets plus 9 percent on revenues, plus 13 percent on EBITA, plus 35 percent on net income (indiscernible) exceptionals. And to keep the (indiscernible) below 20 percent at year end, even after having paid this early dividend. So that is the extent of the presentation, and me and my colleagues are waiting now for your questions.

q-and-a

Operator

Thank you, sir. Ladies and gentlemen, at this time we will begin the question-and-answer session. (OPERATOR INSTRUCTIONS). Peter Testa from One Investments.

Peter Testa - One Investments - Analyst

Good afternoon. A couple of questions please. You have mentioned in the past, of course, the phasing of the accounting on the offshore facilities business depresses this year's profit. I was wondering if you might be able to give us some view as to how that then works out for 2005 on the extent to which the margins should therefore recover. The second question was on, if you could give us some sort of feedback as to the prospects for orders in the offshore area, particularly SURF in the near-term? Any major projects to see being awarded in Q4 and Q1? I have 1 follow-up question.

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Daniel Valot - Technip - Chairman & CEO

Okay. On the margins on the activities, it is too early to give any kind of indication on what could be those margins in 2005. If we had kept the same accounting method this year than in the past, we would probably have generated a margin around 5 percent instead of the 2 percent we generated this year under the new accounting method. So obviously we would expect to have a much better margin recognized in our P+ACY-L next year, but we have not completed our budget exercise at this time. So I cannot give you any kind of firm indication on what those margins could be. On the prospects for the Offshore business, more specifically on the SURF in the coming weeks, I think I will ask Ivan Replumaz to give you a flavor of what we are expecting.

Ivan Replumaz - Technip - CFO

The first potential 1 is (indiscernible) SURF in Brazil which is still under discretion with Petrobras and an award could be Q4, Q1 or Q2. It's difficult to predict but it's (indiscernible). The other (indiscernible) prospect would be the (indiscernible) job for ChevronTexaco for (indiscernible) in Nigeria which should be awarded Q2 probably (indiscernible) which is an important 1 as well. There is a number of smaller (indiscernible) prospects. We have the (indiscernible) SURF job which should be awarded as well in Q2 '05, and other smaller prospects in the North Sea in Canada. You have seen that we have been awarded, yesterday, the (indiscernible) project (indiscernible) which is very good news for us.

Peter Testa - One Investments - Analyst

The follow-up that was given, that the timing of some of this work may be Q2 or beyond. What you -- to what extent you might be concerned by the relatively lower offshore order book to be delivered in '05 versus where you stood this time last year?

Ivan Replumaz - Technip - CFO

(indiscernible) '05 (indiscernible) potential intake in '05 is similar to '04. We believe we will be able to probably reach the '03 level which was exceptional. But '05 is looking promising so far.

Peter Testa - One Investments - Analyst

I meant more in terms of the sales and results, the extent to which you think given that you are stopping at a lower position now than you were a year ago, some of the awards might be coming Q2 or so, on the extent that would be sufficient for you to make the progress you had hoped for in the offshore division, on the results, not necessarily orders but the results for next year.

Ivan Replumaz - Technip - CFO

It does. It depends upon the timing when we get the order. It depends upon how we perform (indiscernible) contract, so it is quite early to make any forecast for 2005.

Daniel Valot - Technip - Chairman & CEO

Yes, but also a big portion of the margins we're going to show on our books next year on the SURF activity, will come from SURF projects which were awarded to us last year.

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Peter Testa - *One Investments - Analyst*

Of course, thank you very much.

Operator

Dominique Patry with Ca Cheuvreux.

Dominique Patry - *Ca Cheuvreux - Analyst*

Good afternoon. I have 1 question relating to the very good settlement of the SURF activity in Q3. Could you be maybe more specific on what (indiscernible) behind this good (indiscernible). I would have thought that maybe the increase may not affect (indiscernible) higher level of sales during that quarter. But (indiscernible) the margins (indiscernible) you had very good performance. Could you maybe comment on that, please?

Daniel Valot - *Technip - Chairman & CEO*

Well, as you very well know, our SURF business is still very much seasonal, so it is not unusual for us to have several and third quarters much (indiscernible) than the first and the fourth quarter of the year. This is related to the (indiscernible) business. And in addition to that, you also remembered that last year our margin ratio in the SURF business was very badly impacted by a couple of bad contracts which have been completed at the end of last year and the beginning of this year. So now we are back to a more normal state of business in which we generate on this activity, EBITDA margin above 15 percent and EBITA margin around 10 percent. That is the type of margins we should normally generate if there is no accident on major contracts. So there is nothing, exceptional for (indiscernible) those numbers during the third quarter 2003. I would say we are back to normal.

Dominique Patry - *Ca Cheuvreux - Analyst*

Okay, thank you. You have been rather (indiscernible) in terms of the potential of the (indiscernible) onshore division coming weeks, could you maybe be a little bit more specific, where you expect to -- and which kind of projects you expect to be awarded in the coming months in the Onshore division?

Daniel Valot - *Technip - Chairman & CEO*

As you know, if we were not optimistic we would not be in this business. But without being overly optimistic, what we have in front of us as men who was expected in the coming weeks and (indiscernible) are the following ones. We have a project we are following closely, Morocco, which is the (indiscernible) of the Samea (ph) refinery, for which the decision is a bit slow to come, the final decision, but we still have good hopes we could get this project. Perhaps I should have mentioned it, but I will mention it. There is still a project of refinery in Vietnam for which we are again in the final stage of negotiation. It will be awarded, we do hope, in the not too distant future. As you remember, we have also a major (indiscernible) project in Vietnam for which we believe the time is coming of a decision now, especially so since the previous project has been delivered to the customer and is running very well after a few hickups at the start of phase (ph). So now the client is satisfied with our capacity.

We are fighting on the major GTL project in Nigeria for ChevronTexaco for which apparently the client is now doing some kind of homework, trying to find ways to reduce the overall cost of the project. So I don't believe that this might come very, very soon, but it will come. We are, as you know, in competition for a major gas development in Abu Dhabi called OGD-3. It seems from what has been released in the press that we are not the lowest bidder. We might very well be the second lowest bidder, but it is not the end of the story. As far as we know, no decision has been taken by the client in Abu Dhabi, so the game is still running. Another major project on which we are currently bidding for which the decision might very well be (indiscernible) by

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the client before year end, is Petrobras 2 which is a project driven by Exxon Mobil for extra large LNG trains, and we tend to believe that the decision might be announced before year end by the client.

We are pretty close to finalizing the agreement with the client on Freeport LNG in the U.S., this LNG receiving facility close to Houston for which we are pretty close to a conclusion now, and we do believe this conclusion will be in our favor. We are currently bidding on another major project in Abu Dhabi called (indiscernible) third LNG (ph) train, which is a gas (indiscernible) plant, which is a very large contract. It's an ex alloy, even ex, ex (indiscernible). There is also an (indiscernible) plant in Kuwait for which the operator is a joint venture between Dow Chemical and Petrochemicals industry, for which we have been making basic studies and for which we expect the decision in the coming weeks.

We own the bid for a big (indiscernible) upgrader in Alberta for which we believe we might very well be well-positioned. We also own the bid for an upgrade -- upgrading or an expansion of a refinery in Columbia. So there are plenty of projects and many of them have been unusually high size for which the decision will be taken for some of them probably before year end. For the others, during the first half 2004 and for which we believe we have good chances.

Dominique Patry - *Ca Cheuvreux - Analyst*

If I can, just one final question. Isn't the rest of the projects that you have just listed to us, I still have difficulties to understand the near-term prospects that you're presenting to us at the final (indiscernible), where you were targeting the onshore division to account for 55 percent of shore of sales in 2008 compared to 45 percent in 2003. Could you maybe come back to that?

Daniel Valot - *Technip - Chairman & CEO*

Well, if you ask again the question, I will tell you that in our thinking, what we have in mind in this horizon which was 5 years from now, is to continue to grow aggressively the whole Company, but trying to forecast on the Onshore-Downstream side on the most attractive projects for us in terms of margins, and that in our dreams at this horizon, Onshore-Downstream sales, our business to be something like 35 percent to 40 percent which means that we intend to grow even more rapidly, our industry's business for which we believe there is a good potential for a Company like us. As you have seen -- I know you have been, all of you who have presented this conference, have been scratching their heads and saying what the hell, why is Mr. Valot wanting to make grow a business in which the marketings today are so disappointing.

I can tell you that on this industry's business for instance this year, if we had not those 2 elements I was mentioning a few minutes ago, which are first our (indiscernible) in U.S. for the pharmaceutical business and this tool contract in Saudi Arabia, we would have shown margins probably around 5 percent for the full year, EBITDA margin. So we believe there is a good potential in this area, in some specific segments, in which we have the expertise and we can grow the business and the Company. And it is not, I'm not saying that we will reduce our business Onshore-Downstream and just saying that there is competitive pressure in this business, which we have said for quite some time coming from low-cost engineering companies coming from Korea today, perhaps to move from China, from India. The barriers at the entry of those type of competitors are relatively low, so we will need to focus on the most profitable segments of this business.

Dominique Patry - *Ca Cheuvreux - Analyst*

Okay. Thank you.

Operator

Martijn Rats from Morgan Stanley.

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Martijn Rats - Morgan Stanley - Analyst

It's Martijn Rats with Morgan Stanley. 2 questions if I may. I read something in the press that Technip was also competing for (indiscernible) pages 15 and 16 which seems a big project, but I haven't heard you mention it in the call so far and I got the impression from the press article that I read that you seem well-positioned and it could be awarded pretty soon. If you could give an update on that, that would be great? The second question that I had is about the backlog, particularly if you look at the scheduling of the backlog, the part which is for execution in '05 seems quite low, low for example compared to last year. At the investor day you said you wanted to grow the Company at between 5 percent and 9 percent every year in terms of revenues. But is that something that we can expect to happen next year as well because the backlog for execution of '05 doesn't seem to underpin that ambition? Finally, the last thing that I wanted to clarify, the guidance for 35 percent growth in net income I understand it is before goodwill, but it now seems that this is also before the non-operating items. Is that the case or is it still just before goodwill?

Daniel Valot - Technip - Chairman & CEO

Okay. I will ask (indiscernible) to give you more details on the (indiscernible) packages.

Unidentified Company Representative

Yes (indiscernible) 15 and the 16 stage. We have are in the last periods of the bidding stage and we have been submitting (indiscernible). As you know, this process is always quite long in (indiscernible) because once you have got a project, (indiscernible) to sign on the whole project and put into place such a (indiscernible) to wonder. In case we are successfully complete is something which will come in 2005. Now, on the situation at the (indiscernible) there is some (indiscernible) between some of the competitors, the more weakest is Technip and (indiscernible) which has been accepting some competitors I would say, actually, which got into the IPB should not have been qualified. In a few words, the ITB was asking for the joint venture between (indiscernible). And 2 of the bidders are (indiscernible) company without a name for a contractor and we have been also competitor which is (indiscernible) company has been protecting against some (indiscernible). We don't know what will be the final issue on this matter.

Daniel Valot - Technip - Chairman & CEO

Your question on the backlog for next year, the share of the backlog which is going to translate into revenues for next year, is an extremely good question. As you have seen, we estimate it will be EUR3.2 billion. Last year at the same time it was 3.4 and the year before, 3.4. That means that obviously we had much better visibility on next year level of business 1 year ago, given the size of our backlog at this time, than we have today. This being said, this type of situation can change very quickly, very dramatically. If we are able to cash in the coming 2, 3, 4 months, the very high level of contracts I was mentioning before, the future can change very dramatically. It is true, we have less visibility today. We do hope it will change in the coming quarters, we will give you obviously more precise view once we have completed our budget. You remember for 2004, we gave some guidance to the market that was mid-January. We will try to do the same this year once we have a better picture ourselves of the way we look at next year, we will provide to the market.

I'm sorry, your other question which was is our guidance on net income based on net income prior to goodwill depreciation or is it based on net income prior to goodwill depreciation and to exit (indiscernible) items? I share your view. This has not been said in a very explicit manner. Perhaps at the beginning of this year we mentioned net income prior to goodwill. In my mind that always been prior to goodwill and exceptional items. It does not make a very significant difference anyway, but it seems to be fair that the guidance we can give on the Company should always be understood as something except when putting aside exceptional items by definition. Exceptional items are something which is almost impossible to forecast. So if we want -- if we were to give you the guidance including exceptional items it would become extremely difficult to give any kind of guidance.

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So I am sorry if there was some kind of misunderstanding at the beginning of the year, but for us it has always been clear in our mind that it's prior to both goodwill depreciation and exceptional items.

Unidentified Company Representative

Martin, I would also remind you that for the announcements of Q1 and Q2 we reiterated that the guidance was pre-goodwill, pre-exceptional.

Martijn Rats - Morgan Stanley - Analyst

Okay, thank you very much. That was very useful.

Operator

Jean-Luc Romaine with CM-CIC Securities.

Jean-Luc Romain - CM-CIC Securities - Analyst

Jean-Luc Romain with CM-CIC Securities. I have 2 questions. The 1 is I want to know the potential for margin improvement next year. Could we repeat the 2 percent 1 and 2 percent 2 situation. That is high margin due to low turnover (indiscernible) given your contracts coming in (indiscernible) lower margins. I have a question about restructuring in Germany and (indiscernible) this is what has been producing exceptional costs this quarter (indiscernible). I was wondering are there many (indiscernible) Germany or are you close to having completed your restructuring there?

Daniel Valot - Technip - Chairman & CEO

Okay, thank you. On your first question, could we have a repeat of the scenario we went through in 2001, 2002, which means the year in which revenues are relatively low because there has been a low level of order intake and the margins are made up of contracts which are most of them in their last year of execution, so that the margins we show according to our accounting methods are extremely good in depressed revenues. Why not at this time (indiscernible)? I don't know. I would be surprised because the market situation today is extremely different. In fact, we have in front of us very large contracts for which we believe we have good chances, which might be awarded to us in the coming month or so. We could very well have a repeat of another scenario which is the 1 in which we accumulate new contracts which will be in their first year of execution which will generate a lot of revenues with no margin. So productivity, both scenarios are equally -- 1 can equally be mentioned today, but the 1 you mentioned doesn't seem the most likely to me given the market prospects we have in front of us.

The restructuring in Germany, it has been a long story. You remember that in 1999, Technip purchased the engineering affiliates of (indiscernible). At this time, when we purchased those engineering affiliates, in fact, you'll remember we were interested in an affiliate called KTI and we have been very happy with this acquisition because KTI provided us very strong positions on 2 markets, hydrogen and (indiscernible). So it has been an extremely successful acquisition. But at this time, management decided that the package they would sell to us would include some other assets which were less desirable, especially in Germany. So after this acquisition, we started in Germany with something pretty close to 3,000 people for which the level of business acceptable was very small, and some of them were not at all working in (indiscernible) core business. So we had a very long restructuring process which has been managed by this Company under which we have sold some affiliates which were outside of our core business. The last 1 we sold was sold this year, actually, to a (indiscernible) called EHR which is doing some (indiscernible) with a number of employees which was close to 1,000 people. So we are left now with a Company much smaller in Germany based in Dusseldorf only with about 400 people to date.

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But this 400 people, unfortunately, still are too many compared to the business which is accessible to them for a number of reasons, which are I believe well-known. First, the fact that the cost of engineering man-hours in Germany is the highest in the world. Second, the fact that the German market is very depressed+ADs- there are not too many projects. Third, the fact that this Company which we try to use to penetrate the Russian market has been trying to penetrate the Russian market, but unfortunately there are not so many prospects on the Russian market. So even if we have reduced the workforce from 3,000 to 400 people in the past 6 years, we still do have some restructuring to do and our goal on that, this latest restructuring plan, is to get back to something like 250 people which we believe will be the rightsize for this company. I am unable to tell you if it will be the last restructuring plan. We believe to date, given the intelligence we have on the market, that this should be the rightsize. We cannot completely exclude that in the future. We will have to make even more restructuring that we have done so far.

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

Thank you.

Operator

Stephane Bensoussan of Exane.

Stephane Bensoussan - *Exane - Analyst*

(indiscernible)

Unidentified Company Representative

Would use please switch to English?

Stephane Bensoussan - *Exane - Analyst*

Sorry. On your order intake this year (indiscernible) it is rather low. It is essentially due to delays in project hours or do you feel you are losing some market share for some kind of project there?

Daniel Valot - *Technip - Chairman & CEO*

That is a pretty good question. We try to assess our market share on this segment as we do on the offshore business. It is a bit more complex because it is more difficult to find the reliable numbers on the size of the market. But anyway, what we look at is our market share on the projects we are following. So on the markets we are following for this past 9 months, we estimate our market share in the Onshore-Downstream business to be 20 percent. It is a bit on the low side. We are used to being a little bit more successful than we have been this year. But anyway, 20 percent is not a ridiculous number by far, and with this 20 percent we are among the top winners in the Onshore-Downstream. Really, the main factor this year has been the fact that there were very small number of projects awarded during this first 9 months. That is a fact.

You probably remember that we said since the beginning of this year that we were expecting most of the major contracts to be awarded during the second half of this year. We are not expecting much business during the first half. We have had this kind of visibility at the beginning of the year. During the second half, not much took place during the third quarter. There are a few very large contracts for which the tenders have been made and the decision now lies in the hands of the client for the coming weeks. So we do believe that the situation we have today is not the end of the story for the year, but it is true that it has been

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a very soft market so far in terms of awards. But it doesn't mean that we are losing ground in terms of market share. Our main loss so far this year has been in some areas in which we have strong positions and we are satisfied with the fact that we have been able to grab new contracts. For instance we've got an additional polyethylene unit in Iran for the ninth complex. We have got an additional train of liquids actually in Nigeria. We've got an additional polypropylene unit in South Africa for Sasol. We have got several hydrogen facilities including a large 1 for Bechtel in Behrain and we've got a rather large gas (indiscernible) for (indiscernible) in Australia. So in those areas in which we believe we have strong positions, we have not seen any kind of reduction in our market share.

Stephane Bensoussan - *Exane - Analyst*

1 question on your tax rate. I think you are finally much below what you are expecting. Do you think you will see a rough year (indiscernible) percent next year?

Daniel Valot - *Technip - Chairman & CEO*

Well, we are not low compared to what we were expecting. We are a bit low and that is the good news compared to what the CFO said and gave us guidance for the year. We have a very careful CFO. He was hoping to make something like 34 percent, 35 percent this year. He said to the market, my goal is to make not worse (indiscernible) person, so that was a very nice move. For the coming years, we believe we should be able to further improve this overall tax rate. We will probably, this year, be (indiscernible) at the same level we had during the first 9 months. We do hope that for the coming years we will be able to reduce again a little bit, point by point, this tax rate for the Company going to something like 33, 32 perhaps a bit lower in a few years from now.

Stephane Bensoussan - *Exane - Analyst*

Okay. 1 last question. Is there any news on the aluminum contract for Alltel.

Daniel Valot - *Technip - Chairman & CEO*

Yes, bad news for us. Altel decided to drop this project. It took them a lot of time before making up their mind, but they made up their minds and decided to drop this project and to go back to a more traditional technology for this plant in South Africa, so this project for us is better.

Stephane Bensoussan - *Exane - Analyst*

Okay, thank you.

Operator

James Hubbard of UBS.

James Hubbard - *UBS - Analyst*

Hi. It's James Hubbard from UBS. 2 questions. First of all on industries, you gave (indiscernible) guidance which implies aggressive growth out to '07. I am wondering if you can give any more details on what the scale of the smaller acquisitions that you previously mentioned are that got to this and when these acquisitions might occur? Second question is, do you have updated guidance as to your EBITA sensitivity to changes in the U.S. dollar FX rate?

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Daniel Valot - Technip - Chairman & CEO

Do we have (indiscernible) guidance on what?

James Hubbard - UBS - Analyst

On the sensitivity of your group EBITA to changes in the U.S. dollar foreign exchange rate?

Daniel Valot - Technip - Chairman & CEO

Okay. On the first 1, what could be the size of the acquisitions we're contemplating in industries and when they might come. Broadly speaking we're not in a position today to give you more details. I don't know. We are looking at this market, trying to find targets which would be a good fit to our existing assets. And for the time being, we have no precise ideas on what will be this Company's and when they will be purchased by us. I am sorry, but I cannot say much more on this topic. On the second question, while the last time we gave sensitivity, we said that 10 percent change in the U.S. dollar compared to the euro would figure (technical difficulty) what was that? 1.2 percent on revenues and 2.4 percent on EBITA. In fact, during this first 9 months, the euro moved from 1.11 to 1.23 compared to end of September '03, and we estimate that the impact of this change in the value of the dollar compared to the euro in our consolidated account is a reduction in revenues of EUR84 million. So it's not that big in fact.

James Hubbard - UBS - Analyst

Okay. Great, thank you.

Daniel Valot - Technip - Chairman & CEO

The impact is bigger on our backlog, the estimated impact on our backlog is about EUR150 million.

Operator

Thomas Martin of Citigroup.

Thomas Martin - Citigroup - Analyst

Thomas Martin at Citigroup. I was wondering if you could give us a little bit more information on the industry division. You mentioned that the start-up costs of the U.S. life sciences business (indiscernible) margins this quarter. I think you said previously you wanted to reach breakeven (indiscernible) '05 to revenue growth. Does that mean that the operating margins are going to be negative in that business through into (indiscernible) '05? Second question relates to that. You're growing this business. Part of it is coming from acquisitions, but part of it is still going to be through organic growth. Do you expect your margins to be depressed through investments in other branches of industries for a prolonged period or do you expect margins to bounce back into next year?

Daniel Valot - Technip - Chairman & CEO

Well, on our recurring business in this area, we generate decent margins. There are even some segments in which we have extremely good margins in this business. If we were to do the same as we did in the U.S., which is to start up a new company,

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not capitalizing the start-up costs but taking them as operating expenses, of course that would depress our margins for some time, but that is not the way we're doing it. We look at it, this growth as a combination of 2 things, organic growth, which does not imply any kind of significant investment or upfront expenses. For instance we are pursuing some projects in New (indiscernible) for nickel mining for which we believe we are well-positioned which could lead to significant contracts.

This does not imply any kind of upfront investment. We're also targeting some power plants especially in Italy and fertilizer business in Brazil for which we have pro positions. All of that does not imply any kind of upfront expenses apart from of course the (indiscernible) costs. Now, external growth as I said before, external growth would be realized mainly through acquisitions of existing companies. We will make those acquisitions if they come in a rather opportunistic way. The cost of the acquisition won't impair the margins we're going to make on this business. I do believe that we should have, starting this next year, a situation in which our industry business segment should come back into a positive margin situation.

Thomas Martin - Citigroup - Analyst

In terms of (indiscernible) this year, that's pretty much a one-off item in the industries division and the organic growth that you are looking at in other parts of industries isn't likely to incur the same type of startup costs and margin impact?

Daniel Valot - Technip - Chairman & CEO

Exactly.

Thomas Martin - Citigroup - Analyst

Thanks for your help.

Operator

Katherine Tonks of CSFB.

Katherine Tonks - CSFB - Analyst

It's Katherine Tonks of CSFB. I just wondered, you said that in 2003 you had exceptionally high level of backlog versus today and maybe that you would not get back up to 20 months cover. Are you confident that you can achieve good utilization of all of the engineers and the yards that you have, particularly in the offshore sector going forward if you don't expect to reach those exceptionally high levels of backlog again?

Daniel Valot - Technip - Chairman & CEO

Well, I will ask Ivan Replumaz to complete my answer. I would say that if we look at our situation today for the coming year, the rate of utilization of most of our assets is quite satisfactory. The fleet will be extremely busy as it has been this year. The plants both the umbilical plants and flexible plants are going to be extremely busy. The only areas in which the level of activity might be improved is the yards as you mentioned rightly. The yards, as we can see today, don't have enough workload for next year, but usually our yards the backlog is rather short. It is a relatively short term business especially for GMF in Corpus Christi. I would say we don't need to go back to 20 months of backlog in order to have full utilization of most of our assets. Ivan, do you have any additional comments?

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Ivan Replumaz - *Technip - CFO*

Yes. I think the factories are going to be very busy next year and the (indiscernible) factory will be quite busy and the (indiscernible) factory hopefully quite busy as well. The yards are always going to do the (indiscernible) SPAR. We are attending a few jobs for (indiscernible) with (indiscernible) to help us to bridge the gap until end of 2005 where we are supposed to start the (indiscernible) awarded in the second quarter, third quarter of '05. (indiscernible) it's going to be alright next year from what we can see today. So the only (indiscernible) that you can point is GMF. The fixed cost of GMF per year is not huge, about +ACQ-10 million, so we need a few contracts to be able to breakeven on GMF and we are working actively on it.

Katherine Tonks - *CSFB - Analyst*

Okay, thank you.

Operator

(indiscernible) from Simmons +ACY- Co.

Unidentified Speaker

(indiscernible) from Simmons +ACY- Co. I had 2 questions. First 1 was about CapEx. Year-to-date CapEx is at 50 million and you highlighted that by year end that number should move to 110 million to 120 million. What will be the projects that this CapEx is flowing to? Also, your guidance for CapEx going forward west to remain in the 120 to 130 range. Does that include any acquisitions as well that you may be undertaking? Second question was regarding the split between the SURF and the facilities business and the offshore segment. Can you give us some guidance about what you expect that split to be in the short medium and long term?

Daniel Valot - *Technip - Chairman & CEO*

Okay. On the CapEx first, what we have for bridge to gap between the 50 million we had spent at the end of September. In our forecast for the full year, is the fact that we are going to purchase a vessel which we have already in our fleet under a long-term chart. This vessel is the Deep Pioneer, so it was on the long-term (indiscernible) with an option to purchase it and we have decided to purchase it. It makes sense from an economic standpoint. So that will be a one time item which will be completed before the end of this year. So that is the reason why we do believe the 50 million we have at the end of the third quarter does not mean probably that we will end up the year at 70, but more likely something like 110 or 120. You had a second question on CapEx, yes, which is how does it look like for the coming year?

It is about the same, and obviously when we talk about this level of 120, 130, we would like to keep as long as possible. That does not include any kind of acquisition of companies which would come (indiscernible) on top of that. Breakdown for SURF facilities business, today, tomorrow and in the long-term future. Well it is difficult to answer your question because you know it depends very much on the contracts we are able to get from 1 of quarter to another 1. What can we say generally speaking, is that on the SURF business, given the fact that we are the number 1 player with a marketshare which is year-end, year-out, is somewhere between 35 percent and 40 percent.

It would be extremely difficult now to growth this marketshare in a very significant way. We want to keep it. But it's extremely unlikely we would be able to grow it to change completely the level of marketshare we have, which means that we expect long run this business to grow at the same pace as the overall SURF market in the world which should be something pretty close to 9 percent or 10 percent per year on an average basis. On the facilities side, we have a much smaller marketshare today, something like 10 percent. And so there is some room to maneuver in this area and we do believe that in the long run we should be able to grow this marketshare to something like 15 percent. Don't be surprised if in the future our business in the SURF grows

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something like again at the same pace (indiscernible) market 9 percent, 10 percent per year probably. We have probably more room for growth in the facilities market.

Unidentified Speaker

Okay, thank you.

Operator

Nick Griffin of Deutsche Bank.

Nick Griffin - Deutsche Bank - Analyst

Good afternoon gentlemen. Just a quick question in regards to the Onshore-Downstream awards. You mentioned you had a couple contracts coming up that were going to be decided on in just the coming weeks or the coming months, before the end of the year, yet in the same breath you mentioned that OGD-2 you had moved into probably the second lowest bidder and not the lowest bidder. I was wondering if you could maybe update us on OGD-3, is the question, OGD-3 and also update us on what those other contracts could be before the year end or should we really be looking forward next year?

Daniel Valot - Technip - Chairman & CEO

Well on OGD-3, you're asking me to give you an update. I believe everything is well-known today. The bids were opened by the client, which asked each one of the bidders to give a new price, his best price, so each one gave again his best price with very limited change compared to the first price anyway. It seems that we are something like 2 percent more expensive than the lowest bidder which (indiscernible). So now we expect the decision-making process to be followed in Abu Dhabi which is a bit complex decision-making process because the final decision is made by the Supreme Petroleum Council. And for a project of this size, I cannot expect -- I cannot exclude that the Supreme Petroleum Council might very well decide to organize a reading because it is such a big contract with a large price associated. We don't know what it can be. Or they can decide to award this contract based on the current prices given by each competitor.

We would probably know before year end, well before year end, what is their decision. Is it to award this contract based on (indiscernible) prices or to organize a reading. The other project on which we are expecting a decision very shortly, I would say I'm talking under the control of Mr. (indiscernible) very much better than I do, but the 1 for which we expect a decision to be announced pretty soon, at least LNG terminal in the U.S., the so-called Freeport terminal. This should be announced in the coming weeks. We can very well know the decision of the clients before year end on Petrobras 2, that is a very, very large contract and we have never seen a contract this size before. Apparently, the client has decided to go extremely quickly on the award process especially since they are now committed on the LNG receiving facilities in the UK and they have ordered the tankers to ship the product from (indiscernible) to the GT (ph), so now the whole machine is running.

What else can we expect? Kuwait, the ethylene (ph) project in Kuwait for Dow might very well be decided before year end. The other projects I will mention, it is much more difficult to predict when the final decision will be taken by the client. For instance, a project like GTL in Nigeria by ChevronTexaco. We were expecting the decision to be made by the client during the summer. Apparently they have been a bit shocked by the price offered by the various competitors? So now they are trying to find ways to make the project in a more economical way. How long will that take for them to make this process? I don't know. As far as Vietnam refinery is concerned, we have decided once forever that we will no more give any predictions about the timing of the decision by the Vietnamese on this project.

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Nick Griffin - *Deutsche Bank - Analyst*

Thank you, that's great. Thank you very much.

Unidentified Company Representative

Operator, we will take 2 more questions please.

Operator

Duncan Goodwin.

Duncan Goodwin - *Merrill Lynch - Analyst*

Duncan Goodwin from Merrill Lynch. A quick question on CapEx and partly related to the strategy presentation that you had a few weeks ago. It's in regard to the deepwater pipeline market. Now you highlighted previously that you were thinking about essentially adding capacity in due course. I just wanted to ask for a bit more clarity and color in terms of what the timing would be in making that sort of decision and what sort of level of CapEx you would be willing to commit?

Daniel Valot - *Technip - Chairman & CEO*

As far as we can see from now, don't expect us to have a significant new CapEx next year. But it is very likely that somewhere in 2000, I don't know what, 7 or 8, might not even will be needed for us to add an additional deepwater construction vessel. So if that is the case, we will probably work on the decision starting next year, but there won't be any significant CapEx next year.

Duncan Goodwin - *Merrill Lynch - Analyst*

Thanks.

Operator

Peter Testa.

Peter Testa - *One Investments - Analyst*

Could you please give us an idea of the value of major projects which you think we'll complete in '05 versus '04? Maybe some color on how that split between offshore and onshore? I was also wondering if you might be able to give us some thoughts on how the market or competition, competitive attitude is towards risk on some of these very large onshore projects, what you think is going on there in risk management to the extent to which you get bigger proportions of the designs (indiscernible) and so on. But maybe just give an answer on how you perceive the competitive position is on risk in these contracts? Thank you.

Daniel Valot - *Technip - Chairman & CEO*

Name projects which are supposed to be completed next year. On the offshore side, Simian-Sapphire will be completed. Simian-Sapphire is now under full-fledged execution and installation is running pretty well so far. So it will be completed next year. You've got -- in fact, we give this schedule during the first staff results presentation, and there is no change.

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Duncan Goodwin - Merrill Lynch - Analyst

Maybe if you could do it in terms of value rather than projects. I understand (indiscernible) see the schematics on the first half, but maybe if you could update us in terms of value were it to complete?

Daniel Valot - Technip - Chairman & CEO

Well, I don't have those numbers in my head. We would have to come back to you on that. Perhaps what we can do it is order when we make the full year presentation in February, we come back with an update on this schedule. But the main projects are (indiscernible) in the onshore division, which is about EUR400 million+ADs- the Motor Oil Hellas which is a refinery expansion in Greece, EUR300 million+ADs- (indiscernible) projects which is an offshore SURF project in Nairobi Coast which is worth about +ACQ-125 million+ADs- the (indiscernible) project in Oman, this large fertilizer facility was around EUR400 million for our share. The HDT (ph) (indiscernible) EUR32 million+ADs- the Constitution SPAR, which is worth about +ACQ-150 million+ADs- the (indiscernible) gas plant, about EUR400 million+ADs- Simian-Sapphire will be completed. Otway should be -- the offshore Otway should be pretty close to completion. That is about it. We will provide an update when we make the presentation of full year numbers.

Peter Testa - One Investments - Analyst

I was actually trying to understand just the overall value '05 versus '04, just to get a sense?

Daniel Valot - Technip - Chairman & CEO

Okay, we will try to do this (indiscernible).

Peter Testa - One Investments - Analyst

Thank you. Then the question on competitive (multiple speakers).

Daniel Valot - Technip - Chairman & CEO

Our competitors, our competitors are as crazy as they used to be or are they a little bit (indiscernible) why? It is a bit difficult to give a general answer on that. Perhaps I can say that on the offshore business, some of our competitors have been very badly burned in the recent past, especially companies like McDonald and Stolt Offshore. They are just about to get -- they are just getting out of (indiscernible). And generally speaking, I would say the overall behavior of competitors in this segment is probably a little bit less responsible than it -- a little bit more responsible, more risk adverse than it was a couple of years ago. In the Onshore-Downstream area, I would say that even the fact that there are relatively few projects being awarded on the market in the past 9 or even 12 months, we have seen some competitors becoming very hungry and ready to take projects at prices we could not afford or taking risks we don't even want to take. The future is a bit different on the 2 segments.

Duncan Goodwin - Merrill Lynch - Analyst

Great, thank you very much.

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Unidentified Company Representative

Ladies and gentlemen, that concludes our conference call for today. We would like to thank you all for your participation. Just a reminder, a replay of this call will be available on our website, Technip.com, in about 2 hours. It goes without saying, that should you have any questions or require additional information, the entire Technip Investor Relations team is at your disposal. Finally, please market calendars, Technip's fourth quarter and full year 2004 results are scheduled to be published on Thursday, February 24, 2005. Thank you and please enjoy the rest of your day.

Operator

Thank you sir. Thank you for your participation in today's results conference call. We would like to clarify that a replay of this call will be available within the next 2 hours. The replay will be on your website, www.technip.com, in the Investor Relations section, or by dialing 208-515-2499, using the confirmation code 616863, followed by the hash sign. Or by dialing +330-70-99-3294 using the confirmation code 132785 followed by the hash sign or by dialing 303-590-300 using the confirmation code 11013852 followed by the hash sign. The replay will be available for 5 days. Thank you and goodbye. You may now disconnect.

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