FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to the conference call of Technip's 2003 results. This conference is being recorded. Later there will be a question and answer session. If anyone has difficulties hearing the conference, please press the star key followed by the zero on your touchtone telephone for operator assistance. I would now like to turn over the conference to Mr. Christopher Welton, VP of Investor Relations. Please go ahead, sir.

Christopher Welton - *Technip - VP Investor Relations*

Good day, ladies and gentlemen and welcome to Technip's 2003 results conference call. Hosting today's call is Mr. Daniel Valot, Chairman and CEO. Mr. Valot will comment first on the group's performance before opening the call up to your questions.

Before we start, I would like to remind our listeners that statements in today's press release, 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 disclaimer contained in today's press release and at the end of the slide presentation which is available on our website. I will now turn the call over to Mr. Daniel Valot, Chairman and CEO of Technip.

Daniel Valot - *Technip - Chairman, CEO*

Thank you. Good morning, all of you, or afternoon, we are already afternoon. We are rather pleased with the performance of the company this year. As you can see from our press release and our presentation, everything seems to be going up, which is great. The earnings are better, the backlog is at a record level, and we have been able to strengthen our balance sheet by crushing the debt quite significantly during the year.

In fact, if you take a look at what happened during the last two years, since the purchase of Coflexip, we've been able to increase the backlog of the company by 45 percent compared to what it was two years ago, just after the merger, and at the same time we've been able to slash our net debt by 75 percent, so we've developed the business, we've reduced the debt, and we are today in, I believe, a quite healthy situation.

If I can walk with you in our presentation, we put the main numbers on the first page. Order intake was up 19 percent, backlog at year end plus 24 percent. Revenues, in spite of the decline in the value of the U.S. dollar are in line with our target, which was 5 percent. In fact, we achieved plus 6 percent for revenues. In terms of operating income, prior to goodwill depreciation, we said we would make 10 percent and we achieved plus 11 percent. Profit before tax is a more complex story. We said our target was to reach a 15 percent increase. In fact we did better before tax, plus 31 percent. We did slightly less at the post-tax level, with an increase of 6 percent. We had an exceptionally high tax burden this year and we comment later on on that.

Business development has been quite satisfactory during this year of 2003. Not only has our backlog grown from 5.8

billion to 7.2 billion, but the structure of this backlog has changed quite dramatically. One year ago, 30 percent of this backlog was offshore. Today, 40 percent of the backlog is offshore and, as you know, offshore activities generally carry better margins than onshore downstream activities.

You've got the description of our financial debt over the last two years in page six of the presentation. As you can see, we've been able to cut the net debt by 42 percent in 2002, and again by 53 percent in 2003, which, for me, tells a lot. It means that, during these two years, this company has generated enough cash to first pay its capital expenditures, so we had two years with capital expenditures around 120 million, so it makes 240. Two years of dividend at about 80 million. That makes 160 altogether between capital spending, and dividends 400 million, and at the same time we've been able to repay most of our debt, to reduce the net debt by 600 million, so altogether it is 1 billion of cash generation which has been produced in this company in the past two years, and I believe it is a good record.

We put some indications also about the way we tried to enhance our shareholder value. We've decided during the board which took place yesterday to propose to the next shareholders' meeting to keep the dividend unchanged at 3.30. We completed a new employee shareholder plan, but during the year we also bought back a number of our securities of ordinary shares and convertible bonds in order to limit the dilution for the shareholders.

What is probably of interest also is the main features of the market for our stock. We have 80 percent growth, liquidity high and increasing, and we are more and more covered by international brokers. The main figures are detailed on the following pages. Perhaps I would rather answer questions than comment on all those numbers.

What is probably, I think, of interest for you is that, in addition to our good operating performance, we have also what is depicted on page 14, the kind of good leverage on the bottom line coming from the fact that we've reduced depreciation, goodwill amortization and financial charges by 16 percent compared to last year, while at the same time our revenues were up 6 percent, and, as a result, those three items which were eating 7.4 percent of our revenues one year ago, did eat 5.9 percent of our revenues in 2003. So that's the powerful leverage we have, and we intend to use it fully in the coming years.

In the following pages of the presentation we try to show you that we are a serious company doing its business in a serious way, both at the bidding stage, which is extremely important, because even the best company cannot manage successfully projects if the bidding has not been made in a professional way, so I believe we are well-organized in this company, with the management being very present at each stage of the decision-making process, to make sure that we achieve, on each contract, if possible, the right balance between risk and reward.

We also have a policy under which we take each contract based on its own merits, and we are not looking either for market share or for trying desperately to use our assets. We want to go to projects in which we can develop decent margins.

On the following page we've shown you the way we control the projects in this company. It is based on two principles which may seem a bit contradictory. One of these principles is that the project director is the king. He is fully empowered to manage all the people working on the project, but at the same time there is a very tight control by the management on the projects with the help of senior people at the corporate level involved in cost and planning, global procurement, project management. One specificity of the organization is that, for each project, there is next-door to the project director a cost controller. This cost controller reports to the project director, but reports also, at the same time, the same information to the Senior Vice President Cost and Planning, which himself reports to the CFO. So we have, I believe, a good system in order to control our projects.

We try to deal with the currency fluctuations as well as we can. I think it is important to point out that Technip, even if it's based in Paris, is not a pure Euro land company. As you can see, for engineering, which is something like 10 percent to 20 percent of the value of our contracts, 36 percent of our workforce is located in Euro land, 64 percent outside.

For procurement, which is a much more important component of our cost structure, about 30 percent to 50 percent, we have enough flexibility for our global procurement system to switch at least a portion of our procurement from high currency areas to low currency areas. And for construction and installation it's either subcontracted to construction subcontractors, or [inaudible] by our own assets. Our own assets are 57 percent Euro land, 23 percent outside. Once again, when we compare results to most of our

European competitors, we've got the feeling that we are less exposed to the Euro than most of our European competitors.

This is detailed on the next page, which shows you our network of engineering centers. We have today in this company a network of engineering centers which are able to undertake major projects. To give you an example, all big projects don't go necessarily to Paris. We have today several very large offshore projects which are executed from Kuala Lumpur, from Aberdeen, from Rio, so that gives us a lot of flexibility. In addition, those main centers are helped by low cost engineering centers, which we have developed over time these recent years, in which, of course, the cost of engineering per hour is much, much lower than in the main centers.

The next slide shows you the way we have been organizing ourselves in the last three years now, in terms of global procurement. We have there again the global procurement network with the global procurement officer, regional procurement centers and commodity [indiscernible] managers. All those people are involved in the EPC Services Internet Based Procurement System we launched two years ago, in which today we are able to process a big chunk of our procurement. This global organization is such that we are able to change to sourcing quite significantly, as you can see from in 2000, 27 percent of our purchases came from the U.S. or countries where the currency is very closely linked to the U.S. dollar. Today, or at least last year, it was 41 percent, and global procurement provided also savings to the company which we estimate at 30 million in 2003. Our goal is to double the amount of those synergies in the coming years.

Then, looking at the future we give you a few indications about our market positioning by business line and by regions. I won't comment to much on that, except if you should have questions. On the market trends, looking at our various businesses, in SURF, so offshore sub-sea pipelines, we've been blessed by the gods of engineering last year with, our market share increasing from 37 to 52 percent on a market which was expanding. This year we expect West Africa to be probably less attractive in terms of new awards in 2004 compared to 2003, but there are still very large opportunities there. Brazil and Gulf of Mexico are booming, and we are expecting a number of awards in those areas. North Sea is, as usual, a rather sustained level of activity with a very high seasonality, with the winter months being almost dead, and most of the business being concentrated in the second and third quarters of the year.

For floaters and fixed platforms, the market last year was not that great in terms of size, but it's there that we made the most important breakthrough, with market share coming from almost nil to 16 percent. There again, some slowdown is expected in new awards in West Africa and Caspian, whereas, in the Gulf of Mexico, there are many projects of new starts and new semi-submersibles, so we are very much looking at those opportunities. There are also new projects emerging in various regions in the world, especially Mexico, Southeast Asia, Australia, China and the Middle East.

For the onshore downstream activities, what we have on our radar screen in terms of new awards for the jobs we are following is expanding compared to last year, 50 million as opposed to 13, with, as usual, a major focus on the Middle East and on gas. We saw there the development which is expected on two very high-speed growth segments, which are LNG and GTL.

Industries has not been a very exciting story for Technip so far. We did, in the past years, a lot of restructuring. We started off this year, losses on a few legacy contracts coming from formal acquisitions, and we do believe now that most of the cleaning and grooming has been done, and that we can redevelop to this Industries branch by focusing it on selected segments, which will be Life Sciences, Metal & Mining, and Power & Infrastructures.

Finally, our targets for 2004. We released one month ago our targets compared to the only numbers which were available at this time, which were the 2002 numbers. We keep exactly the same guidance. It is now rebased on our 2003 numbers, and you can see that we are targeting plus 9 percent on revenues, plus 13 percent on EBITDA, plus 35 percent on net income pre goodwill. All of that is based, of course, on the basis of the exchange rates we have at the time we did the budget last fall, the main assumption being the value of the euro at 1.2 U.S. dollars.

So, that's the situation in which we are today. Satisfied with the results developed so far, and expecting to have a nice progress in our earnings in 2004. Thank you, and now I am ready, together with my colleagues, to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator instructions) The first question comes from Charles Lesser; UBS.

Charles Lesser - *UBS Warburg - Analyst*

Hi there, it's Charles Lesser at UBS. I've got two questions, please. The first one is from slide 26, which really strikes me. You are expecting there a contraction in the upstream contracting market in 2004. Clearly, currency is going to be a part of that. I wonder if you could outline any structural factors that you see behind that, and whether that is just Technip tender bank-specific, or whether you think that reflects an industry trend.

Secondly --

Daniel Valot - *Technip - Chairman, CEO*

I'm awfully sorry, the transmission was not very good. I just understood that you were referring to slide 26, but I didn't understand the question.

Charles Lesser - *UBS Warburg - Analyst*

Sorry, I'll be a bit clearer. On that chart, you're predicting a contraction in the upstream market in 2004 against 2003. I am wondering what the structural reasons for that are, aside from the currency, and how much of that is Technip specific and how much you believe is industry specific.

Daniel Valot - *Technip - Chairman, CEO*

It's completely Technip specific. Perhaps I didn't explain enough what we are looking at. Slide 26 is just a computation of the projects which are of interest for us, given the locations in which we are, the technologies at which we are good, and so on and so forth. It does not pretend to be a reflection of the whole global market, just the things we are following. What is important for us is that the things we are following are expanding, but the fact that we see less opportunities in the onshore upstream portion of the business doesn't mean at all that this business is reduced worldwide.

Charles Lesser - *UBS Warburg - Analyst*

Thank you. The second part was really about the competitive response you are anticipating this year. Clearly, some of your competitors are in a stronger financial position and can compete more aggressively; others are going to feel under greater pressure to improve their backlog this year. Within your internal assumptions, are you assuming that the pricing environment becomes a bit more competitive in '04?

Daniel Valot - *Technip - Chairman, CEO*

Well, I would say that when you say some of our competitors have more money in their pockets now and are probably ready to burn it as quickly as possible, I suppose you are referring to one of our competitors who did recently a new rights issuing, a new equity increase.

Our feeling is that most of our competitors these days are a little bit fed up of having subsidized the oil industry, which, after all, doesn't need that much to be subsidized by us, and that most of them seem to have decided that they want to achieve some kind of positive margins on the jobs that they take. You perhaps would be surprised, but even the Korean companies, which were so aggressive those past years, seem to be now wanting to achieve some kind of return on this business.

So, I'm not pretending that everything will be simple, but we have the feeling that the slightly more positive pricing environment we have in 2003 is likely to continue. The only thing which can change a little bit that is the change in the currency fluctuations, because obviously a competitor which would have its costs based mainly in the U.S., or in countries with currencies very closely linked to the U.S. dollar, can still shoot for decent margins and nevertheless be able to offer a price very competitive compared to ours, or to the price offered by European competitors. So this can change the condition of competition, but in terms of pricing aggressiveness, I believe the various players are less aggressive than they were two or three years ago.

Charles Lesser - *UBS Warburg - Analyst*

Thanks very much.

Operator

Your next question comes from Mr. Joe Mares; Morgan Stanley.

Joe Mares - *Morgan Stanley - Analyst*

Good afternoon, it's Joe Mares at Morgan Stanley. I had two questions. First your good friend Thierry Desmarest, of Total, said last week in his presentation that he was concerned about increasing service costs in the deep offshore. I was wondering whether that was something that was now coming up in your discussions with the clients, in that they were, if you will, trying to resist price increases or whether you were trying to pass those through.

Secondly I was wondering if you can talk a little bit about the competitive dynamics in working for GTL bids. Obviously you have a good relationship with Sasol and they – well, we'll see, but they may do another project this year in Nigeria, and I was wondering if that is a competitive situation, or who you see your competitors are in the GTL area? Thank you.

Daniel Valot - *Technip - Chairman, CEO*

My good friend Thierry Desmarest, as you said, has been making comments on the fact that prices for oil services seem to be a bit higher these days than they were two or three years ago. I believe that Thierry Desmarest, as the other bosses in the oil industry, fully realize that in the market as it was two or three years ago when there were less opportunities, they took advantage of the fact that the contractors were cutting their throats to get the few jobs which were available on the market, so they took advantage of it.

Now that this bit of time is over, they are complaining about the fact that the price they got are not as cheap as they used to be. One can understand that and, in fact, of course, it's not something they really like. I wouldn't like it if I were in their shoes, anyway, but it shows that, in fact, the pricing environment is much better for us today than it was two or three years ago. So that's all I can say about that.

Perhaps also one other factor, which is that the oil companies have one thing in mind only, which is the U.S. dollar, because oil is sold in dollars, the price of oil is expressed in dollars, so it is a dollar world, and most of the companies working on deeper floor developments, on the contractor side, are European companies. Even if their exposure to the euro is not exactly the same between us, [indiscernible], [indiscernible], and so on. It's obvious that, with the euro being 50 percent higher compared to the dollar than it was two years ago, the cost for the oil companies, expressed in dollars, looks much higher. But there is nothing we can do about it.

Now, on the GTL, it's true that we are very proud of having been selected last year by Qatar, by Sasol, and the Qatar Petroleum to make the first large industrial GTL plant in the world. We are now looking at other projects – the one you mentioned in Nigeria. There are also bigger projects now taking shape in Qatar, especially one by Shell, and it is clear that we will compete for those projects in the future. The main competitors are, I would say, the usual bunch of suspects - companies like JGC, Chiyoda, Snamprogetti would like very much to share this market with us.

Joe Mares - *Morgan Stanley - Analyst*

In the LNG business you have certain companies which have a, if you will, a license, or a technology, but it appears in GTL that that is not the case, that basically the oil companies have been very protective of their technology staying proprietary within the oil company. How do you, is that in any way reflected in, if you will, the margin that the contractor makes in constructing an LNG plant versus constructing a GTL plant, or is it too early to make a statement about that?

Daniel Valot - *Technip - Chairman, CEO*

It is very much too early. GTL is just starting business, but what you said is perfectly true. In the LNG business, it is true that having been able to build a number of plants has created the kind of reputation for the few companies which are the major players in the LNG business, those companies being Kellogg, Brown & Root, JGC, Chiyoda, and more recently, Bechtel, working on the Phillip's technology. In this business, the investors are very much conservative, and if you can show that you've been building 10 plants in the last 20 years, then you've got more chances to get a piece of business, and it is pretty difficult for newcomers to jump into this kind of business.

That's exactly the reason why, for us, it was extremely important, on the GTL market, to be the one making the first project, because that adds some credibility to the company on the other projects. I believe we are taking the right direction on this market.

Joe Mares - *Morgan Stanley - Analyst*

I guess my point, and quickly, I apologize for going on, but should we assume that the margins to Technip, if you will, in GTL are comparable to, if you will, what you were able to do in LNG and what others were able to do in LNG, or is that to be determined, if you will?

Daniel Valot - *Technip - Chairman, CEO*

Margins in our business are made on a case-by-case basis, so it is almost impossible to say, well it is better to build polyethylene plants than to build fertilizers. I mean, you can have a well developed project of polyethylene, and the same project with the same size the following year making very poor margins. So there is no general rule there.

Joe Mares - *Morgan Stanley - Analyst*

Thank you very much.

Operator

The next question comes from David Thomas.

David Thomas - *Commerzbank - Analyst*

Good afternoon, gentlemen, it is David Thomas at Commerzbank. I have three questions, please. Firstly on the cost improvement program, you've delivered I believe 30 million to the end of 2003 and you suggested, I think, that you would see another 30 million to be delivered in the future. Could you say over what sort of timeframe and in what areas you expect to deliver those cost improvements?

Secondly, in terms of your backlog, can you give us an idea of what you think an ideal backlog would be, given, say, your capacity that you have within all your facilities?

Lastly, on gearing, 20 percent, or less than 20 percent target - that implies that, with free cash flow generation next year, you have quite a lot of cash generation throughout 2004. Perhaps you can say something on what you propose to do with this cash mountain.

Daniel Valot - *Technip - Chairman, CEO*

Okay, on the savings, what we mentioned is the savings we made on the procurement, which we estimate at 30 million in 2003. That is, in my view, the beginning of the story, because we started e-procurement two years ago, the global procurement last year, and we are just in the process of expanding those tools to the offshore branch. So it is just the beginning of the story. Last year we processed through our EPC procurement system 1.2 billion worth of purchases. Most of it came from the onshore downstream. Offshore contributed only for 250.

So there is still room for progress in a company which purchases probably something like 2 billion a year of equipment and material. We still can progress in this area. We still can progress also in better understanding the market, being more global, taking the best opportunities, so I would assume that, within the next two years, we should be able to make savings around 60 million per year. Anyway, that was the goal we had when we put together Technip and Coflexip two years ago, so I think it is something which is feasible.

Of course, we are making also other savings, which are not indicated in this presentation, for instance on IT, we had significant synergies when putting the two organizations together, in terms of overheads, bidding costs, also. So we are making a number of savings in this company. The pity for you - analysts or investors - is that you cannot just add those savings to the bottom line. Those savings help us to remain competitive, especially at a time when the euro is 50 percent more expensive than the dollar. So it is very likely that most of those savings today are given back to our [bid of clients], but anyway, it is important to make them yield, to remain competitive, and to be able to make [indiscernible] [supported].

Your second question was about what would be our ideal backlog. Ideal backlog would be major contracts generating 20 percent margin only, [indiscernible]. No, I understand your question is about the size, and can we take more jobs than we do today. We can take probably more jobs than we do today, because we have thirst in our internal resources. We make a lot of relatively low revenue contracts, service contracts, the fee, the engineering studies we make for clients. The revenue we get from this activity is about 15 percent of our total revenue, but the contribution in terms of man hours is probably much higher, and it is obvious that, if we had more opportunities to sign more lump-sum turnkey contracts which have a higher value, we can switch a portion of our workforce from service contracts to lump-sum turnkeys, and then, with the same people, generate more revenues and hopefully more margins.

In addition to that, we have also the opportunity to hire people in the market, which we had to do since the beginning of last year, given the size of the major contracts we took, and that we had to staff. There are, I would say, two limits on the number and size of contracts we can take. One is for the SURF business - the SURF business, the sub sea pipelines. It's obvious that, once all the fleet is busy, you cannot take any more contracts, because to lay those pipelines will need very specialized vessels which are not available on the market. So once reach in our planning a rate of utilization of this fleet above 80 or 85 percent, it is time to stop and not get any more jobs, because it would be difficult to execute those jobs.

The other limitation is the number of top project managers we can have in this company. A project manager is, of course, essential in our organization. Of course we can, from time to time, hire outsiders and project directors from other companies, but there is a very limited supply of good people in this area, so apart from the SURF, the limitation is the vessels. For the whole company, the limitation is the number of very good project directors we can put at work. So the ideal size of the backlog is probably higher than what we have today, but not that much.

You had a third question about, what are we going to do with those mountains of cash flow. Well first we hope we'll get cash flows by mountains. Second, we have to continue to repay our debt, so if we have excess cash flow compared to what we have in our forecast today, we would first continue to reduce our debt. We would then look at the window and see whether there would be good opportunities for external growth, and if we didn't find good opportunities for external growth, we would probably have to give more rewards to our shareholders.

Joe Mares - *Morgan Stanley - Analyst*

Could you say whether that would be through a dividend or share buyback?

Daniel Valot - *Technip - Chairman, CEO*

It could be either one. It can be either increased dividend or buy back of shares on the market. As you know, we have on the – I wouldn't say on a permanent basis, but it is renewed each year – we have an authorization by the general shareholders' meeting to buy back up to 10 percent of our stock, so that is something we can use, or we can increase the dividend, or we can do both.

Joe Mares - *Morgan Stanley - Analyst*

Thank you very much.

Daniel Valot - *Technip - Chairman, CEO*

Thank you.

Operator

The next question comes from Ms. Katherine Tonks; Cazenove.

Katherine Tonks - *Cazenove - Analyst*

Good afternoon, Katherine Tonks from Cazenove. I was just wondering, as far as the offshore branch goes, what was the contribution from Coflexip to the North Sea in terms of revenues and EBITA, and looking forward to 2004, as that fluctuates with the seasonality, what kind of margin variability will that introduce quarter to quarter?

Daniel Valot - *Technip - Chairman, CEO*

Well it is, the answer is easy. If you want to have a good idea of what can be the seasonality in 2004, look back at what happened in 2003. We had a relatively moderate first quarter, a good second quarter, a good third quarter, and again the fourth quarter, which was a bit below. We would expect to have a pattern more or less like this in the year 2004.

Margins for Coflexip in the North Sea, first there is no more Coflexip. There is one single company called Technip. Our – sorry. your question was about what - revenues?

Katherine Tonks - *Cazenove - Analyst*

I just wondered what contribution that North Sea business made in terms of revenues and EBITA.

Daniel Valot - *Technip - Chairman, CEO*

We don't disclose numbers by region and by business. We disclose our numbers down to the EBITA by regions, and we disclose them by business line, but we don't disclose it for each business line by regions. This being said, I can say that, still today, the best area for us in terms of margin remains the North Sea, in which we generate an EBITA, but I shouldn't tell you because it is not disclosed today, pretty close to 10 percent. I am talking EBITA, after depreciation.

Katherine Tonks - *Cazenove - Analyst*

And on the onshore branch, are you still expecting margins to increase with every quarter, and what will be the peak margin that you can reach in the onshore?

Daniel Valot - *Technip - Chairman, CEO*

We reached in 2001 something which was – 2001 yes, I believe – the peak for Technip with a margin which was 8 percent. It was a very particular year, in which we still had some upstream business in Technip, I mean offshore business, in which we completed several major projects the same year. As you know, under our accounting rules, on each large lump-sum turnkey contract, we don't recognize much margin during the beginning of the contract, and we recognize much of the margin towards the end of the contract.

So that was the peak, I would say. If we are extremely good, lucky, and if we have a concentration of contracts coming all together to an end during the same year, we can probably achieve again this 8 percent. I would say a more realistic view is that a good year for the onshore downstream business is something around 4 percent, a poor year is around 3 percent. But when you look at what are the margins made by most other competitors in this area, with margins fluctuating between the 3 percent and 6 percent, we are among the best competitors.

Katherine Tonks - *Cazenove - Analyst*

Thank you very much.

Daniel Valot - *Technip - Chairman, CEO*

Thank you.

Operator

Your next question comes from Ruairidh Stewart; Simmons.

Ruairidh Stewart - *Simmons - Analyst*

Ruairidh Stewart of Simmons and Company. Would it be fair to say from your comments around the backlog, and the potential to expand the backlog, and looking at the market for '04, that you are moving into a more delivery phased backlog? You know, I wouldn't say peaking, but at particularly high levels after a strong order flow in '03, and now you are moving forward into a more delivery phase?

Daniel Valot - *Technip - Chairman, CEO*

Well, you know, there is nothing more difficult to forecast than the future, but it is particularly true for the order intake and the backlog. So it is extremely difficult to forecast. It is true that we are entering in 2004 in the year in which the main challenge we have is to execute in good order the very large offshore contracts which were awarded to us last year. That doesn't mean that we don't expect to get additional order intake this year. This being said, one has to realize that 2003 has been a bit exceptional for us in terms of order intake in the offshore arena.

First, if we take the SURF business, our market share jumped from the traditional 35 to 40 percent, to more than 50 percent, and we don't expect to repeat the same performance each year, so it was a bit on the high side. We are very happy about it, but don't take it as a trend for the future. Second, on the floaters business, there were very big opportunities on which we have been able to grab a few contracts. We don't anticipate to have as large a number of jobs being offered on the market this year, especially in West Africa, so we will probably get less business in West Africa, much more in the Gulf of Mexico. The Gulf of Mexico, you have seen that we announced an award by Kerr-McGee of a new spar for a field called Constitution, and we have two other spars on our radar screen for this year, so the Gulf of Mexico should be better. Brazil should be better too.

Altogether there is no reason to think that 2004 will be disappointing in terms of order intake for floaters and fixed facilities. On the SURF side, I would say, don't look at our 52 percent market share 2003 as the new yardstick.

Ruairidh Stewart - *Simmons - Analyst*

Sure. And just quickly on the industry side, are the problems behind you on that, or should we see some more pressure in Q1 on the losses or low margins?

Daniel Valot - *Technip - Chairman, CEO*

On Industries, no. We had the last quarter in 2003 in which a few oil projects came to an end in a way which was not in our favor, but those projects are closed now, so we don't expect to have a repeat in the first quarter of 2004 of what we've seen in the last quarter 2003.

Ruairidh Stewart - *Simmons - Analyst*

Okay. Thanks.

Operator

Your next question is from Mr. Thomas Martin; CSFB.

Thomas Martin - *CSFB - Analyst*

Good afternoon, gentlemen, Thomas Martin calling from CSFB. A couple quick questions. First of all, you've highlighted the net debt reduction, obviously a very impressive performance through the back end of 2004. A question on working capital movements, and I guess this relates to order intake. I know it is very difficult to forecast the working capital moves, but is it fair to say that Q403 has been pretty exceptional and you are not likely to see positive working capital moves of the same order as you move into 2004?

And a second question just on the tax rate, I presume it's staying high because of the losses on the contracts that are finishing off in 2003. I think we're hoping for some reduction in tax rate as you integrate Coflexip and Technip more fully in '04. Could you speak a little bit about that?

Daniel Valot - *Technip - Chairman, CEO*

The tax rate, and the first question was about the working capital during the fourth quarter. It is true that the change in working capital during the fourth quarter has been very favorable, and that one should remain cautious about the trend in working capital in the future. In fact, we had several payments, large payments, on contracts which we're expecting in January which came a bit earlier at the end of December, so you know, in our business the flow of cash is something which is not a regular flow of cash, day after day. You have major payments coming, major payments coming in or out of the house, linked with the execution of the major contracts, and you can have a wonderful change in working capital at the 31st of December, and the situation reversed by the 15th of January.

So it is true that it has been a little bit more favorable than we thought, which is the reason why we remain very careful in 2004. We should have, we have now a pattern which is seasonal, in a sense, with the payment of the dividend taking place during second quarter, we would expect our net debt to go up again a little bit at mid-year, and we do believe that it will go down again by year end, and we target to have it below 20 percent in terms of gearing by year end, but it will be higher probably at the end of the first quarter and the end of the second quarter. That's the first point.

On the tax rate, it is true that it is a very important component in our P&L this year, not a good one. It comes mainly from those losses we made on a few contracts. For next year, our guidance has been built with the assumption that we would get back to a tax rate a little bit more normal. We've taken an assumption of 37 percent in our planning exercise. Of course, if we can go down to 35 or 33 we will take it, and we are making a lot of efforts now in the company in order to improve our tax management, but it is obvious that the first component of good tax management in a company which doesn't have access to [award] consolidation in terms of tax, the first item is not to make losses in countries. If we are profitable on all contracts in all countries, we will end up the year with a tax rate which will be something around 34, 35 percent.

Thomas Martin - *CSFB - Analyst*

That's excellent. Thank you very much.

Operator

(Operator instructions) The next question comes from Mr. Duncan Goodwin, Merrill Lynch.

Duncan Goodwin - *Merrill Lynch - Analyst*

Good afternoon, gents, it's Duncan Goodwin from Merrill Lynch. I had a quick question on LNG. You obviously show on slide 27 the pretty strong growth in demand or LNG production. I was wondering if you felt that you were suitable leveraged to this phenomenon, or maybe there could be some developments in new technologies. I am thinking specifically here such as things as offshore liquefaction, and whether you might look to potentially expand along the LNG value chain to fully capture this growth.

Daniel Valot - *Technip - Chairman, CEO*

Okay, it's a fair question. Today we are not yet among the top players in LNG. It is one of our strategic goals to become more, to start making, being first class in this area. There is a premium to the people who have been working for quite a long time on the APCI technology, mainly for Japanese or Korean importers. Those people are, not surprisingly, Chiyoda, JGC, the big Japanese, and Kellogg, Brown & Root.

There is a new technology – well not new, but which has been moving again this past year, which is the Bechtel, the Phillips technology, for which Bechtel has been selected by Phillips, and we are among the few companies which can use the APCI technology. We are recognized for that, but we don't have the same position worldwide than the big three or four players. So we want to strengthen our positions in this area. We are today working on several prospects which might materialize this year. One in Indonesia, one in Iran, and probably a few others on countries like Qatar, since Qatar has very large LNG projects, mostly engineered by Exxon Mobil.

So we are working on that, we do hopefully be able to make a breakthrough in this arena as we did breakthroughs in other areas in the world.

Duncan Goodwin - *Merrill Lynch - Analyst*

And is this something that you are hoping to leverage to organically, or is there potential to make some minor acquisitions to acquire technologies in this field?

Daniel Valot - *Technip - Chairman, CEO*

No, the question is not to acquire technology, the question is to acquire reputation, references. In fact, Technip was a pioneer in LNG. We built the first LNG plants in Algeria in the 60's, so we started very well in this business, and then when the market displaced towards Asia, of course, the premier position were taken by the Japanese contractors, and today we have to regain the position, but it is not, it is true that the technology is important, but it is available, I mean we have access to the APCI technology. The question is that, in the eyes of the clients, we don't have a long list of references as the other guys do, so it is a matter of being astute, so we are trying to be smart in this arena, to make partnerships with the right partners in order to be selected on the new projects.

The other thing in this arena is that we are trying to get also to the other side of the chain, which is the receiving facilities, and we are following very closely a project in the U.S. of receiving facilities in three ports close to Houston, on which we are working very diligently with the client on the feed and the preparation of the permitting. We are hoping the permitting will be finally given by the authorities next April, and if it is so, we would expect to be called to negotiate the contract for the construction of this LNG receiving facility before the end of this year.

Duncan Goodwin - *Merrill Lynch - Analyst*

That's great, thanks very much.

Daniel Valot - *Technip - Chairman, CEO*

Thank you.

Operator

Your next question comes from [indiscernible] Please state your name, company name, followed by your question, sire.

Analyst

Good afternoon, gentlemen. [indiscernible] from Fortis Bank in Amsterdam. I've got a few questions about the facilities part of the offshore activity. Your sheets show that in 2003 this accounted for about 40 percent of revenues, and achieved a margin of 5.1 percent. Now you had said in the previous conference call that you were going for a new accounting system, or to use the same accounting system of facilities as you used onshore. What does this mean for the margin in 2004, and do you think that facilities will be again roughly 40 percent of total offshore sales?

Daniel Valot - *Technip - Chairman, CEO*

Well what does it mean? It means that in 2004, as we will start generating revenues on those projects, those are mostly projects which we have won during the first half of 2003, they will start generating revenues, but the level of margins which will be recognized in our books will be very limited. So, one could expect that, at the end of 2004, the EBITDA margin in our accounts on this business line will be lower than the 5 percent registered last year.

Your second question was?

Analyst

Do you think that facilities will be again roughly 40 percent of revenues from the offshore business, or will this increase or decrease significantly?

Daniel Valot - *Technip - Chairman, CEO*

Well there is no mystery in that. You just have to look at the backlog. The backlog gives you what will be the revenues of the company during the near future. You know, on our projects, what has been realized so far is in our revenues. What remains to be done is our future revenues, so you look at the structure of our backlog between SURF and facilities, then it will give you an approximate idea of the structure of the revenues between those two things in the future.

Analyst

One more question about the Pori yard. You've taken a charge of about 6 million for that last year, now you are going to reopen the yard again for the Constitution spar. Does this mean that you will not need the whole provision, and there will be some, let's say, restitution to the P&L?

Daniel Valot - *Technip - Chairman, CEO*

We don't have to reopen the yard, it has never been closed. The workforce has been sharply reduced, but the yard is still able to operate, thanks God, so we will remobilize people, but I don't think we are going to take back this provision on the P&L, because the provision was linked to the downsizing of the yard which has been done. So don't expect it to flow back to the P&L, unfortunately.

Analyst

Okay, final question, what is your expectation for capital expenditure for the total company this year?

Daniel Valot - *Technip - Chairman, CEO*

For the coming year, for 2004, our budget is slightly above the actual CAPEX of last year. We [are at] 130 when we made 122 in 2003, so it seems that we are now in a kind of stable level of capital spending, around 120, 130. I will not swear that it will last forever. From time to time we will have to add a major asset, especially to our fleet, so there will be in the future, from time to time, a big increase in our capital expenditures for a couple of years, and then we will get back to a more normal level for the following years.

Analyst

Okay, thank you.

Operator

The next question comes from Mr. Lionel Charmetant; Morgan Stanley.

Lionel Charmetant - *Morgan Stanley - Analyst*

Good afternoon, it's Lionel Charmetant from Morgan Stanley. I had two questions, the first one on the comments you made on LNG and the project in Indonesia, Iran and Qatar. I was just wondering if all of these were for 2004, or more for 2005 or later?

The second question was, do you have any interests at this point in all the projects to be awarded in the Caspian areas, especially Kashagan, Karachaganak, and the Azeri project?

Daniel Valot - *Technip - Chairman, CEO*

First, on LNG, you would like to know what can be the schedule for the award of those contracts. I would like very much to know what would be the expected date for the awards. We are not the masters of the timetable in this area. The timetable is in the hands of our customers, so we do believe that, given the things as they are, and the information we can get, there are good chances that some of those LNG projects will be awarded this year, especially the one in Indonesia, and probably one in Iran too, although the decision-making process in Iran is, from time to time, a bit difficult to track. The one in Qatar, the ones in Qatar, will probably take a longer time, but we are talking about these two very huge trains of liquefaction of 7.8 million tonnes, plus possibly a third one of the same size, plus possibly a fourth one. So that will take some time before being launched. I wouldn't bet it will fly as early as 2004. It's more likely to be 2005.

Lionel Charmetant - *Morgan Stanley - Analyst*

Just as a follow up, in Indonesia, it's the [inaudible] of Bandung that you refer to, right?

Daniel Valot - *Technip - Chairman, CEO*

Exactly, exactly.

Lionel Charmetant - *Morgan Stanley - Analyst*

And maybe on the second question on –

Daniel Valot - *Technip - Chairman, CEO*

Oh, you have mentioned two fields, for which the operator is an Italian company, right?

Lionel Charmetant - *Morgan Stanley - Analyst*

Yes.

Daniel Valot - *Technip - Chairman, CEO*

Okay. So you asked the question, you've got the answer, right?

Lionel Charmetant - *Morgan Stanley - Analyst*

Okay.

Daniel Valot - *Technip - Chairman, CEO*

No, in the Caspian area today, we have one project going on, which is the Shah Deniz project for BP on the Azeri side of the Caspian Sea. On Kashagan, we have been bidding on several downstream packages, units which are built to process the crude oil, remove the sulfur, and so on and so forth. We are not competing on the offshore development.

Lionel Charmetant - *Morgan Stanley - Analyst*

Okay, thank you.

Daniel Valot - *Technip - Chairman, CEO*

In our view, it is not exactly our cup of tea. It's [inaudible] shallow waters, while our cup of tea is more deep offshore.

Lionel Charmetant - *Morgan Stanley - Analyst*

Great, thanks.

Operator

The next question comes from Mr. Lo c P lichet; ABN-AMRO.

Lo c P lichet: Good afternoon, gentlemen, it is Lo c P lichet from ABN-AMRO. I just wanted to come back to the subject of the Industries division. What would be a target there in terms of operating margin, assuming that everything is running normally, and when would you estimate that this target can be reached, and what is the longer term future of that division within the group as a whole?

Daniel Valot - *Technip - Chairman, CEO*

I would say, in this area there is no reason why, on the lump-sum turnkey contracts, we couldn't reach the same level of margins we can get on all other lump-sum turnkey contracts, especially in the onshore area. So, we should reach something like 46 percent, let's say.

Now, a big portion of the business in this Industries branch is made up of contracts which are not lump-sum turnkey jobs, but which are [cost specific] jobs, for which risks are extremely limited. You are just paying for your engineering services, so there is not the same amount of risk you can have on a lump-sum turnkey contract, which, of course, as the risk is lower, the reward is also lower, and typically these type of projects grow with margins much more like 2 or 3 percent.

So, the quick answer is that we should expect to have, on this line of business, margins which would be marginally lower than the ones we can achieve in onshore downstream.

Lo c P lichet: And the long-term future for that branch?

Daniel Valot - *Technip - Chairman, CEO*

We would like very much to grow this branch, and to make it grow to something like 15 percent of our revenues, as opposed to less than 10 percent today.

Lo c P lichet: Okay, thanks very much.

Operator

Your next question comes from Mr. Richard Griffith; Williams De Broe.

Richard Griffith - *Williams De Broe - Analyst*

Hello, Richard Griffith from Williams De Broe. You've mentioned that the expectations for '04 in terms of contract awards, I was just wondering if you could give us some indications about what you might be seeing in terms of enquiries that would lead to awards in '05 and possibly beyond?

Daniel Valot - *Technip - Chairman, CEO*

It's already difficult to assess what could be the awards in '04. It is almost impossible to predict what could come on the market in '05, so frankly speaking I don't know what to answer to your question. But if we want to know what will be tendered, what will be proposed on the market by the oil companies in 2005, it is better to go see them and ask them the question. Frankly speaking, I cannot give you any intelligent answer to this question.

Richard Griffith - *Williams De Broe - Analyst*

Okay. Could I just follow up, in terms of the downstream business as well, I mean obviously there's been a lot of interest in downstream activities in the Far East and the Middle East. Again, I mean, your expectations or views on that market and the kind of growth potential, again, going forward. Do you have any additional feelings on this?

Daniel Valot - *Technip - Chairman, CEO*

Far East, downstream market? Oh yes. We have several things we are following. There is, first, Vietnam, which is for us very hot today. We have two projects in Vietnam, for which we expect a final award this year. One is a grassroot refinery. It will be a project of something like $1 billion, on which we have been selected, together with our partners, to take this job. We are in the final stage of negotiation. We would be the leader in the JV, so this business would be for us something like $300 million to $400 million.

The other thing we are also expecting to sign this year in Vietnam is a major fertilizer plant, and in terms of size for us it could be equivalent to the refinery, around $300 to $400 million. Of course, it is Vietnam, so if it is not signed this year, don't tell me I was lying. I am unable to predict the timetable at which the decision will be made by our client.

The other big area for us is China, in which we already are very much involved today on several petrochemical projects, which we are currently building in the Shanghai area, mainly. Those contracts are managed by our office in Kuala Lumpur, with the help of our affiliate in Shanghai, and it is an arena in which there are many, many prospects for the coming years in terms of new refining capacities, new steamcrackers, new, various petrochemical facilities, so we are betting a lot on China.

Richard Griffith - *Williams De Broe - Analyst*

Okay, thank you.

Operator

We have a follow up question from Mr. Thomas Martin. Please go ahead with your question, sir.

Thomas Martin - *CSFB - Analyst*

Yes, just another quick follow up. Can you remind me, are you planning any further disposal, asset disposal programs in '04 or are you finished with the sale of the assets?

Daniel Valot - *Technip - Chairman, CEO*

We completed during those past two years sales of non-strategic assets for about 250 million, and half of that was real estate, it was the former headquarters of Coflexip and of Technip in La Defense. The rest of it was industrial assets. I wouldn't say we are at the end of it, but we completed most of this program. There are still a few things which can be sold, but it won't be extremely material in terms of revenues for the company.

Thomas Martin - *CSFB - Analyst*

Thank you very much.

Christopher Welton - *Technip - VP Investor Relations*

Operator, we'll take one more question, please.

Operator

Excuse me, sir, that was the last question.

Daniel Valot - *Technip - Chairman, CEO*

Okay, so if there are no more questions, I just want to thank you for your interest in this conference call. I believe we've pleased the market is in 2003. Be assured that we will try to please the market even more next year. Thank you very much, bye bye.

Christopher Welton - *Technip - VP Investor Relations*

This concludes our conference call. Thank you for participating. Please do not hesitate to contact Investor Relations at Technip should you have any questions or require additional information. Thank you and good bye.
