

FINAL TRANSCRIPT

Thomson StreetEventsSM

TEC.PA - Q4 2004 Technip Earnings Conference Call

Event Date/Time: Feb. 24. 2005 / 9:00AM ET

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

CORPORATE PARTICIPANTS

Christopher Welton

Technip - Vice President of Investor Relations

Olivier Dubois

Technip - CFO

Daniel Valot

Technip - Chairman and CEO

CONFERENCE CALL PARTICIPANTS

Peter Testa

One Investments - Analyst

Olivia Thesodia (ph)

Simmons & Co. - Analyst

Duncan Goodwin

Merrill Lynch - Analyst

Ennis Cupay (ph)

UBS - Analyst

Mick Pickup

Lehman Brothers - Analyst

Vincent Zelenko (ph)

JP Morgan - Analyst

PRESENTATION

Operator

Good day, everyone, and welcome to the conference call of Technip 2004 results. (OPERATOR INSTRUCTIONS) I would now like to turn the conference over to Mr. Christopher Welton, Vice President of Investor Relations. Please go ahead, sir.

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

Thank you. Good afternoon, ladies and gentlemen. We are pleased to welcome you to Technip's 2004 results conference call. Hosting today's call is Mr. Daniel Valot, Chairman and CEO of Technip. Mr. Valot will first provide an overview of full-year 2004 results. Mr. Olivier Dubois, Technip's CFO, will then provide some details on the full-year consolidated accounts. Mr. Valot will finish up our opening remarks on current trends and outlooks. Finally, we'll open up the call to questions from the audience. 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 that are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation 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 available at www.technip.com. A replay of today's call will be available on our website approximately two hours after the end of the call. I would now like to turn the call over to Mr. Daniel Valot, Chairman and CEO of Technip.

Daniel Valot - *Technip - Chairman and CEO*

Well, good morning or good afternoon, all of you. We are here to comment on our full-year numbers. I will make first a few comments based on the presentation we sent, we sent to you. We have the feeling it was an excellent year for Technip from

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

every standpoint. First, in terms of commercial successes, we have been signing lots contracts in several strategic business segments in which we believe there will be a lot of potential for growth in the future.

First in the commercial developments with several projects, including the first SPAR which will be built outside of the Gulf of Mexico, it's part of Kikeh, and Malaysia. Second, in LNG: In LNG, we signed a major deal for Qatargas II, and also we got six trains of Nigeria and more significantly, perhaps, in terms of new business, our first energy receiving terminal in the U.S. with the Freeport project. And third, on the extra heavy oils: We have been extremely satisfied to make a breakthrough by signing two contracts with the sale in Iran for the development of the recent Horizon Sands project with the combined value of about \$1.10 billion.

Good success also on the financial side. As you have probably seen, we have met our targets, rather ambitious for the year, top-line plus 9 percent and bottom-line plus 55. In fact, we made 36 percent progress compared to the past year, and that was achieved in spite of some difficulties on the currency side. First, since the dollar went down again some 10 percent compared to the past year, and more importantly on the commodity market where we are to face big increase in the cost of steel and other relative costs which are built about 60 basis points and operating margins. Nevertheless, we have been able to meet our target and this is a great satisfaction.

Third satisfaction in terms of cash generation: Our free cash flow of financing the capital expenditures is up 32 percent compared to 2003, and as a result of this good cash flow generation, we have it in the last three years, we have been able to slash down our net debt by 85 percent over the last three years, which means that today I will gear this back to 7 percent of equity. In other words, we have the feeling that the net debt which was built up for the final announcement of the acquisitions of [inaudible] some four years ago is now behind us.

Fourth feature I would like to stress is that we have pursued the adaptation of our assets to our business needs by meeting the first disposal of some nonstrategic assets which, had the, not very meaningful impact on our present income, but which were, nevertheless, rather important contributor to our revenues, because since we're making, combining altogether those four subsidiaries, some C221 million revenues of euro last year. And we have been investing to buy the Deep Pioneer, a vessel that we have under lease, so we exercised the purchase for \$28 million, and we're in the process of building our fourth spoolbase, which is currently being built in Angola that will serve our project in this part of the world and strengthen our local content in Angola.

Nevertheless, in spite of these investments, which are -- which are meant to help us with the future, our overall capital spending remains below the 2004 budget and slightly below the CapEx of last year.

The five -- the fifth point I want to stress is the point that shareholder value has been increasing quite nicely during the year thanks to the recovery in the -- our stock price, which up by almost 60 percent in Paris and in excess of 70 percent in New York. In addition, we did everything we could from, to offset the dilution created by the employees' stock and comparable bonds. We also had prepayment on the 2005 dividend at the end of December 2004, and we will propose to the next shareholders' meeting to set the dividend for next year at 11, last year, C3.30 per share, so it's not an increase in the -- in the level of dividends but it's very generous pay ratio since the pay ratio is about 60 percent. It's probably the highest pay average issue among our competition.

Last point about the stock price, Technip has been selected to be a member of two new indexes created on the Paris Stock Exchange. The most important one for us being the CAC 20, which is made up of the 20 stocks which follow the famous CAC 40, so we do hope this will help to increase the liquidity of our stock in the future. Now, I would like to ask Olivier Dubois to give you a little bit more detail on our numbers for the -- for the year.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Olivier Dubois - *Technip - CFO*

Thank you. Good afternoon. So, starting with the '04 activities with are the main highlights from last year, first we enjoyed the strong growth in the revenues with both of the SURF and the facilities segment despite the euro/dollar [inaudible] evolution, which was a first for this kind of business. As expected, we have a strong improvement of the profitability of the SURF coming back in excess of 10 percent EBITDA margin, with the facilities segment. As you know, it was a new accounting treatment for margin recognition and since most of the contract affected is young contracts, the margin today is quite low, just below 2 percent but our again within our expectation. Overall, the offshore activity has 6.6 percent EBITDA margin compared to 6.4 percent last year, which is a great performance.

For the the onshore activities: As you have seen, we enjoyed strong growth for the Onshore-Downstream businesses plus 13 percent, with stability of the EBITDA margin of 4.1 percent. This stability being due to the major impact on the [inaudible] prices on this kind of business. As you know that most of our Onshore-Downstream contracts have an income content higher than the other business activities in the group. For the industry's activities, the revenue is down due to the disposal of the German subsidiary previously mentioned

About EBITDA: We have a loss which, is mainly due to two new starting costs. The first one being the starting cost of the new venture in New Jersey, the Technip-BioPharm, which has been started at the end of 2003, and the difficult completion of one specific contract in the middle.

On our group income statement, I think that probably the main highlight is the sharp decrease of the tax charges. You seen that compared with 2003's the tax amount is 20 percent less and the tax rate which was in excess of 40 percent, between 43 and 44 percent in 2003,, is back to little or normal level at 33 percent, which is a sharp improvement, which gives a good leverage impact on our -- [Indiscernible] Goodwill and nonoperating items. The cash flow statement reflects the high level of cash generation of the group since you can see that both the nonoperating cash flow and working capital change contribute to the cash generation.

The operating cash flow grew to 15 percent compared to 2003, while the working capital contribution is stable. This amount of cash coming from the operation covered the capital spendings, of 130 -- 119, and the dividend payment related to the 2004 year. As you have seen, the capital increase for the employee shareholding program has been affected by share repurchase on the market and the debt increase is connected with the new bond issued in May. Most of the contents of this bond issue has been invested in the short-term vehicles which provide today, unfortunately, for low profitability.

Slide number 14, which is the balance sheet. [inaudible] balance sheet in the industry with the high level of shareholder equity of C1.8 billion. Quite low debt since the gearing ratio at the end of 2004, excluding the down payment of the 2005 dividend, is now below 5 percent. We keep a high level of provision in the contract coverage improved compared to 2003.

Return on liquidity, which computed on the shareholder equity on the first of January 2004, showed another improvement for 9 percent in 2003, to minus of 10, 11 percent pretax for 2004. We are on the way of our mid-income target of 15 percent pretax already.

And finally, the backlog evolution: We have seen that compared with the backlog at the end of 2003, restated from change effect and extended the scope of consolidation is stable due to the high level of a very last quarter of 2004. The split of this backlog between our various activities when stable with offshore content in excess of -- excess of 30 percent and the Onshore-Downstream share being largely connected with the major targets to contract in December 2004. This high level of backlog provided here today with the high level of visibility for the future activity seems to represent the amount of 16 months of revenue. Thank you.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Daniel Valot - *Technip - Chairman and CEO*

Thank you. So this is the extent of the remarks we wanted to make before opening the q-and-a session. Now we are ready to take your questions, if any.

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS) . The first question comes from Mr. Peter Testa from One Investment McDonald. Please go ahead, sir.

Peter Testa - *One Investments - Analyst*

Hi. Thank you. A couple of things, please. One is on the backlog scheduling and the offshore part for 2005, the 1950. I was wondering if you might give us any feeling as to how that splits between SURF and facilities and to the degree to which the mix has changed versus 2003 year-end? First question, please.

Daniel Valot - *Technip - Chairman and CEO*

I don't believe we have this split between the SURF and facilities. That's something we can try to find out and get back to you so if necessary, we'll get back to you with this information -- we don't have yet in our hands.

Peter Testa - *One Investments - Analyst*

Okay.

Daniel Valot - *Technip - Chairman and CEO*

Sorry.

Peter Testa - *One Investments - Analyst*

Okay. Second question, please then. If you look at this particular figure, it's the biggest step up versus Q3, when it was 1443. Looking at the large contract slide, yet doesn't look as though any real timing has shifted there. I was wondering if you might be able to tell us what's changed between Q3 and Q4 as far as this amount of work in the offshore business to be executed in '05?

Daniel Valot - *Technip - Chairman and CEO*

I'm not sure I fully understand your question.

Peter Testa - *One Investments - Analyst*

Okay, I'll try -- Can -- can I try again?

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Daniel Valot - *Technip - Chairman and CEO*

Yes, please, please.

Peter Testa - *One Investments - Analyst*

In Q3, the offshore to be executed in '05 was 1443, now it's 1950. That doesn't seem to be anything particularly looking at the large contracts side you have, which would suggest anything has changed, so I was wondering whether, if you could give us a better feel for what happened in Q4 to boost this number?

Olivier Dubois - *Technip - CFO*

In Q4 a number of contracts which were awarded and some were very large. We had violation orders on others. We had increased work, which would be difficult in '05. Nothing --

Peter Testa - *One Investments - Analyst*

Just a good year-end, basically.

Daniel Valot - *Technip - Chairman and CEO*

Well, that's right. We got Qatargas II for contract which was signed at this time, and as Olivier mentioned, the schedule of the largest contracts gives you only a portion of the picture, especially in the offshore division. There are a number of small contracts and violation orders, which you can't see from this schedule. The schedule is based on the contracts to both C100 million in group share, but there are a lot of others. So there was some nice additions during the first quarter and the new editions during the fourth quarter section this new calculation gives you this estimated volume of revenues for the offshore in 2005.

Peter Testa - *One Investments - Analyst*

Okay, and last question, please. Just you give a schedule of potential major awards on, page 34 -- page 33, sorry, of the presentation. The amount of focus is to when these things will be awarded. I was actually looking at the other end. Can you give any sense as to which -- I assume a lot of these contracts have quite a long-term duration. As when this business is awarded, can you give us sense to which -- is it realistic that we should expect this work to be completed in '07 and largely in 2008? Or do you think this would impact the business before then?

Daniel Valot - *Technip - Chairman and CEO*

Well, the major contracts we are -- we are looking for are the ones in Nigeria, Akul [ph], and Amin [ph] which were delayed for a number of reasons. They were expected to be awarded last year. It seems now that Akul they could be awarded during the second quarter and Amin between the second and third quarter. So those, those contracts will be, will be executed over something like 14 months. They will start impacting, increasing our revenues during the first year, of course, and they'll start generating margins, which we will book mainly -- well a slight portion 2005; almost nothing in 2005, in fact, given our methods of modern recognition.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Peter Testa - *One Investments - Analyst*

Uh-huh.

Daniel Valot - *Technip - Chairman and CEO*

They will start coming in 2006 and will be, more important, I believe, in 2007, 2008.

Peter Testa - *One Investments - Analyst*

right. They'll be really more substantial in '07 and more in '08. Yes. Fine. Thank you. Thank you very much.

Daniel Valot - *Technip - Chairman and CEO*

Yes. My pleasure.

Operator

The next question comes from Olivia Thesodia [ph], from the company Simmons and Company. Please go ahead, madam, with your question.

Olivia Thesodia - *Simmons & Co. - Analyst*

Thank you. I have three questions. The first was regarding the margins in the offshore facilities about business. They obviously declined due to the impact of your new revenue and margin recognition policy. Can you give us some indication of the underlying margin performance and, and how much of the decline that we have seen, especially in Q4? Is that all due to the change in revenue, margin recognition policy? Or is some of it due to a fundamental decline in margins on that business.

Daniel Valot - *Technip - Chairman and CEO*

Well, the fact that we, we posted relatively slim margins in 2004, I think, was well-explained right at the beginning of the year 2004 when we changed this method of margin recognition, so we end up at 1.8 percent, it's no surprise. The underlying margins are still the same, so I would expect those margins to start improving in 2005 and even more so in 2006. Most of those large facilities projects relate to contracts which were awarded to us around the middle of 2003. So 2004, a lot of revenues, almost margins, the trends to our, better recognize margins should stop in 2005, and even more visible in 2006 normally.

Olivia Thesodia - *Simmons & Co. - Analyst*

Okay. Thank you. The second question was related to the industry segment performance. Now, you have alluded to the fact it was really two issues that led to the margin declines in that segment. I believe it was Saudi Arabia and then the set up of your Pharma affiliate in New Jersey. Do you expect those to continue to have an impact into '05? And secondly, where do you stand regarding kind of the overall growth in the industry segment? And can you give us more indication of the timing about that? I know that during your presentations in October, you had hoped to take '03 revenues of C382 million to C700 million to C1 billion by '08. Can you give us more indication on the steps to being taken to get to that level of revenue for this segment?

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Daniel Valot - *Technip - Chairman and CEO*

Okay. First, a couple points on the Industry branch in 2004. If you take out those two events you mentioned, the margins would have been, the operating margin would have been 4.5 percent. So, we believe there is an underlying profitability on this business, which is okay, especially given the fact that most contracts there are very limited risks, because most of those contracts are on a reimbursable basis. Do we, when, how long will that take to get out of debt? I would say that the contract we are mentioning in Saudi Arabia is now almost completed. So it should not bear any significant weight. Normally in 2005, it's not yet behind us completely, but not so far.

On the second point: The second point is the startup of this new affiliate we have created two years ago in New Jersey to capture and generate business for pharmaceutical companies. How long will this business take to reach break even? It's -- It's -- I would say it's to a large part, kind of a gamble. We do believe and hope it will reach breakeven this year, but you know in this, in this business you need to attract the confidence of the clients and start attracting some business and it takes some time. So it will probably continue to be a burden for the Industry branch in 2005. I believe it will be more of a burden than it was in 2004.

On the how fast are we going to reach our target, which is to make this industry's branch grow to a more significant level, something like 10 to 15 percent of our business. I would say there are several factors which will play. First our capacity to grab more, well, larger contracts in this area. We have a few relatively large-size contracts which we're targeting for 2005, but it's a number of contracts which is very limited, so it's a [inaudible] If we're able to get them, we should have a nice increase in the backlog of this division. I'm referring to contracts mainly in the metal and mining area from which we have good prospects.

Now, in addition to that, if we're going to reach this level of 10 to 15 percent, we'll have to make probably some acquisitions. For the time being we have not yet identified an acquisition that would satisfy our requirements. We are reviewing several of them, but nothing is expected to happen very shortly. Anyway, between 2005 and 2008, there is still time to make this kind of acquisitions.

Olivia Thesodia - *Simmons & Co. - Analyst*

Okay. And my final question was regarding the quarterly breakout of the revenues for '05. Is there going to be anything significant in the kind of quarterly fluctuations aside from the kind of normal pattern of fluctuations for your business in '05?

Daniel Valot - *Technip - Chairman and CEO*

Well, we don't expect any significant change compared the pattern we have seen in the past years, and the pattern we have seen in the past year is the kind of seasonal variation, mainly connected to the business we have in the North Sea, in which usually the first quarter of the year and the last quarter of the year are a bit weaker than the second and third quarter. So we do expect to see the same pattern as far as we can predict. Overall, the first quarter, and perhaps the first half of the year, will be a bit lower than the second part of the year, both in terms of revenues and earnings. and --

Olivia Thesodia - *Simmons & Co. - Analyst*

Okay, just one quick follow up on the Industries comments that you made. Would you say that in absence of any acquisitions, that you will not be able to grow the business to the C700 to C1 billion-level by '08. So, the growth here really does hinges on your ability to make the acquisitions.

Daniel Valot - *Technip - Chairman and CEO*

I would say it's very likely if we don't make a few acquisitions, that we can reach this kind of growth in this business.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Olivia Thesodia - *Simmons & Co. - Analyst*

Okay. Okay. Thank you.

Operator

The next question comes from Mr. Duncan Goodwin from the company Merrill Lynch. Please go ahead, sir.

Duncan Goodwin - *Merrill Lynch - Analyst*

Good afternoon, gents. My question is also on margins, but this time in the SURF business. You mentioned already the strength you so have seen in the margin trend in that business. I remember in the third quarter it was strong due to runoff items. My question is for the fourth quarter and going forward, what do you see as kind of a sustainable margin level within that SURF business? And is that really where you're at on the fourth quarter or did you have some runoff items in this quarter as well?

Daniel Valot - *Technip - Chairman and CEO*

No. We, several times, commented on this. I would say that this -- this business is structured in such a way that we would expect if there is no major execution problems on the large contract, we should normally expect a margin around 10 percent. So, in fact in 2004, I would say we are back to normal. Last year was impacted by, we mentioned it at that time, by a larger SURF contract, which was a loss maker. This contract is behind us now. We are back to normal. I'm not saying it's easy to reach 10 percent, but that's the target we have and the weeks we should normally have reached.

Duncan Goodwin - *Merrill Lynch - Analyst*

All right. Thanks.

Operator

The next question comes from Mr. Ennis Cupay [ph] from the company UBS. Please go ahead with your question, sir.

Ennis Cupay - *UBS - Analyst*

Good afternoon. I also have a question, specifically, given the rise in steel prices and the large part of the budget the project costs, that's accountable by scale, should we expect to see the backlog grow strongly just to maintain its prior levels now with steel costs caps on decline? Secondly, on CapEx, as we see activity levels that have increased, do you believe there is a need to increase CapEx? And, what is your guidance on CapEx going forward in.

Daniel Valot - *Technip - Chairman and CEO*

First on the matter of cost. It's true that engineering and construction industry is in the process of passing this cost increase to the clients, so some of them are a bit surprised by the kind of prices they when they open the bids, but there is an overall trend for higher costs in these increases, coming mainly from the remaining cost increases also from the strong appreciation of the euro versus the dollar, so that brings costs and, therefore, prices higher. And it's true that should normally lead to bigger-value contracts for the same type of charge than what we could have two years ago.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Now, what will be the final impact on our backlog going forward, it's difficult to predict because there is also another factor that has to be taken into consideration, which is the value of the dollar versus the euro. Our backlog today stands at 6.8 billion. If you compare it to the one we had in 2001, which was less than C5 billion, you might have the feeling that there is not a big change. Now, if you correct that by the fact that the dollar today is 50 percent lower compared to the euro, if this backlog was expressed in dollars, it would be to look much higher than what it was three or four years ago. So the currency has also a major impact on the value from the backlog.

So that was your first question about steel price and the second was about the CapEx. Our CapEx is being kept at stable levels in the past years, about C120 million, C130 million. We don't expect any major change in the coming on year. It's true that at a point in time we will have to probably start other acquiring or building a new heavy-construction vessel just to cope with the increase in the market, but we have no plan to do it right now. But there will be in going forward probably a couple of years in which we will have a higher level of capital spending to continue developing the fleet of the construction vessels.

Ennis Cupay - UBS - Analyst

Okay. Thank you very much.

Operator

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

Peter Testa - One Investments - Analyst

On the U.S. GAAP side, page 41, there's a difference of foreign exchange and other. Can you split that between foreign exchange and the other and may be also offer comment on what the other is?

Olivier Dubois - Technip - CFO

In fact on the quarterly basis, our earning was not meaningful. And it's exactly the same for the restatement between the French GAAP and U.S. GAAP. In fact you know the main restriction is the amortization which is not a lot.

Peter Testa - One Investments - Analyst

Sure .

Daniel Valot - Technip - Chairman and CEO

We have a lot of restatement based on the situation of each contract because we're ready for the Onshore-Downstream contract. The SG&A would be included in the work in progress and would have to be restated according to U.S. GAAP. We have to restate a lot of provisions which, are not computed the same way on the French and U.S. GAAP, so we have a lot of restatement as you know in addition to, that we have to make the mark-to-market at the end of each quarter for the currency exposure.

Peter Testa - One Investments - Analyst

Uhm.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Daniel Valot - *Technip - Chairman and CEO*

Whereas in the French GAAP, we're on the -- not relating, so there is no exceptional impact, especially during the last quarter. So its only the addition of a lot of restatements.

Peter Testa - *One Investments - Analyst*

Okay, column 55, spot 4 for foreign exchange and other, how much of that is foreign exchange?

Daniel Valot - *Technip - Chairman and CEO*

I can't tell you. There are a lot of -- . Okay. --details for foreign change.

Peter Testa - *One Investments - Analyst*

Okay. And --

Daniel Valot - *Technip - Chairman and CEO*

This question will probably disappear this year since there will be less differences between the IFRS and U.S. GAAP.

Peter Testa - *One Investments - Analyst*

That's the other part of my question. If you took this as a proxy for what this will do to earnings, is that fair?

Daniel Valot - *Technip - Chairman and CEO*

Well, it will not, it will not be fair except that we are not able to date to assess what will be, in fact, the actual impact of the 32 and 39 [Indiscernible] on our accounts.

Peter Testa - *One Investments - Analyst*

UH.

Daniel Valot - *Technip - Chairman and CEO*

We're working on long-term contract and it's not easy to see what could be the impact on a quarterly approach on long-time contract.

Peter Testa - *One Investments - Analyst*

Okay and last question on this and I'll leave you be. Is -- how are tendering costs treated under U.S. GAAP?

Olivier Dubois - *Technip - CFO*

They would be treated as costs.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Peter Testa - *One Investments - Analyst*

Okay. So -- and that will be the same under IFRS, too, yes?

Olivier Dubois - *Technip - CFO*

Right.

Peter Testa - *One Investments - Analyst*

Right. Okay. Thank you very much.

Olivier Dubois - *Technip - CFO*

Thank you.

Daniel Valot - *Technip - Chairman and CEO*

Thank you, Pete.

Operator

The next question comes from Mr. Mick Pickup from the company Lehman Brothers. Please go ahead with your question, sir.

Mick Pickup - *Lehman Brothers - Analyst*

Good afternoon gentlemen. Just a couple questions. Can you explain the working cap movements in the fourth quarter? If I calculate it, you have a big inflow of working capital. Is that prepayment from the contracts you signed? And, secondly on the financial instruments that you have got hedging out your euro bond issue last year, it seems like the second quarter which has performed worse than you expected. Are you still sticking with the financial instruments or are you going to go with a more stable income stream so we know better where to go in the future?

Daniel Valot - *Technip - Chairman and CEO*

The first question, the answer of the working capital change: It's not linked to down payments of new contract, we expected, so the payment at the end of December on contract under recognition, and this payment have been received today.

Mick Pickup - *Lehman Brothers - Analyst*

Okay.

Daniel Valot - *Technip - Chairman and CEO*

Okay? Can you repeat, Mick, the second question, please?

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Mick Pickup - *Lehman Brothers - Analyst*

Yeah, your financial charge is higher than expected for the second quarter on the drop because of the market instruments you have, which you used to place the cash off the euro bond issue. It seems you have lost more this quarter than you lost last quarter and last quarter was an exceptional quarter. Are you considering changing those over to a more steady income stream?

Olivier Dubois - *Technip - CFO*

The problem we have today is that when we shared bond, eurobond at the end of May, we expected an increase of the interest rates and we would have invested the cash proceeds with a higher interest rate that we have, in fact, today. That's the reason why we have enough on a full-year basis the negative carry of 2.5 percent between the cost of the bond and the reinvestment of the cash proceeds, which make on a full-year basis, pretax, Some drive to C15 million to C16 million Euro and so you have the full impact on the third and on the fourth quarter of this year 2004, next year and unfortunately if the interest rates change will have the impact on the full-year basis.

Mick Pickup - *Lehman Brothers - Analyst*

Okay, so why was the impact --

Daniel Valot - *Technip - Chairman and CEO*

[Overlapping Speakers] -ask Mr. Greenspan to act in our direction.

Mick Pickup - *Lehman Brothers - Analyst*

Yes, why were they impacted higher in 4Q than in 3Q, then?

Olivier Dubois - *Technip - CFO*

The impact of the euro bond was act exactly the same during the third and fourth quarter.

Mick Pickup - *Lehman Brothers - Analyst*

Okay.

Olivier Dubois - *Technip - CFO*

There was no change in interest rates. Year-to-date, the cash proceeds have been invested under a 2 percent yearly basis and the interest rate in the trend between the third and fourth quarter.

Mick Pickup - *Lehman Brothers - Analyst*

Okay. Thank you.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Daniel Valot - Technip - Chairman and CEO

Thank you.

Olivier Dubois - Technip - CFO

Thank you.

Operator

The next question comes from Mr. Vincent Zelenko from the company J.P. Morgan. Please go ahead with your question, sir.

Vincent Zelenko - JP Morgan - Analyst

Good afternoon. I apologize in advance if I ask a question already asked because I was not in the call from the beginning. If I refer to your slide on page 33, where you showed the major awards expected by Technip over the next few months, can I ask you a few explanation about some of these contracts, especially the Gas Co. AGD2 contract? Are you referring to the contract that used to be called the [inaudible] or is that called the SF2 contract? And the follow-up question on that is what happened to the other contract? And if you could also give a little more details what you call the PDDSA contract in Venezuela?

Daniel Valot - Technip - Chairman and CEO

Okay, the GasCo AGD2 is GasCo AGD2. It's not revised.

Vincent Zelenko - JP Morgan - Analyst

Okay, what happened to the [Indiscernible]

Daniel Valot - Technip - Chairman and CEO

What happened to the --

Vincent Zelenko - JP Morgan - Analyst

the contract?

Daniel Valot - Technip - Chairman and CEO

We didn't put it on this slide because we understand it's pretty close to being awarded.

Vincent Zelenko - JP Morgan - Analyst

Okay. And if you could give some more details on about the PDBS second track.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Daniel Valot - Technip - Chairman and CEO

It's a gas treatment. It's a major gas treatment. The same kind of the treatment project as Aqua I and II we did a few years ago. It's not a PPDSA, by the way, as in your question. It's a gas treatment.

Vincent Zelenko - JP Morgan - Analyst

Okay, thank you very much.

Daniel Valot - Technip - Chairman and CEO

Thank you.

Operator

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

Daniel Valot - Technip - Chairman and CEO

Okay, so if there are no more questions, I would like to express the fact that looking at big picture, we believe but it's no surprise for people like you who know very well the oil and gas business. It looks like the time of easy oil lease is behind us. There will be a need for more oil from OPEC, which will be quite a challenge because it's difficult to invest in this in some of those countries. That will be the need for more energy, more GTM, more oil produced in Venezuela or Alberta, and we believe that we are extremely well-positioned to work on the side of -- these type of business segments, given the assets. We have the expertise in those areas.

Now, looking back just to 2005 just a reminder about our targets. As we said, this has been released at the beginning of February, we have taken for the year 2005 a rather, I believe, conservative assumption regarding the value of the dollar. We take the one euro equal \$1.35 and given the structure of our backlog at year end in which most of the, the big chunk of it is made up of contracts which were signed in the last weeks of 2004. We do believe that our revenues expressed in euros would be somewhere between C4.8 and C4.9 billion. So showing this slight reduction compared to 2004. We have, nevertheless, a goal to reach a bottom line at least as good as the one we had during the year 2004, thanks to a further improvement in our operating margin ratio. So that's our guidelines or targets for 2005. I do hope we will deliver on those targets, as well as we did in 2004. Thank you very much for your attention.

Christopher Welton - Technip - Vice President of Investor Relations

Ladies and gentlemen, that concludes our 2004 results conference call at this time. We would like to thank you for your participation. Please note the Technip's annual general meeting will be convened on first notice on Thursday, April 21, 2005. In the event of a lack of forum for this date, The meeting will be reconvened on Friday, April 29, 2005. Also, the next earnings conference call is scheduled for Thursday, May 19 at 3:00 p.m. Paris time following the release of our first quarter, 2005 results on that day. As a final reminder, a replay of this call will be available on our website, www.technip.com in two hours. It goes, of course, without saying that should you have questions or require additional information, I and my team at investor relations will be more than happy to help you out. Once again, thank you for your participation and enjoy the rest of the day.

Feb. 24. 2005 / 9:00AM, TEC.PA - Q4 2004 Technip Earnings Conference Call

Operator

Thank you for today's participation in today's conference call. We would like to clarify that a replay of the call will be available within the next two hours. The replay will be on our website at www.Technip.com, under the Investors Relations section, or by dialing the UK number plus 44-208--8-515-2419 using confirmation code 631513 hash. Or by dialing the French number plus 33-170-99-3294 using the confirmation code 132909 hash. Or by dialing the U.S. number plus 1-303-590-3000, using the confirmation code 11021599 hash. The replay will be available for seven days. Thank you and goodbye. You may now disconnect.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2009, Thomson Financial. All Rights Reserved.