

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, everyone, and welcome to the conference call for Technip 2005 first-quarter results. This conference is being recorded. At this time, all participants are in a listen-only mode. Later, there will be a question-and-answer session. (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 - IR Contact*

Thank you. Good day, ladies and gentlemen. We're pleased to welcome you to Technip's first-quarter 2005 results conference call. Hosting today's call is Mr. Daniel Valot, Technip's Chairman and CEO, who will offer some opening comments before we open up the call up to questions from the audience.

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Before we start, as usual, I would like to remind our listeners that statements in today's press release and accompanying documents as well as those made during this conference call which are not historical fact are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimer, which is an integral part of today's press release, and the accompanying slide presentation, both of which are available on our website, Technip.com. A replay of today's call will be available on our website approximately two hours after the end of this call.

I would now like to turn the call over to Mr. Daniel Valot, Chairman and CEO of Technip.

Daniel Valot - Technip - Chairman, CEO

Okay, good day (indiscernible). It's the first quarter in which we report using the new language, the new accounting standards, so I would assume, although we have been trying to be as clear and precise and transparent as possible, that many of you might have a lot of questions, which is the reason why I will make a very short introduction. I will just comment very quickly the presentation which has been put on our website and then open the floor to the questions.

So, you've seen the main features of our first quarter. Earnings per share are up one-third compared to one year ago. As you might have noticed, net income is up 9% but I believe the true benchmark today in economic terms is earnings per share because in the net income and earnings per share the new accounting standards create a distortion. Our full-year guidance is unchanged at this time; we've been translating it into IFRS and we are ready (inaudible) there again also to your questions if this translation is difficult to fully understand.

The third main feature of this quarter is a strong growth in order intake during the first quarter. Order intake has doubled compared to the same quarter last year and as you may have noticed, this trend has continued into the second quarter. So this gives us a lot of confidence into the fact that this year will be extremely good for us in terms of order intake and growth in backlog, which should lead to a nice growth for Technip in the two or three years to come.

Now, on the main figures, which are reported on page 5, order intake has doubled, revenues slightly down because of the decline in the U.S. dollar. Operating income is nevertheless up by 16% and as I mentioned, earnings per share up by close to 33%.

By business segment, the (indiscernible), which were slightly in the red last year when we changed our margin recognition policy, is now back into the black, which is good and which was expected anyway. The operating margins of the other business segments are very close to what they were last year, but we've got a good product mix with the Surf being a bit higher in percentage of our overall business during the first quarter. Since Surf carries better margins than the other business segments, that helps, raising our average operating margin issue to 4.2% versus 3.5% one year ago.

We put in these slides the Group income statement, the cash flow statement. Net financial debt is again down and our gearing ratio is again below 10%.

Order intake increased -- we are on page 10 of this presentation -- by a little bit more than 100%. Most of increase took place in Onshore-Downstream thanks to a major project in Canada for heavy oil grading. But we got also good order intake in the Surf business, especially in (indiscernible). The consequence is another increase in our backlog, which is up 11% compared to one year ago, reaching the 7.2 billion. As I said before, there have been many contracts entered into our backlog or signed and which will come later on in our backlog during the second quarter, so the backlog should continue to grow during the second quarter.

In terms of (indiscernible) of the backlog, the main trend of this quarter is the increase in the sales (indiscernible) cash thanks to the heavy oil contracts in Canada, the Surf contract in Brazil and also the contract in (indiscernible) the U.S. Virgin Islands.

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Our targets are, in practical terms, unchanged compared to last year. They look a little bit different because they are now expressed in the IFRS (indiscernible). I won't comment on this page but I'm pretty sure we will have plenty of questions from your side. The rest of the presentation is another set of numbers plus a good description of the main projects we have, plus one word on the stock split. We decided to do a stock split of 1 into 4. That took place on the 13 of May after the close of trading in Paris. We did it to try to further improve the stock liquidity, so that's I believe a good move.

We've also put, on page 26 of this presentation, the major contracts which are expected to be awarded in the next 12 months to either us or our competitors. Of course, we do hope most of it will come to us, but it gives you an idea of the strength of the market these days with many, many large or extra large or extra-extra large projects which are going to be awarded to in the next year or so.

So, that's the extent of my quick introduction. We are with my colleagues and we would be happy to try to answer all your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

Ladies and gentlemen, at this time, we will begin the question-and-answer session. (OPERATOR INSTRUCTIONS). Ms. Dominique Patry of Cheuvreux.

Dominique Patry - CA Cheuvreux - Analyst

Good afternoon. I have actually two questions which relate more to the statements or made in the press release. First of all, you are mentioning the need to continue adapting production capacity, so I was wondering if you may develop a little bit on this front. The second question relates also to the statement you are making in this press release about the sustained growth that you expect for Technip in '06 and '07. I was wondering if maybe you could quantify between the sales growth and maybe margin development ahead of yourself for '06 or '07. Thank you.

Daniel Valot - Technip - Chairman, CEO

Okay, on the production capacities, your first question, it's a general indication on the fact that, given the growth in our business, we need to expand our production capacities, which means hiring more people in our managing centers. We have started to do, which means increasing the capacity of our manufacturing capacities, so we have a project of expansion of our (indiscernible) facilities in Brazilian, flexible plants in Victoria, and we are also considering the next moves we can do in order to expand the capacity of our fleet, but it's something which is under review today. There is no decision today; when there will be a decision, we will know, but it's something we need to face now, we need to study very carefully because the market is growing pretty fast and if we want to keep our leadership position, it's obvious that we need to strengthen our capacities.

On the growth of the business in the next two years, I think it's a bit premature to try to quantify anything. The only thing I could quantify is the fact that we are on the 19 of May, 2005. If you put together all the contracts which have been signed since the beginning of this year, the order intake today for this group is not far away of what it was last year during the full year. There are still many, many projects to come. So, we believe it will be an extremely good year for us in terms of order intake. In a situation in which the growth of the market is such that the competitive pressure is less frightening that it was a couple of years ago, so we are expecting our business to grow both in volume and in terms of margins in the coming two years.

Now, the year is not ended; we don't have a very clear idea of what it will be at the end of this year in terms of order intake, so we will do our (indiscernible) exercise towards the end of this year and we will come back to you with I'm afraid a new guidance

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because now it's becoming a habit, throughout the beginning of next year, to give you a more precise view on what you are expecting for 2006. At this stage, it would be a bit premature.

Dominique Patry - *CA Cheuvreux - Analyst*

I have a final question regarding the CapEx (indiscernible). It seems to be a bit low compared to the yearly guidance which is around 120, 130. Is it only a seasonal issue, or are you targeting a lower CapEx for this year?

Daniel Valot - *Technip - Chairman, CEO*

No, for the time being, it's very similar to what we've experienced the past years. The first quarter is a bit low, that's true. The guidance is unchanged. It's around 130 except that there again, thanks to the new accounting methods, we will have something like 15 million more, which is the fact that the drydocking is no longer expensed but capitalized, so don't be afraid. Towards the end of the year, if we execute the budget as forecasted, we would be closer to 150 than 130, but that's because of this accounting change. It's true that the expansions on the first quarter are a bit low. It's still too early to make any revised forecast for the full year.

Operator

James Hubbard of UBS.

James Hubbard - *UBS Warburg - Analyst*

Good afternoon. Two questions, one -- although you can't quantify exactly what's going to happen next year, I'm wondering, as we now have a very strong backlog at Technip and that can give some confidence in revenue growth next year, I guess the counter-argument is that you have a relatively immature portfolio of projects and as we all know, you back-end (indiscernible) definition of your margins. So, in terms of margins next year, given (indiscernible), would it be reasonable to say that margins may actually go down or can you confirm that you expect them to be at least flat next year?

Then secondly on the use of cash, if you don't identify any acquisitions, small or otherwise, or industries and you go into a net cash position, what do you intend to do with your cash going forward?

Daniel Valot - *Technip - Chairman, CEO*

I'm sorry, I didn't get your second question.

James Hubbard - *UBS Warburg - Analyst*

The second one -- if you enter a net cash position as we go forward, and you fail to identify any use of (indiscernible) acquisitions or industries, what will you do with your excess cash?

Daniel Valot - *Technip - Chairman, CEO*

We will triple the salary of the CEO, first, then purchase a jet for the Company. No, we -- I don't know. We are forecasting that our cash position towards the end of this year should be rather comparable to what it is right now. Perhaps it will improve again a little bit. Okay, so we might even, perhaps not toward the end of this year but later on, fall into this terrible position of being

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net cash positive. But on the other hand, as I mentioned before, we will have to expand our production capabilities so currently, that would translate into a higher level of CapEx. We will see.

On your first question, you said if we have a big influx of new orders this year, given the very cautious policy we have in terms of margin recognition, that may translate into a lower average operating margin ratio next year. (indiscernible) speaking, it's a bit early to say anything about this. We are still in May; we will have a clearer picture towards the end of this year. What you are saying is in principle true; it's true that, after a year of low order intake, if we have a year of big order intake, normally the impact is that revenues get much higher the following year while the bulk of the margins are recognized only in the year, the following one, the following one. So, that might be true. We will have to review that and try to make an assessment once again towards the end of this year. It's a bit premature today.

This being said, the contracts we are taking today are contracts which are (indiscernible) kind of (indiscernible) climate, so I believe there is a potential for margin improvement, which it's difficult of course to quantify today but which is there. So if we are -- if we are, as we have been in the past years, relatively good at project execution, we have the potential to achieve a much better margin in the coming years.

James Hubbard - UBS Warburg - Analyst

Could I just follow-up with one -- (technical difficulty)? Would I be correct in assuming that the pressing impact of higher still prices this year on this year's margins you would expect to unwind next year, given the contracts that you are signing today?

Daniel Valot - Technip - Chairman, CEO

Excuse me, I'm not sure I completely understood -- so Chris, why don't (indiscernible) much better than (indiscernible) I think (indiscernible) is going to translate.

Christopher Welton - Technip - IR Contact

(Speaking French.)

Daniel Valot - Technip - Chairman, CEO

Sorry, so you are speaking of the impact of the raw material price increase we had, especially during the second half of 2003 and the year 2004. We said that this had cost us 60 basis points on our margins in 2004, and that would be a residual impact in 2005, as we are going towards the end of those contracts. That's up about, I don't know, 30, 40, 50 basis points. I would suspect that most of it will be felt this year and not in the following year since those contracts, most of those contracts will be behind us by this time.

Operator

Martijn Rats of Morgan Stanley.

Martijn Rats - Morgan Stanley - Analyst

Hello? Two questions if I may? First of all, I was wondering what the current status was of the South Bar (ph) 17 and 18, because I read a couple of weeks ago that that should have been awarded by now.

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My second question relates to normalized margins. I remember that, at your analyst day back in October, you gave some typical margins for Surf and ENT (ph) activities of 9 to 11 and 5 to 6%. Have those margins been unchanged under IFRS, or should we expect that these normalized margins are no longer valid?

Daniel Valot - *Technip - Chairman, CEO*

South Pass (ph) 17 and 18, it's the following of the saga which started with South Pass (ph) 1. All those projects, one after the other, had been taken by (indiscernible), so we're looking at those projects with very extra special care. I wouldn't say that if I were talking to our (indiscernible) clients but we are not extremely interested in those projects. There are several other projects around the world in which we can follow in an easier way.

On the typical margins on our business and the impact of IFRS, Olivier Dubois is going to answer.

Olivier Dubois - *Technip - CFO, EVP Finance*

Yes. I can tell you that, on most of the offshore activities, including Surf and (indiscernible) activities, one can say that the transition to IFRS has no impact on the operating margin of these two business segments. Part of the offshore and industries segment that concern (ph), you can retain that. I would say, for 2005, it would have a residual impact which is probably in the range of 30 to 40 basis points, and this impact should disappear in 2006. That means that the impact on the targeted margin of our various business segments is not so material.

Martijn Rats - *Morgan Stanley - Analyst*

Okay, so if I understand that correctly, 30 to 40 basis points negative impact in '05 but that disappears from '06 onwards. Did you mention that that was for all the business units or just for -- (multiple speakers)?

Daniel Valot - *Technip - Chairman, CEO*

Onshore-Downstream and industries.

Martijn Rats - *Morgan Stanley - Analyst*

So not for offshore?

Daniel Valot - *Technip - Chairman, CEO*

No.

Martijn Rats - *Morgan Stanley - Analyst*

Okay. One final question if I may? I was intrigued by your statement that the market may reach full capacity at some point. Not all of your competitors are actually sort of confirming this. Are there specific segments where you see especially shortage of people and equipment more than in other segments?

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Daniel Valot - *Technip - Chairman, CEO*

Well, I think the whole market is moving up. It's true that Technip is fortunate to be well-positioned on those business segments which are growing the fastest. The first of them is the LNG business. There is a flow of new LNG projects around the world as we have not seen for many, many, many years. In fact, we've never seen such an influx of new projects. As you know, we actually were positioned on this market (indiscernible) around the world four or five significant players. We are extremely well-positioned on the deep offshore developments, especially on the subsea (indiscernible), thanks to our historic positioning in pipe-laying in deep waters. So, we have a very strong position, as you know, in Brazil in which we have been present for many, many years in which we have a factory that produced the flexible pipelines. We have also a very strong position the Gulf of Mexico. Thanks to spar, we are producing -- we have been I believe responsible for something like 30% of the developments in the deep offshore in the Gulf of Mexico. We became a strong player also in West Africa in the past years, so -- and of course the new development -- the new discoveries these days take place more offshore than onshore, and offshore it is more in deeper floor than in shallow waters. We are extremely well-positioned in refining and petrochemicals. We are fortunate to have a long historical presence in the Middle East.

So the positioning of Technip, I don't know if it happened by chance or by strategy, but it's such that we are a strong player in those business segments in our business which are growing the fastest. So, we ought to be one of the contractors taking the most advanced to the current trends. That's the facts.

Martijn Rats - *Morgan Stanley - Analyst*

Okay, thank you very much.

Operator

Alastair Syme of Merrill Lynch.

Alastair Syme - *Merrill Lynch & Co. - Analyst*

Daniel, can I come back to the first question on production capacity and just talk about Technip's current capacity and utilization? You know, what utilization is the vessel fleet at in offshore? How long do you expect -- or how much visibility do you have forward on that capacity staying tight for your business? Then on the onshore segment, I mean, you presented a slide showing and you have a big long list of projects. How many of these can you hope to support within the existing business?

Daniel Valot - *Technip - Chairman, CEO*

Well, on the production capacities, I would say that there is something you need to bear in mind, which is the fact that in our business of engineering construction, there are lots of economies of scale. Let me take a very simple example. If you have to make a project of, let's say, \$4 billion and if you compare that to ten projects of \$400 million, the overall value of the backlog is the same but you employ much less people when you have one major project of \$4 billion than you would have employing ten different teams on ten different smaller projects. So, in terms of engineering and the project management, I wouldn't say we have an unlimited capacity; that could be a bit preposterous. But we have good capacity to take -- to handle a much higher backlog than what we had last year without too many difficulties.

The only real bottleneck we have is for the offshore piping and construction. Once all our vessels are busy, it's obvious it's very difficult to take additional business, except that you can always try to find vessels outside that you could charter for a specific job. So, it's true that, these days, we feel that the growth in the offshore pipe-laying business is such that our vessels are pretty much busy. Therefore, we started this thinking internally about the best way to increase our capacities or capabilities in this area.

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Today, if we take the fleet of vessels we have, the DSVs, the diving support vessels in the North Sea are still running nicely, but the construction vessels, which are used outside of the North Sea, especially on deep offshore projects, have now very tight schedules and their capacity is fully utilized. Since we are seeing this market to continue to grow in the coming years, it's time we start thinking about strengthening our capacities in this area.

Alastair Syme - *Merrill Lynch & Co. - Analyst*

Can I ask, on the construction vessels, how -- I mean, presumably you have a nominal day rate that you hold sort of internally in the Corporation, but how has that day rate progressed?

Daniel Valot - *Technip - Chairman, CEO*

All the day rates progress (indiscernible) the dayrate is used internally. What we did is the price of the project. So the day rate progresses in line with the cost of utilization of the vessel that their rate is fixed in such a way that if the vessel is fully utilized year-over-year, the unit which manages those vessels is making the breakeven, so that's it. So, it's progressing year after year in line with (indiscernible) higher costs in a very moderate way.

Alastair Syme - *Merrill Lynch & Co. - Analyst*

That was very helpful. Thank you very much.

Operator

Stephane Bensoussan of Exane.

Stephane Bensoussan - *Exane - Analyst*

Yes, hello. I just wanted to know, on the list of new projects, could you tell us what is exactly the (indiscernible) tracking Qatar, and (indiscernible) timing of (indiscernible) and the same question but for (indiscernible) in the offshore.

Daniel Valot - *Technip - Chairman, CEO*

Okay, Qatak (ph) is a methanol plant in Qatar for which (indiscernible) is expected towards the end of this year following the extension. On the other one -- (multiple speakers).

Stephane Bensoussan - *Exane - Analyst*

(indiscernible).

Daniel Valot - *Technip - Chairman, CEO*

(indiscernible) in Brazil, it's a floater, well, it's a P 57. You know, all the platforms in Brazil are named by a "P", so we're currently building P51, P52 is one. (indiscernible) is P57. We believe it can be awarded during first quarter 2006.

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Stephane Bensoussan - *Exane - Analyst*

But you think here, for the first contract in Brazil, you were uninvolved in engineering and part of the procurement. Here, you'll be in charge or so of the construction. That's why it's an (indiscernible) contract?

Daniel Valot - *Technip - Chairman, CEO*

No, we would do, as usual, we wouldn't be in charge of fabrication. We would take engineering and procurement.

Stephane Bensoussan - *Exane - Analyst*

So one question is on -- first on Brazil, I have read that Wellstream (ph) is planning to build a flexible pipe plant. I just wanted to know if it's true and is it a plant -- the size of the plant, is it really comparable to your plant in Brazil or is it very small?

Daniel Valot - *Technip - Chairman, CEO*

Ivan Replumaz is going to take this question.

Ivan Replumaz - *Technip - CEO Offshore*

You know, it's been a number of months that people are talking about the Western block in Brazil. As you will see, we don't know exactly the (indiscernible) Wellstream (ph) but what we believe any way that if a plant is supposed to be (indiscernible) in Brazil, it will take at least a year to (indiscernible) that in the future. So (indiscernible).

Operator

Alec Bline (ph) of Credition (ph) Securities.

Alec Bline - *Credition (ph) Securities - Analyst*

Just two questions -- first, you spoke at the beginning of (indiscernible) and you spoke essentially about the steel. You mentioned in your press release that all the raw materials are increasing a lot, so is there any impact to (indiscernible) these other raw materials?

Daniel Valot - *Technip - Chairman, CEO*

Well, no, there are still a few raw materials which are (indiscernible) pretty fast such as nickel and aluminum, titane (ph) and so on and so forth. But what is more important today is that for a number of equipments which are made mainly of steel, the companies in charge of manufacturing those equipments have been hit by the increase in steel pricing for the past year and they are now trying to pass this increase in costs through an increase in the price of the equipment. So that's of course a worry for us, which is the reason why we took an extra care now in terms of both bidding and when we enter into procurement so that we don't take as we manage the risk of increasing in these costs.

Let me be a little bit more specific because I realize I'm extremely clear on this one. When we were hit by the increase in steel price, let's say, one year ago, we were engaged in contracts which have been made at a fixed-price at a time when there was a kind of stability in the raw material costs. So the increase in steel price caught us by surprise and we suffered a lot because of that. Now that we've fully realized that the whole market is up, a number of raw materials, even the cement and concrete in

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some areas in the Middle East, is becoming not only to buy but to find. Now, we're much more cautious, which means that we have reduced the validity of our bids (indiscernible) when it was several (indiscernible) and we negotiate with the suppliers prior to contract award in order to get from them some commitments. So, we manage; we have been learning to wait to manage these increases in raw material costs and equipments much better than we did a few years ago where we didn't have to bother about it because prices were overall rather stable. So, the price of a number of equipments are still continuing to rise, but I believe now we are much better equipped than we were one year ago to manage this problem.

Alec Bline - *Credition (ph) Securities - Analyst*

That should not affect your profit margin?

Daniel Valot - *Technip - Chairman, CEO*

If we are managing as effectively as we should, it should not affect our margins.

Alec Bline - *Credition (ph) Securities - Analyst*

Okay, my second question -- you already decided about your order intake level. Just one point -- it seems that the Onshore-Downstream was the main part of the huge increase; it is a little disappointing in terms of profit margin, because that is not the highest profit margin of the Group. Do you think that, in the second quarter, we will have the same trend, or do you hope an acceleration in the offshore?

Daniel Valot - *Technip - Chairman, CEO*

Well, there are still a few big projects offshore which are going to be awarded this year, so this imbalance can be a little bit less important during the second half. This being said, there are some extra large projects in Onshore-Downstream which are going to be awarded during second quarter, second half of the year.

What I would like to stress is that, on this new business in Onshore-Downstream, it might very well be that the margins at the end of the execution of those contracts is significantly higher than the type of average margin which we have had in those past years in this Onshore-Downstream business.

Alec Bline - *Credition (ph) Securities - Analyst*

Significantly higher than 5 to 6%?

Daniel Valot - *Technip - Chairman, CEO*

Yes.

Alec Bline - *Credition (ph) Securities - Analyst*

The 5 to 6% that's (indiscernible) 9 to 11% will not be on 2006 because the comment of you have done about the level of the margin, but it is reasonable to hope that if there is no trouble in 2007?

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Daniel Valot - *Technip - Chairman, CEO*

That's my expectation, yes.

Operator

(indiscernible).

Unidentified Speaker

Good afternoon, gentlemen. I have three questions, please. First, you mentioned several times considering expanding your fleet. Would you consider the likelihood of expanding your fleet through new builds or acquisitions? Because one area you have come to play a part (indiscernible) is quite aggressive they say on acquiring assets.

Secondly, on the Surf market, wouldn't you agree that the reason behind that, the tightness we are seeing now is just it's not just a matter of rising demand but it's also a result of a stronger capital discipline among the major players over the last couple of years, including Technip (indiscernible). Would it then be wise to start a new building program?

Thirdly, you mentioned not being very keen on taking on South Pass 17 18 in Iran but what is your general view on that Iranian market going forward and what kind of role do you think Technip will have there?

Daniel Valot - *Technip - Chairman, CEO*

Okay, each (indiscernible) acquisition, as I said, we started thinking about it recently inside the Company. I don't know what the outcome will be. We will see (indiscernible) to our acquisition for the time being. Nothing is decided on this one.

On the Surf, you are saying that the level of margin is more a result of the discipline of the players than from the growth of the market. I wouldn't say so. The market has been developing very nicely in those past years, so the size of the cake is increasing each year by something like 5 to 10% as an average. Of course, it's some years a bit bumpy and it's not a regular growth but overall, the size of the market today is much bigger than what it was three or four years ago, so we see no reason why there is this pressure on the vessels which are in limited supply, of course.

South Pass 17 and 18, we are already very active in Iran, mainly in petrochemicals but also on some offshore projects, so we cannot take everything which is available. We are selective in our bidding, and we will continue to be an active player in Iran. Of course, today, it's a bit difficult to have a very clear picture as long as everybody is waiting for the result of the presidential election in Iran. I do believe that, once this election is over, a number of things will be clarified and it will be probably easier to start getting new business in Iran.

Operator

(OPERATOR INSTRUCTIONS). A follow-up question from Stephane Bensoussan of Exane.

Stephane Bensoussan - *Exane - Analyst*

Just a quick question on the reparking (ph) -- did you plan to give the reparking (ph) (indiscernible) for the second and third quarter before the following year release? Because we don't have the historical data.

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Daniel Valot - *Technip - Chairman, CEO*

I'm sorry. What you are asking is what -- we released in the second and third-quarter -- (multiple speakers).

Stephane Bensoussan - *Exane - Analyst*

Oh, or the -- (multiple speakers).

Daniel Valot - *Technip - Chairman, CEO*

(multiple speakers) -- 2004, which will be expressed in IFRS as soon as possible. That's what you are asking for?

Stephane Bensoussan - *Exane - Analyst*

Yes, yes.

Daniel Valot - *Technip - Chairman, CEO*

Okay, so Mr. Dubois, what do you think?

Olivier Dubois - *Technip - CFO, EVP Finance*

In fact, we are committed to release the 2004 total (indiscernible) figures along with the 2005 (indiscernible) figures, so (indiscernible) the first part of 2004 we (indiscernible) goes into IFRS. You have also the full year of 2004, so it's unlikely that we could be in a position to release earlier the figure for 2003 next quarters of 2004 (indiscernible) into IFRS. I (indiscernible). We will release the restatements between the figures of the second quarter according to French GAAP and the second quarter according to IFRS when we release our figures of the second quarter of 2005 at the end of next July.

Stephane Bensoussan - *Exane - Analyst*

Just another question -- I know you are all very, very busy on onshore, but on industries, do you plan some significant order intake in the coming quarters or months, or do you use the industry manpower to work on onshore project?

Daniel Valot - *Technip - Chairman, CEO*

Well, you know, there's nothing inside the Company like a split between (indiscernible) working on the petrochemical projects or chemical projects. There are a few specialists for the technologies but the design capacities, something which is done by a number of people, than they move from one segment to another one.

Now, this being said, the industries (indiscernible) has in front of it a few very attractive contracts before the end of this year, especially in the metal and mining area, but also for ethanol plants, so I do believe we've good chances of pinching a few deals. It won't be massive; it will be good for the industry -- (technical difficulty) -- but it won't be massive. So there will still be some people that available to help their colleagues of the Onshore-Downstream arena.

Stephane Bensoussan - *Exane - Analyst*

Thank you.

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Operator

Allard de Buijzer of Fortis Bank.

Allard de Buijzer - Fortis Bank - Analyst

Yes, good afternoon, gentlemen. First of all, I want to bore you with a few IFRS questions. You've now given a separate corporate number. Can you give the full number for 2004 for the corporate number? What is, let's say, the guidance going forward for the quarter?

Daniel Valot - Technip - Chairman, CEO

Okay, so, Olivier?

Olivier Dubois - Technip - CFO, EVP Finance

For the first quarter of 2004 for the corporate segment, the operating (indiscernible) but (indiscernible) EUR4.5 million according to the French GAAP and EUR94.1 (ph) million according to IFRS. Okay?

Allard de Buijzer - Fortis Bank - Analyst

Yes I already had these figures, although you did never report separate corporate numbers originally in the French GAAP. But what I want is the full figure for full year '04 under IFRS, and if you can give the guidance for the coming quarters, it's about 4 million. Is that a stable number or is this -- can we expect wild swings in this number?

Olivier Dubois - Technip - CFO, EVP Finance

No, you can't circulate this minus 4 million for the full year. In fact, this amount is made first of the charges in connection with this production plant. It can be (indiscernible) it could be charged 1.4 million for each quarter of 2005. We will have, in addition, for the full year, the impact of the restatement of the lease agreement under our head office in Paris with an additional cost on a yearly basis of EUR1.7 million. Otherwise, we can expect that, on a full-year basis, the corporate segment should be breakeven, except these two exceptional items.

Allard de Buijzer - Fortis Bank - Analyst

Okay, that's good. The full year '04 number? What I'm really missing is you have restated the P&L under IFRS but you have not given a breakdown per segment, so I'm a bit at a loss of what my starting point is for the year, yes, for the estimates for 2005 and further.

Daniel Valot - Technip - Chairman, CEO

No, you're right. We don't have this number for the full year of 2004 with us right now. You will be called back by somebody from Investor Relations; they will give you the number.

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Allard de Buijzer - Fortis Bank - Analyst

Okay. For the IFRS question if I may, in the full-year restatements, you give a separate number for other costs and benefits, which is more or less equal to the old exceptionals number. But in the quarterly figure for 2005, you do not give such a breakdown; it's included in SG&A and other costs. Can you give what of the EUR77.5 million SG&A and other costs, how much of that is other costs?

Daniel Valot - Technip - Chairman, CEO

Okay, let us find out. If you can, give us a few seconds.

Allard de Buijzer - Fortis Bank - Analyst

Okay.

Daniel Valot - Technip - Chairman, CEO

Other costs income during the first quarter 2005 is 0.7. It's a plus, it's a profit; it's not a charge.

Allard de Buijzer - Fortis Bank - Analyst

Okay, that's a fairly small number. That was it, IFRS. Then I have a question on the industry segments that had a -- well, compared to the former quarters -- an exceptionally high revenue number. Is this also -- is this an improvement in this or what are some exceptional large deliveries for industries this quarter?

Daniel Valot - Technip - Chairman, CEO

No, it's just a fact that -- well, it's not extraordinarily large. It's an increase of about 10% compared to the same quarter last year. You have to remember that this segment has been impacted by a number of asset sales we did last year, so you used last year to see quarterly numbers going down. This time, we are just going back to the normal growth in the business, and this branch is executing a number of projects. Most of their projects are service contracts, so you wouldn't normally expect to have a big jump in sales, but this time, we had the development of one (indiscernible) which is the (indiscernible) power plant in Italy, so that's generating revenues which are (indiscernible) as we progress into the execution of this contract.

Allard de Buijzer - Fortis Bank - Analyst

Okay, so the sales number we saw this quarter is also a good number to use for further quarters this year?

Daniel Valot - Technip - Chairman, CEO

Well, I wouldn't bet on a 10% increase in sales for the full year. You know, the numbers for one specific quarter can be a bit misleading but I would caution you to be a bit more careful for the full year. We won't have a 10% increase.

Allard de Buijzer - Fortis Bank - Analyst

Okay, because the order book was down quite substantially, so that has to do with the divestments of -- (multiple speakers)?

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Daniel Valot - *Technip - Chairman, CEO*

This has to do with the sale of noncore assets.

Allard de Buijzer - *Fortis Bank - Analyst*

Okay, that was it. Thank you.

Operator

Mr. Ross Turner (ph) of (indiscernible).

Ross Turner - *Analyst*

Yes, hi. Could you just say, on the Surf market, of the contracts that you are signing today, you actually have been able to sort of put up prices sort of like for like as opposed to just getting volume growth. Could you maybe just talk about that a bit?

Daniel Valot - *Technip - Chairman, CEO*

Well, I would say that it's difficult to generalize, but I will try to generalize anyway. We are now, since the beginning of this year in Technip, in a position in which we can be even more selective than we have been for those past years. So you can be assured that the projects which are now signed by Technip are projects on which we reach or even exceed our margins' requirements, and that is true for Surf; it's true for the other business lines.

Ross Turner - *Analyst*

Okay. Is it actually like (indiscernible) turning up to the pretenders (ph) and is it the case that the market is so tight that basically there is less players (sic) there than there were, say, even six months ago? I mean, has it changed much in the last six months?

Daniel Valot - *Technip - Chairman, CEO*

In the Surf business, I wouldn't say so. There is (indiscernible) market on which there is a real tightness. Today, it's the LNG market. That's true. There are so many projects coming at the same time, so a few contractors are going to take those large projects, but even some oil companies are now wondering whether they will have onboard enough skilled engineers in this specific (indiscernible) which is LNG. But that's the only area in which we can see this type of shortage.

Ross Turner - *Analyst*

Okay, thanks very much.

Operator

Christyan Malek of Deutsche Bank.

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Christyan Malek - Deutsche Bank - Analyst

Good afternoon, gentlemen. Two questions if I may? The first, on financials, can you clarify what your payout ratio is under the new IFRS and where you would like to see that going forward across '06 and '07?

The second question, on contracts -- you mentioned cracker LNG being awarded hopefully by the end of this year. Can you prioritize the remaining contracts on LNG that are Yemen, Iran, and Algeria in terms of timing? So just if you could just tell me when you think those two contracts will be coming through those the next 12 months. Thank you.

Ivan Replumaz - Technip - CEO Offshore

If I can answer the first question about the payout ratio, look, if you restate the (indiscernible) according to IFRS of the two main non-cash items, which are the stock option charge and the split, the contract (indiscernible) the split accounting of the convertible bond, you get a figure that's not so different of the net profit that we had as a reference in according to the French GAAP. That means that we keep the same dividend policy, which is the payout ratio will not be based on the net profit according to IFRS, (indiscernible) probably restate this profit by these two non-cash items (indiscernible) compute our payout ratio. That means that even if the net profit according to IFRS is apparently lower than it would've been according to French GAAP before goodwill amortization and (indiscernible) items. That doesn't mean that we will reduce our dividend per share. We will be able to keep the same amount of dividend per share, and the target will be to keep a 50% payout ratio based on the net profit restated with these two non-cash items.

Daniel Valot - Technip - Chairman, CEO

Now, on the timing of the major LNG projects this year, we would expect RasGas 3 (ph) in Qatar to be awarded during the third quarter of this year. QatarGas 3 and 4 is slated to come in force in December this year but might be awarded earlier on. Yemen and Algeria is expected for the fourth quarter of this year. (indiscernible) Algeria would probably move to first quarter of next year.

Christyan Malek - Deutsche Bank - Analyst

Thank you.

Operator

(OPERATOR INSTRUCTIONS). We have no further questions at this time. Please continue.

Daniel Valot - Technip - Chairman, CEO

Well, thank you very much all of you for your interest in the Company. As I said, we are up for a grand (indiscernible) great vintage year this year, so bear with us. We will have exciting times during the second half of this year and we should have a quite impressive growth in our business in the next two years. Thank you very much for your attention.

Christopher Welton - Technip - IR Contact

Ladies and gentlemen, that concludes today's conference call. We would like to thank you for your participation. Please note that the next earnings conference call is scheduled for Thursday, July 28 at 3 PM Paris time following the release of our second-quarter 2005 results earlier that day.

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As a reminder, a replay of this call will be available on our website in about two hours. It goes without saying that should you have any questions or require additional information, Technip Investor Relations will be more than happy to help you out. Once again, thank you for your participation and enjoy the rest of your day.

Operator

Thank you for your participation in today's results conference call. We would like to clarify that a replay of this call will be available within the next two hours. The replay will be on our website, Technip.com, in the Investor Relations section or by dialing +44-208-515-2499 using the confirmation code 447049#, or by dialing +33-7170-99-3294 using the confirmation code 133172#, or by dialing +3+1-303-590-3000 using the confirmation code 11029760#. The replay will be available for seven days. Thank you and goodbye. You may now disconnect.

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