FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, everyone and welcome to the conference call for Technip's 2004 second-quarter and first-half 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 call over to Christopher Welton, Vice President of Investor Relations. Please go ahead, Sir.

Christopher Welton - *Technip - VP IR*

Thank you. Good day, ladies and gentlemen. We're pleased to welcome you to Technip's 2004 first-half results conference call. Hosting today's call is Mr. Daniel Valot, Chairman and CEO of Technip. Mr. Valot will comment, first, on the group's performance before opening the call up to questions from the audience. Also participating in today's call are Mr. Olivier Dubois, Financial Director; Mr. Daniel Burlin, who is Head of our Onshore activities; Mr. Ivan Replumaz, who is Head of our Offshore activities; and Mr. Jean Deseilligny who's Head of Commercial Marketing. And we also have Madame Anne Decressace, who is Human Resources and External Communications.

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 that 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 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 - CEO*

Thank you. Good day, all of you. I think I'm a lazy person; I am going to comment briefly the presentation we sent over on our website. With that, pretty strong numbers during the second quarter and the first half of 2004. On page 4 we put the main numbers. Revenues hit EUR2.5 million, which is an increase of 17 percent compared to first half of 2003. Operating income is growing a bit faster, 25 percent and reaches over EUR21 million. Net income before nonoperating expenses and goodwill is up 81 percent, and that is mainly due to difference between the two items -- is mainly due to a much better tax, much lower tax burden than during first half of 2003.

I'll already take us to the extraordinary jump of last year -- goes down to a more normal situation and that is about EUR2 billion during the first half. And as a result, our backlog also is down 16 percent. On the other side, on the gearing side, very significant progress in reduction in net debt. And our gearing ratio is lower by 25 points at 10 percent compared to 35 percent 1 year ago.

So if we looked at our numbers for each one of the main activities, starting first with Offshore activities. As you can see the backlog is almost stable at the same high level it has reached 1 year ago for our SURF activities. It is a bit down on the Facilities -- negative 13 percent. Altogether, for the Offshore activities the backlog is down 6 percent. It's fair to say that this decline comes exclusively from foreign exchange adjustments in terms of order intake compared to the actual revenues of the first half. Our order intaking in the Offshore branch is slightly above the revenues we had in the Offshore branch during the same period of time.

Revenues are up 24 percent, about the same progress both in SURF activities. EBITA -- I'll come back on the later on -- very strong recovery in EBITA for the SURF activities. In Facilities the number is comparable with the same period last year, because of the change in our accounting methods and we will come back on that later on. So altogether progress of 24 percent revenues, progress of 21 percent in EBITA margin, which stands at 5.8 percent.

Onshore it is in this area that our backlog has declined over the period and it is a decline of 24 percent, mostly concentrated on Onshore-Downstream and there again, I will come back on this element a bit later.

Revenues are up quite sharply in Offshore-Downstream plus 19 percent. Industries revenues are down, but again this is directly comparable because we sold a (indiscernible) related to Industries during the first-half.

And on EBITA I think what is the most remarkable is that the progress we've have announced for quite sometime on recognized margin on Onshore-Downstream is taking place. As you can see the EBITA is growing in this area, twice, almost, three times faster than revenues.

The simplified income statement of the Group is a summary of what I just described talking about the business segments. So I think it is important to mention the fact that I our tax burden is now back to a more normal level at about 35 percent of profit before tax against a 50 percent last year, as you probably remember last year. Our tax burden was on a very high level, so we are back to a more normal situation. And the bottom line is that, in terms of earnings-per-share on a fully diluted basis, we're making progress of 62 percent compared to the first half of 2003.

Cash flow, operating cash flow, has been good enough to cover both CapEx and dividends. We had strong improvements in working capital, again which helped, of course, replenish our cash position. A mid-massive help (ph) also provided by the bond, which we raised at the end of May, EUR650 million. This bond doesn't change our net debt position as it has been kept in cash.

The end result of this situation, and naturally reflects, very much, the very, happy situation in which our business is developing now, is on page 9, the trend for our net debt allowed during ratio, as you can see in 2 years time. Our net debt has been reduced by 80 percent coming from more than EUR900 million to a little bit less than EUR200 million. And as a result our gearing went down from 44 percent 2 years ago to 35 percent 1 year ago, and 10 percent today. Our target for the full-year remains to end 2004 with a gearing ratio below 20 percent.

Return on equities shown on page 10, on an annualized basis, our pretax return on equity, which was 7.4 percent last year comes to 10.4 this year. It's better than for the full-year 2003, so it is moving in the right direction, too.

A quick word about our preparation for the switch to the new financial standards, which will become in my letter (ph) as of next year. We are in the process of restating our opening balance sheet as of the first rate 2004 to comply with a number of IFRS rules, which will impact the balance sheet.

Our estimation today, but we still have to work on that, is that the net impact of shareholders equity should not be material and we will come back with finalists in November when we release our third quarter accounts.

A number of things we changed in the presentation of our financial statements as a result of these new standards. As most of you know the income statement is very notions of EBITA, which was the bread and butter of the financial community, all those past years will disappear so it will lend to be an interesting story to see how this develops and the appreciation will be split between operations and SG&A.

Our balance sheet will be downsized quite significantly since progress development in contracts will be matched with working progress, which are two very big components of our balance sheet. And in terms of breakdowns of our activities by segments -- the Offshore activities will be completely spread between SURF and Facilities, and there will be a new segment created, which will be corporate activities.

What I can report to you is that our teams have been working quite a lot on these new standards. And we are ready to switch to the new standards next year.

Now perhaps what about the business during this first-half 2004? We are in this situation in which, as is shown on page 14 of this presentation, there is some delays now, unexpected delays, between -- it was expected by personal (ph) competitors -- it actually was. As you can see on the slide in 2003, especially during the first-half 2003, which was a very strong half-year in terms of who and what -- what we wanted was pretty close to what we were forecasting. Today is during the first half 2004 between what expected since we got the tenders, we received the tenders and we know what our clients are planning to do and what is actually wanted -- there is a significant difference -- the ratio between actually was and expectedly was stands at 77 percent during the first-half. We don't know, of course, what the situation will be during the second half, it might be, again, from the business (ph) or on the contrary, a number of projects which have been delayed would be wanted (ph). It is not up to us to predict. But Onshore-Downstream, as you can see, the markets we are bidding for -- they was which we expected by our search of our competitors (ph), bid lower in the offshore business. It's around EUR4 billion for each quarter and there again, the trend seems to begin with this issue (ph) and a lack between actually what and expectedly what (ph). We do believe that in the next 12 months there will be many projects coming to the industry, but the timing is difficult to predict.

Anyway, probably in these delays there a number of factors, political uncertainties. There will be a new price increase, which has seeped into some projects and the factor, which is important, is the fact that when the project gets bigger there are more partners involved and this year the deal making process is longer.

Anyway, in this environment what we achieved is for the Offshore replacement of our revenues by threshold and retake (ph) but 206 percent for, once again, for Offshore. A bit more disappointing Onshore, 52 percent only. It's not a surprise that we had already said to you that this year 2004 there were not many bids that would lead to water (ph) in the first-half. Most of the big projects this year will be concentrated in the last quarter of the year and also the following quarters in 2005.

That leads us to the backlog, which is depicted on slide 15. We stand at 6.3 billion, a bit lower than last year. Last year was 7.5. This is to be corrected to take into account the change in the foreign exchange currency and also in the scope of conciliation of the Groups since we sold a few non-threatening (ph) affiliates on a comparable basis, we would be, probably, somewhere between 6.6 and 6.7 billion. So lower than last year, which was an extraordinary year in terms of order intake, much bigger than during the previous years.

As you can see in terms of multiple revenues we are at 15 multiple revenues, which is a level which gives us a good visibility of our business. Also what is so important is to note that in this backlog the share of the Offshore contracts is moving up quite significantly. We are now at 45 percent. We're at the low 40 percent before. And on that the share of the SURF business, which is the business, generally speaking, generates better margins, is today 30 percent much higher than before.

The split of our backlog by regions is also changing as a result of these new awards. And for the first time in quite a long time in the history of Technip the Middle East is no longer our number 1 market. Is has been surpassed by Africa.

The simple point we want to make is the change in the breaking logins (ph), so we had quite a significant improvement in SURF. We are now close to 9 percent of breakeven margin after depreciation against 5 percent 1 year ago. As some of you might remember, the level of 5 percent 1 year ago was not the normal level. It was, at the time, we were suffering from a couple of loss meeting (ph) contracts in this area. Now that these contracts have been completed we're back to a more normal level of margin for this business.

In the Offshore Facilities we show 1.5 percent of proven margin. That is not extremely significant, as you probably remember, since we announced it sometime ago as the first rendition we decided to extend to this segment the traditional method of modern recognitions used by Technip for its lump-sum turnkey contracts, which means that since this business -- the revenues we make in Offshore Facilities come primarily from the big contracts awarded to us in 2003. Those contracts are in their first year of execution and therefore, the margins will show up, mostly, in the 2 years to come when we are in the third year (ph) of execution. Our guess is that for the full-year the operating margin for Offshore Facilities will be at a rather low-level for this reason.

Onshore-Downstream moving up quarter after quarter with the progress in the execution of the contracts won in 2002.

So an improvement in operating margins, which was accomplished in spite of the steep prices, which developed over the last 2 years, and which is shown on page 18, as all of you know, steep prices have skyrocketed, especially during the last 12 months. It seems to be to now stabilizing at a high level. And of course, we are engaged in negotiations with our clients to help mitigate the fact that this increase on our costs and the costs of the contracts -- we've tried to estimate the impact on our business set for 2004, we believe, should be around 0.6 percent. And the reminder would be vent (ph) in 2005, it will about half as much, so something like 0.3 percent.

As you would, very quickly, on the market trends as we see them, many analysts have the feeling that the Company's are not investing in E&P as much as we should do, which is perhaps true, but when you look at the picture on several years you can see that there is a trend towards an acceleration of E&P capital spending with an expected growth of 6.5 percent in the coming decade compared to 5.6 percent in the last 10 years. What is important, at least in our view, is that a big chunk of this growth will be concentrated into 2 areas, which are important to us. One is the deepwater production we show on page 21. The speed at which production from deepwater is expected to climb in the coming years. And in this area, as most of you know, we have in an excellent position in technique with one of the best fleet of construction vessels for deepwater. The position as leader in the SURF market, a position of leader in the flexible pipeline fabrication, we are the leader in the SPAR market. We are now progressing in the FPSOs and Semis and sea bolts (ph). And we have now something which can be looked at as a very strong local content in the countries in which this growth is taking place mainly Brazil and West Africa.

The other driver for our business for the coming years and will be gas related CapEx. Gas amount is expected to grow 50 percent faster than oil demand and as is very well-known today, there is now a real gas crunch in the U.S. as the product (ph) production is declining, which will lead to a massive need for a fee (ph) force of LNG and that will trigger two types of projects, of course, lead production Facilities in the producing countries and the receiving Facilities in the U.S. Not only in the U.S., because some of the markets are also more and more asking for energy. It's the case of UK, which is becoming a net (ph) importer of gas. And quickly developing countries such as China and India, also Continental Europe and (indiscernible) by it.

On gas, we do believe, also, that we have a strong position. We are a leader in gas treatment Facilities. We are very active in energy, being one of the few members that have products informal LNG club. We have been awarded the first large-scale GTL Facility in Qatar last year. We saw a very strong track record in gas-based petrochemicals and fertilizer. And a strong experience and local presence in the Middle East, Far East, West Africa. So we are rather confident that over the years to come we will be in growth (ph).

We show on page 26 the most important contracts, which are supposed to be awarded to Technip and its competitors in the next 12 months. We've put L, XL, or XXL according to the size -- not to the size of the contract but to the size that this contract could represent for our self-interest. For some of these projects we are bidding alone. For some of these we are with partners. For our shares you can see there are a number of large projects. What also some XL, especially in SURF and Facilities and on the Onshore gas developments, LNG and GPN (ph). There are some monsters (ph), some XXLs, which are going to be awarded in the next 12 months.

So on this basis, given the performance of the Company during the first half of this year, we feel confident that our targets of 2004 should be reached and those targets are, again, on the last slide of this presentation. For revenues we are shooting for 9 percent growth. EBITDA 13 percent, net income, pre-goodwill and pre-exceptional (ph) 35 percent. And we are still predicting a gearing below 20 percent by the end of this year.

So a very strong first half in terms of progress in operating income and very strong cash position. We have been able to achieve the actual backlog at the record level it had reached 1 year ago. There is a slowdown in order intake and backlog for the Onshore activities, but a big number of proposals on the way. So that gives us a lot of confidence for this year 2004 and for (technical difficulty). Thank you very much and now I'm ready with my colleagues to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Dave Thomas.

Dave Thomas - *Commerce Bank - Analyst*

Good afternoon gentlemen, this is Dave Thomas at Commerce Bank. A couple of questions please. Firstly, on margins -- could you perhaps give us some guidance on how you see margins progressing over the coming year or two in each of your major businesses, especially in view of comments by certain oil industry executives about pricing power passing across into the oil service industry? And the second question is on tax -- I think you mentioned something like $0.35 cent tax. Is that your guidance for this year and perhaps into 2005? Thank you.

Daniel Valot - *Technip - CEO*

If they were able to predict the margins we are going to make this year, next year and the year after I would be a rich man. This being said, I would not predict the margins we're going to make, of course dependent on the order intake we're going to do. I would say that on that rate sheet, things go well and we don't do too many mistakes we should expect to have this profile of margins.

Let's take the first segment, which is the SURF business. In the SURF business it's how we believe (indiscernible) have EBITA margin between 15 and 20 percent, but that was EBITDA. Now we are more looking at EBITA, so after the depreciation and in the former (indiscernible) after this 15 to 20 percent EBITDA margin there was a depreciation charge which was about 9 to 10 percent of the (indiscernible). So looking at this business, once again, as soon as everything goes all right, our benchmark, our target in life, would be to keep EBITDA margins around 10 percent -- 9, 10, 11 percent would be a wonderful achievement. So I would say let's keep in mind that something like the type of margins we made during the first half of this year. If we were able to achieve that each year around 10 percent it would be great and it is probably possible to do better than that. Remember on this market we are the market leader.

On the rest of the business, on the -- which is less capital intensive the (indiscernible) construction projects both for Offshore Facilities and Onshore Facilities. Once again, providing we do everything right, the type of margins we can shoot for on the break ground (ph) businesses is somewhere between 5, 6, 7 percent.

What is important is to stress, because of our accounting methods, the level of margins you see each quarter or each half year on our GNL is physically dependent, not only on the healthy margins we make on the contracts but also on the speed at which our backlog is removed. We can vary well (ph) during a specific year (ph) have excellent margins, for instance, in Onshore-Downstream, just because we didn't get any new contracts in -- or last contracts during the last 12 months, in which case, our overall revenues would go down and therefore, the margins on the contracts, which have been started a long time ago and which are close to completion, would look very nice compared to our revenues. What is important in our business and that's the reason why quarterly numbers are extremely meaningful is that the margins we're showing today on our P&L are from a -- big part of them -- margins on contracts which were awarded to us 2 or 3 years ago and are on their last stage of completion.

So it is probably something which is very -- not easy for the financial committee to enlighten our numbers, but the numbers we are showing today reflect, mostly contracts which were taken 2 or 3 years ago.

It's not true for the 100 percent of the business, but most important contracts are the long-term contracts. So I don't know if that answers you're -- and the last point is the Industry's margin -- we did not talk a bit about it. They have been very disappointing, lately, because we are in the transition period. In this Industry segment we are working mostly under service contracts, cost per subsea (ph) contracts. We generate, usually, relatively, low margins, but very little risks and we are also due (ph) lump-sum turnkey contracts, which are more important in terms of revenues, which carry more risk, which can be good or bad.

On the long run, once we have completed the strategic repositioning of this branch, I do not see any reason why we should not be able to achieve something like 3 to 4 percent margin on the return business.

So that is the picture for the margins. Now for the tax burden, we made a net around 35 percent during the first half; it was something like 50 percent 1 year ago. Our guidance for the full-year was based on a target of a full-year -- 37 percent.

So we are not, today, predicting that we will achieve 35 percent or less during the full-year. We try, of course, but our guidance is in line with a target of 37 percent.

Dave Thomas - *Commerce Bank - Analyst*

Thanks for your answer.

Christopher Welton - *Technip - VP IR*

We cannot hear the question if there is one could you please pass on to the next question.

Operator

Mr. Michael Carter.

Michael Carter - *ING - Analyst*

Good afternoon. Can you hear me? Success at last. I had a question -- you went in to IAS accounting and I was wondering if you could share with us your understanding of how revenue recognition will occur under IAS, because, perhaps the consultants that have been talking to me are wrong, but my understanding was you either recognize percentage of completion both revenues and margins on the basis of your costs that you have had or if the outcomes can't be estimated reliably than no profit is recognized? Can you tell me how your squares method of margin recognition works with this?

Daniel Valot - *Technip - CEO*

Olivier Dubois will answer this question.

Olivier Dubois - *Technip - CFO*

Revenue recognition is concerned. We don't anticipate any change with a new accounting found out (ph) since we will continue to recognize revenue as a positive (ph) of the physical progress of the contract. We don't see why we should change something in our revenue recognition quality. As far as margins are concerned, we will stick to our very cautious margin recognition (indiscernible), which does not appear to be incompatible with the new (indiscernible). That means that we will go on recognizing a profit only for the large lump-sum contract when we've reached 25 percent for show (ph) the competition and above this 35 percent, as you know (indiscernible) number of (indiscernible) physical progress and not physical progress to (indiscernible). We do not see any difficulty -- the only change we did, as you knew, that with street margin between operation and G&A where it was today for part of the (indiscernible) we recognize margin on a full cost basis since most of the NGAs are introduced to our cost in the cost of the project. Next year will be street (ph) between gross margins and (indiscernible).

Michael Carter - *ING - Analyst*

Thank you.

Operator

Martijn Rats, Morgan Stanley.

Martijn Rats - *Morgan Stanley - Analyst*

Hello gentlemen. Can you hear me now? Great. I have 2 questions if I may. First of all, I saw you've been able to keep the backlog flat without being awarded any sort of giant project, which kind of -- the conclusion I draw from that is that there are more smaller projects and I was wondering what the implication is that for margins going forward -- fewer, bigger projects, but more smaller projects where there is a sort of margin difference? And also, secondly, I saw that the cash balance has now risen to quite comfortable, I guess, 1.4 billion and I was wondering how you are going to use those funds?

Daniel Valot - *Technip - CEO*

We intend to launch a takeover bid on Morgan Stanley.

Martijn Rats - *Morgan Stanley - Analyst*

Well it would at least be interesting.

Daniel Valot - *Technip - CEO*

What do you think of that? No, on the intake on the Offshore brand the most important contracts which were booked during this first half on those aren't exactly peanuts. The most important one is Greater Plutonio, which we do in joint venture with Stolt Offshore. So it is a rather large project. We've got another SPAR, again, for Kerr-McGee for a field called Constitution. We've got a project, it was also announced -- a new project for Petrobras, which is the P51 Facility. We've got 2 contracts in Australia for Woodside. One for (indiscernible) and another one far Otway, which is interesting, because on this project in Australia, Otway, we are in the process of making the production platform, the subsea connection, the pipelines and also the Onshore gas plants -- so it's a kind of integrated project.

So it is true that all of that is much smaller than a contract like Dalia we got last year, in addition to that there are a number of much smaller projects, especially in the North Sea, altogether that allowed us to have a total of the intake, which was a bit of both our revenues for the first half of 2004.

And in terms of margins, I would say, there is no reason that for smaller contracts, show a much different margin than the big contract and I would say, on the other side of that, in terms of risk management all of us feel more comfortable having four smaller contracts and one large contract because if there is something wrong taking place on one contract, at least, you can hope, that the other ones will do better. So it is, of course, less brilliant than the major surge in order intake we had last year in the Offshore brands, but it is a very strong and healthy performance we made in terms of ordering intake and backlog and we are very satisfied with this execution.

Martijn Rats - *Morgan Stanley - Analyst*

Thank you very much.

Operator

Katherine Tongs, CSFB.

Katherine Tonks - *CSFB - Analyst*

Hello. I wonder if you could just talk about the environment a bit more? You paint a very bullish picture of the outlets upstream (indiscernible) expenditures, specifically deepwater. So on the other hand you talk about delays on projects getting worse and raw material cost inflation. Overall, would you say that the outlook has improved or deteriorated in the last 6 months?

Daniel Valot - *Technip - CEO*

I would say -- over the last 6 months what has changed? First, even if everybody believes that $40 per barrel is not something on which you can bet for the long run, nobody believes, at least today, that we might have a crash in crude oil prices like the one we had a few years ago. And that the long-term price of oil will be probably somewhere around $13.

So there is more -- and as you probably noted -- a number of oil companies which used to stick to a measure that the profitability of the projects to a long-term price of oil around 17 or $18 per barrel; are now moving this yardstick a little bit up. So I would say that there is a sense in my view that for most people implied in this business we are probably going to live for quite some time with a rather high price, both for oil and gas. And that triggers, of course, quite an appetite for (indiscernible) projects to further boost products and then reserves.

There has been of some concern about reserves in one major oil company. And so a lot of pressure from the financial community to see whether the (indiscernible) are not to renew their reserves and to increase their productions.

There is, of course, the still price problem, but I would say that now it seems to have stabilized and the (indiscernible) would like to leave with a much higher raw metal cost but on the other side they're also much better oil prices than a few years ago.

So, yes I am bullish on the future of our business. I think we are really positioned on two segments, which will be very strong engines for growth in the coming years. This being said, since we are now moving in a world in which the projects are bigger and bigger, we are now talking XL and XXL, it should not be a surprise that (indiscernible) deals are in stake go up and down from one quarter to another one. There are a few very large projects which come during some quarters for a lot of reasons, you realize, several big projects being awarded.

The next quarter there will be nothing and we have to get used to this bumpy situation. It is no longer than the type of business, for instance, the subsea companies have in the good old days, which were relatively small pieces of businesses in the North Sea on a repetitive basis. So there was more stability. Order intake and backlogs will be more instable in the future, but overall the trend is a very positive trend in my view.

Katherine Tonks - *CSFB - Analyst*

Just going back to slide 14 where you talk about 6.9 billion orders -- well, awards expected, I think that means in the second half of this year. Can you just give some more details on which contracts in particular are behind that number?

Daniel Valot - *Technip - CEO*

Well, the most important of them are listed on the last but one slide on page 13 -- so if you were on slide 26 -- so what is really close today, or we believe close although it seems there are some difficulties in the (indiscernible) context is the AKPO project in Nigeria, which is a bit (indiscernible) for which there is a very large SURF (indiscernible) internal so very large SP (ph) is to be built.

The other big project in Africa is the AGBAMI project, which is a project developed by TotalElfFina (ph), which has been under a lot of string now, for several years, which is expected to be awarded today as we speak in probably in the first half of 2005.

But once again, I would not put my head on the chopping block (ph) for that, because it is a project which has been suffering long delays for quite some time now.

And in addition to that, for the SURF there is a project called ROSA in Angola another one in Angola called TOMBOCCO and another project, which is extremely interesting, a forest which is the subsidiary development for the field called P-52 in Brazil, which is the field for which we got the award for the Facility and (indiscernible) at the end of last year.

On the Offshore Facilities side, in addition to AKPO and AGBAMI, the most important contracts we are waiting for -- one is EAST AREA 1B, which is a field developed by ExxonMobile in Nigeria. As a reminder, we got EAST AREA 1A a little bit more than 1 year ago, so we are expecting this 1B to be awarded in the near future.

There is a project on which the bidding is currently taking place in Indonesia, which is KERISI developed by Conoco. There is another project, which is a bit different, it's not about building facilities, but about dismantling them -- it's called the FRIGG field in the North Sea. It's a decommission story (ph), probably the first large decommissioning job in the North Sea. There will several more -- and a lot more -- in the years to come, since, as you know, as those fields in the North Sea are now closed today and that the production -- there is an obligation, both in Norway and in UK to fully decommission and dismantle those platforms and that will be, again, a large piece of business for us and a few competitors.

We also are targeting a project, a large Offshore field in Mexico, called ZAAP-C.

So those are the main projects we are waiting for. The timing, of course, is not in our hands. We made proposals, we made dates, and in some cases the decision will be taken very shortly by the (indiscernible) in some cases, for whatever reason, which is not in our control and very often not in their own control -- the decision can be delayed.

Katherine Tonks - *CSFB - Analyst*

So would I be right in thinking that overall you are expecting the Offshore contracts to be awarded sooner than the Onshore contracts?

Daniel Valot - *Technip - CEO*

Do we expect -- I'm sorry?

Katherine Tonks - *CSFB - Analyst*

Would you expect overall, but more Offshore contracts would be awarded sooner than the Onshore contracts?

Daniel Valot - *Technip - CEO*

Oh, no, there is not only one hand in the contract (indiscernible). If we go to the Onshore contracts, there are a few topics which are pretty hot (indiscernible) the decision is expected pretty soon. Kashagan, which is the oil treatment, gas treatment plant and sulphur extraction Facilities for this major field in Kazakhstan, which are Onshore Facilities -- the decision might come very same. The 6th train of liquefaction in Nigeria, which is a very big piece of business, should be awarded in weeks or even days now. The receiving LNG Facility in Freeport, Texas, U.S.A., should be awarded during this summer. GTL Escravos in Nigeria, which is XL project or a very large project, might be decided in the near future. OGD 3, which is an XXL project, so above $1 billion for our share -- we are currently bidding. So the decision might be taken before the end of this year.

So all those projects, I think, at least, the first ones on each list, are projects which are pretty hot. This being said, if they are postponed it will not be because of me, because we are, of course, eager to take business. And in most cases, it won't be even the decision of the client -- that we will have to cope with their partners, with the local authorities and so on and so forth.

I cannot tell you which project is going to be awarded first. That is not in our hands but the number of those projects are expected to come very soon.

What I can say, anyway, is that according to what we know about each one of those projects, the third quarter should remain a quarter of relatively low awards and most of the awards, which are listed on this list, are expected to take place during the last quarter of this year, the first quarter of next year and the following quarter.

Katherine Tonks - *CSFB - Analyst*

Thank you very much.

Operator

Jens Herbert, UBS.

Jens Herbert - *UBS - Analyst*

Good afternoon. (technical difficulty) Coming back to those Middle East contracts to adjust (indiscernible) can you give any indication on which one, particularly the XXL ones in Abu Dhabi, of course, you believe you are most strongly positioned to (indiscernible)? And secondly, (indiscernible) given any indication what percentage of your Offshore revenues comes from what would be classified as deepwater segment (indiscernible)?

Daniel Valot - *Technip - CEO*

On the Middle East contracts, you know one of the main qualities of the contractor is to be extremely superstitious. So as we pretend to be a good contractor, I have to be extremely superstition. I won't give any rating on our chances to get this or that project. If you take the most -- nevertheless -- I can give you some indications. If you take the most important projects -- the first one which is going to come it going to be OGD 3 in Abu Dhabi. So I won't rate our chances. I would just say that we were -- we had been executing OGD 1, then OGD 2, so we do believe that it's a type of business in an area in which we have a lot of experience and knowledge. So we hope we will get this one, of course, we can also be defeated if one of our competitors is bidding very aggressively. But that's the kind of thing for which we have a good feeling. But that is about it.

Your other question was about?

Jens Herbert - *UBS - Analyst*

I was wondering if you could give any indication on revenue or (indiscernible) if you'd like (indiscernible).

Daniel Valot - *Technip - CEO*

(indiscernible) our revenues or EBITDA, which is coming from (indiscernible) B Offshore. I'm sorry; we do not have that on top of our minds, because it is not the way we look at our business. Profit speaking, the fact that a project is located by 350 meters of water for 500 meters of water that does not change completely the kind of mix for us as contractors. What really changed the mechanics for us contractors is whether it is a SURF business or a Facilities business. So we don't look at our business and we do not combine our numbers by breaking them between shallow waters and deep Offshore. We might, probably, look at it and try to reconstitute some order of magnitude, but frankly speaking, it has a very limited interest.

Jens Herbert - *UBS - Analyst*

Okay, thank you.

Operator

Mrs. Divia Secodia (ph) of Simmons & Co.

Divia Secodia - *Simmons & Co. - Analyst*

Good afternoon. My question relates to the slide you have page 26 and I was wondering if you could make some general comments on the pricing environment that you are facing both in the different segments and on a geographical basis?

Daniel Valot - *Technip - CEO*

Well, what can I say? You know we are not in the drilling business. In the drilling business it is very easy to lower the pricing, environment, there is A, their rate for this type of rig and it's well known, it's known by everybody, is like refunding margin and (indiscernible) in the grand price -- everybody knows about it. And so we can compare how the competitors are discounting on this average (indiscernible) price.

In our business it is extremely different, it is a business made of prototypes. Each project is different and on projects we don't bid for one day of deep blue (ph) we bid for the project for which we use a vessel as a tool. So it is difficult to be very precise on the pricing environment.

What we can probably say is that we have known a pricing environment, which was very depressed in 2002 at a time when the awards were very -- were not so important and suffering a delay. At this time some of our competitors were cutting their throats to get business. And as you probably remember, we decided at this time to allow our backlog to go down, waiting for better times, a weaker pricing environment would be better. So that took place during 2003, because the number of the (indiscernible) were more important and we were able to grab big business without sacrificing our margin requirements.

Today -- what is the situation -- I would say, it is basically unchanged. The pricing environment, of course, is very competitive. I wouldn't say it's as is crazy as it used to be 2 or 3 years ago. In the Offshore business I would say smallest business as usual.

In the Onshore-Downstream business, from time to time, there is on this or that deed (ph) one competitor coming and dumping the market. We are used to it, from time to time, it is Japanese contractors, from time to time, it's a Korean one, from time to time, it is another one and it is up to us to be wise enough not to try to compete with this kind of aggressive pricing. And I can tell you that during this first half of 2004 in which our order intake has been rather low on the Onshore-Downstream side, we lost a few -- well, we didn't win a few contracts on which we were bidding because some of our competitors was doing a very aggressive pricing. And we are happy like this and we're not going to relax our pricing discipline.

Divia Secodia - *Simmons & Co. - Analyst*

Okay.

Operator

Nick Griffin, Deutsche Bank.

Nick Griffin - *Deutsche Bank - Analyst*

Good afternoon gentlemen. Just a quick question, I know you do not have this in writing, but I believe you verbally highlighted that you're targeting a flat backlog in 2004 with 2003. Considering the order intake is probably going to be quite slow in Q3 I was wondering if you could highlight whether that is still a reasonable target or whether you actually were never really committed to that target. And secondly, just a quick question about this Escravos LNG terminal. This was the (indiscernible) Escravos GTL terminal, sorry, is the one I'm talking about. Last quarter you mentioned that this contractor was very imminent, in fact, the award was a matter of weeks away and this quarter it seems to have gone missing. I was wondering if you could give us a quick update on that particular contract?

Daniel Valot - *Technip - CEO*

Okay. Backlog for target first -- we do not set for ourselves, at least, externally a target for our backlog. So we had the kind of thinking about what our backlog could possibly be by the end of 2004 and what we said, 6 months ago, long time ago, that you should not expect the performance of 2003 to be repeated. Our best guess, at this time, was that order intake would be much lower than in 2003, but we're still hoping that it would the above our 2004 revenues so that, at the end of the year, we would have a backlog which would be a flat or slightly up and not better.

It is very reasonable to say today, and you're right to, say, that given the fact that we replaced during the first half of 2004 something like 82 or 83 percent of our revenues; given the fact that the third quarter will be extremely strong in terms of new order intake; this assessment about full-year of intake above or equal to our revenues of 2004 becomes more questionable.

Now I would not take any kind of commitment on that, because there are a number of major contractor awards which are expected, at least today, to take place during the fourth quarter. And so if we got a couple of those contractors in the fourth quarter we might be able to replace our (indiscernible) 2004. Once again, it is business in which, now, increasingly, there will be unsteady team (ph) not in the backlog. So you are right. The possibility to replace, completely, our revenues 2004 is probably not extremely likely this year. This being said, it can still be achieved if we add in the last quarter of this year some of the major contractor awards which I expected.

Nick Griffin - *Deutsche Bank - Analyst*

That's great.

Daniel Valot - *Technip - CEO*

(MULTIPLE SPEAKERS)

Daniel Valot - *Technip - CEO*

Your question about the GTL project in Nigeria. So our wallets -- it's always difficult to talk about one specific project, but the bidding has taken place. The bids have been received by the client. The client is realizing that for a number of factors, the cost of this project is going to be on the high side compared to his expectations. And so the client is scratching his head and trying to revise the scope of the project. The execution strategy had fallen, and so forth in order to get a project which would match its return requirements. That is my understanding. So, the project is still on, but there was a delay.

Operator

Divia Secodia.

Divia Secodia - *Simmons & Co. - Analyst*

Question, again, on page 26. You've mentioned a few times that the size of project that you have potentially on the horizon is getting bigger and increasingly complex. Could you make some comments about the kind of risk that you expose yourself to in regards to these large contracts in terms of subcontractor relationships and the financial impact of those and how you try to mitigate them?

Daniel Valot - *Technip - CEO*

I would be delighted to answer this question but it would probably take longer than five minutes over the phone. I believe we have developed, and that's probably one of the specific strengths among our strength etiquette, we have developed a whole set of tools in order to mitigate our risks, especially on the large contracts. But it would take a long time to go through all of those. I would say that the first two, which is important to mitigate the risk on this type of lost (indiscernible) key contracts is to have a proper estimation process. And it is very likely that if our track record overall in managing large lump-sum turnkey contracts is better than -- for some of our competitors, is because we have developed the right skills in estimating.

In terms of execution, I believe, also, that we have the right system, which is project teams united behind the project director, which is fully entitled to make all decisions on the contracts that they have to manage. In terms of relationship with subcontractors, I think the bigger the contract is the stronger you are when dealing with subcontractors, or it rather goes on the right side.

In terms of financial impact, it is not very different from the smaller contracts, except the size of the risks are bigger. In terms of foreign exchange, the positions we have to take on those contracts are, of course, fully etched, but it is true for all of our contracts.

What else can I say? You know it is either of 5 minutes just to say that we are very well organized or having a full session of half a day with you and we will be delighted to do that in order to review completely all the tools we have in place.

Divia Secodia - *Simmons & Co. - Analyst*

Thank you. And I will look forward to that.

Operator

Mick Pickup, Lehman Brothers.

Mick Pickup - *Lehman Brothers - Analyst*

Good morning, gents and lady. A couple of questions. Firstly, on one of your slides on the deepwater markets you say you've got strong local content in Brazil, which I understand, and in West Africa. Can you just tell me exactly what you've been doing for local content in West Africa given familiar competitors who are strengthening their position there? Secondly, without harking back on to the list of contracts, the SURF contracts on page 26 -- I would regard all of those as contracts that start in 2004, we all thought it was 2004 contracts. Can you just give us an indication of what you think is coming in behind that lot as in the new contracts we've not heard of before?

Daniel Valot - *Technip - CEO*

Sorry I did not understand the last part of your question.

Mick Pickup - *Lehman Brothers - Analyst*

The contracts on page 26 -- AKPO, ROSA, TOMBOCCO, P-52, AGBAMI -- they are all the contracts that I would consider have been delayed this year -- we would have expected to send (ph) so far this year. In light of this (indiscernible) contract in the next 12 months, can you just give us an indication that there are contracts coming in behind those contracts out there, which you expect to bid for award late '05, '06 and that the way they're coming through?

Daniel Valot - *Technip - CEO*

Late '05, '06? Well I am sorry but I do not know. Late '05, '06 we will probably be bidding on projects which will be decided by (indiscernible) at this time based on the success that we will have in exploration in '04 and '05. So it is impossible to say today, except if it (indiscernible) is a much better idea and is better able to fork out this kind of (indiscernible) (technical difficulty).

Olivier Dubois - *Technip - CFO*

(indiscernible) number of fields that will be developed (indiscernible). There (indiscernible) in Angola and (indiscernible) which probably will be a bit smaller than (indiscernible). (inaudible)

Daniel Valot - *Technip - CEO*

Also the discoveries made by (indiscernible) which are now coming -- but you know -- at this stage, there are some initial discoveries being made. It's up to the operators to access the research they have to make the deviation last, to develop the strategy of execution, to decide which way we will go and if it will be tied back to existing structures or something else. It's impossible to have the faintest idea of the timing -- what we do, what we are convinced of -- in addition to the project listed on page 26, there is a still a huge potential for new developments in West Africa, that's for sure.

Mick Pickup - *Lehman Brothers - Analyst*

In terms of local --

Daniel Valot - *Technip - CEO*

(indiscernible) West Africa the local content in Brazil -- you asked that (indiscernible) we have our factory in Victoria, we have a (indiscernible) with a lot of people today -- 800 people. So we are one of the leading (indiscernible) contractors in Brazil.

In West Africa we have developed a stronger business, although those recent years -- we have now Angola and the (indiscernible) which is up and running and (indiscernible) delivered first on the (indiscernible) over the last weeks and the plant is fully busy this whole year. We are also in the process of building a full base in Angola to accommodate the needs of our projects in Dalia and Block 18. So when we talk, now, with people in southern Angola we are seen as a Company having these big duties (indiscernible). We have also developed the local (indiscernible) Company in Angola and we are no longer seen as being delayed compared to our competitors in terms of sales communication to the development of the Company.

In Nigeria we are (indiscernible), we have a small logistical base, but we are making -- we are subcontracting to a number of local engineering (indiscernible) relatively sizable portion of the jobs we are doing, for, instance, on the East Area (indiscernible) so we have no (indiscernible) local competence is no longer kind of handicapped for us as in either Angola or Nigeria as it has been a few years.

Mick Pickup - *Lehman Brothers - Analyst*

Thank you.

Daniel Valot - *Technip - CEO*

Thank you.

Operator

Michael Carter, ING.

Michael Carter - *ING - Analyst*

Hello again. I had a question on contract terms. During OTC I think you spoke about how under pressure EPC contractors were are you seeing any willingness by the oil companies to be more relaxed on contract terms or should we just expect that as a process of an expanding market over the next few years?

Daniel Valot - *Technip - CEO*

Well. When I made this presentation OTC I was not complaining about that treatment we contractors get from the (indiscernible) companies -- I was just trying to point out that any contractual relationship between (indiscernible) and contractors is some common sense have been lost and that in the best interest of the old companies, in order to keep the cost of the project (indiscernible). It would be much better to revise the contractor terms so that, for instance, to give you a very simple example, when we are requested by the (indiscernible) companies to a major project to work on the contract and to have a negative kind cash flow during long periods of time, I just try to explain that this kind of thing does not make any sense, because it can only make the cost of project more expensive.

Obviously, the oil companies have a lot cheaper access to terms and contractors because of the size and their rating and so having the funding made, even partially by the subcontractors, doesn't make any sense and we don't lead to more expensive projects. So I was not trying to protect the contractors from the oil companies, what I'm trying to do is to re-establish better business relationship between oil companies and contractors in the best interest of the projects and the oil companies. As you know they're all struggling today with an increase in the cost per barrel in the technical cost and I'm pretty sure that the way they handle the (indiscernible) with the contractors is to some extent, the origin of this situation.

So I get the feeling that this message is well understood by a number of people in the industry, not only by the other contractors but by a number of top executives in some oil companies.

The problem for them is that it is difficult to channel this message through to their project directors -- the guys we have in front of us when we bid on the contract. And it's also more difficult to them to go towards a better relationship with contractors when they are partners looking on what they do. Now on the projects the operator is no longer the only decision-maker. They have to make a shift (ph) with their partners, with the national oil companies so even if they want to, it is a bit difficult for them to change, quickly, the duration (ph) fit with their contractors.

This being said, I'm trying to push in that direction and I do hope we will make some progress in the future.

Michael Carter - *ING - Analyst*

Thank you.

Operator

Chopras Stana of Chevreus (ph)

Chopras Stana - *Chevreus - Analyst*

Just a quick question regarding a targeted contract in Viet Nam because a consortium led by (indiscernible) Japan seems to be well positioned to sign in Q4 an $800 million contract to (indiscernible) in Viet Nam to build a refining facility and I would like to know if you could give us the precise date for (indiscernible) for this contract?

Daniel Valot - *Technip - CEO*

So it is a project on which we are leading the consortium of 5 contractors. The 3 major companies in our construction companies, a Spanish contractor and ourselves and we are the leader on that. With (indiscernible) which is today, we need to remember it's around 13 percent.

Chopras Stana - *Chevreus - Analyst*

Okay, thank you.

Daniel Valot - *Technip - CEO*

And Jean Deseilligny is very knowledgeable about this project and won't make a diagnosis about the time at which this project will be awarded to us, because the situation is becoming embarrassing to him, he's been explaining to the whole world for the past 1.5 year that we were in the final negotiations -- he with (indiscernible) so now even under the torture he won't make any forecast on the timing at which this project will be awarded to us. Nevertheless, he's going to tell you on the phone that is very confident it will be awarded to us in the next 6 months.

Jean Deseilligny - *Technip - EVP Marketing*

6 months.

Daniel Valot - *Technip - CEO*

6 months.

Michael Carter - *ING - Analyst*

Okay, thank you.

Operator

(Operator Instructions) Duncan Goodwill, Merrill Lynch.

Duncan Goodwill - *Merrill Lynch - Analyst*

Could I just ask a quick question on the contract you're actually working on? Could you just reassurance that all of these contracts are largely on track in terms of timing and within budget and particularly focusing on some of the offshore contracts?

Daniel Valot - *Technip - CEO*

I will tell -- if I was going to tell you all of our big contracts are well within budget without any operating problem and everything is going as planned -- would you believe me? No. So no, that's the short answer. The long answer is that we have been suffering, especially last year, from contracts which were signed in 2001 in which there was a lack of attention to estimation of subcontractor terms. I do believe, today that we have a much healthier portfolio of contracts and we are not anticipating any major problem has the one we got last year. Some of those contracts are doing extremely well and some others are more problematic and some of them we are did bid by the increasing (indiscernible) prices, but all for all, we have a bunch of contracts which are executed in a rather satisfactory way.

Duncan Goodwill - *Merrill Lynch - Analyst*

Thanks. And in terms of specifically an Offshore division again, these projects in XL projects (indiscernible) a combination of winners in the (indiscernible). Is there any additional provisions for risk that need to be built into those types of contracts or is it very clearly delineated? And do you see contracts such as (indiscernible) as a one-off or is this a trend that we could see more JV's going ahead in some these offshore contracts?

Olivier Dubois - *Technip - CFO*

On the (indiscernible) contract between (indiscernible) no (indiscernible) between the (indiscernible) and ourselves, we have a clear delineation of the scope of work there's no political consequence on one to the other. We are (indiscernible). In terms of -- so we are not, for the moment (indiscernible) on this project. On the (indiscernible) as we (indiscernible) partnered with Stolt on that project for the specific reason due to the timing of the contract and the specific capacity of the (indiscernible) we may, in the future, bid with another company like (indiscernible) so again (indiscernible). There's absolutely nothing (indiscernible).

Duncan Goodwill - *Merrill Lynch - Analyst*

Thank you very much.

Operator

We have no further questions at this time. Please continue.

Daniel Valot - *Technip - CEO*

So if there are no further questions at this time I'd like to thank you for your attention and we will see some of you when we make our road shows at the end of August and early September. And after that we will meet again at the end of November for our third-quarter numbers, which will be, I hope, as good as the one's we have shown you at the end of this quarter. Thank you very much.

Operator

Thank you for your participation in today's conference call. We'd like to clarify that a replay of this call will be available within the next 2 hours. The replay will be on the website, www.Technip.com in the investor relations section or by dialing plus 1-44208 515-2499 using the confirmation code 995748 followed by the hash key or by dialing the plus 1-331-7099 3294 using the confirmation code 132591 followed by the hash key or by dialing the plus 1-303-590-3000 using the confirmation code 1100177 and followed by the hash key. The replay will be available for 7 days. Thank you and goodbye, you may now disconnect.