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PRESENTATION

Operator

Ladies and gentlemen, good morning, everyone, and welcome to Technip's third-quarter 2015 results conference call. As a reminder, this conference call is being recorded. (Operator Instructions). I would now like to turn the call over to your host for today's conference call, Mr. Thierry Pilenko, Technip's Chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip - Chairman and CEO*

Good morning, ladies and gentlemen, and thank you for participating in Technip's conference call.

I'm Thierry Pilenko, Chairman and CEO of Technip. With me are Julian Waldron, our CFO; Virginie Duperat-Vergne, who is our Senior Vice President and Controller; as well as Kimberly Stewart, Aurelia Baudey-Vignaud and Michele Schante of the Investor Relations team.

I will turn you over to Kimberly, who will go over the conference call rules. Kimberly?

Kimberly Stewart - *Technip - Head of IR*

Thank you, Thierry. I would like to remind participants that statements made during the conference call which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimers which are an integral part of today's slide presentation, which you may find on our website along with the press release, an audio replay and transcripts of today's call at technip.com.

I now turn you over to Thierry, who will go over the third-quarter 2015 highlights. Thierry?



Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, [Betsy].

On slide 3, we will open with the key elements of our third-quarter results, and first of all there was good progress on execution of our projects and of our restructuring plan across both segments. We are on track to deliver both our 2015 results and our targeted cost savings.

Second, we had success in our subsea growth initiatives. Forsys Subsea was awarded the first two integrated frontend studies, which we are very happy to announce as this was ahead of our expectation for this year. In addition, Genesis and its subsurface partner have started to work on the first joint studies for our clients.

And third, regarding our onshore/offshore business, there was a very diversified order intake with several awards, such as the early works for the MIDOR refinery in Egypt and an EPC project for a polyethylene plant in Czech Republic. So third-quarter order intake was also supported by work orders on project management consultancy and services contracts, which are on a reimbursable basis.

Now, looking at our results during the quarter, adjusted revenue was EUR3.1b and grew 14.7% in subsea and 5.8% in onshore/offshore. Adjusted operating income from recurring activities was EUR292m, representing 20% -- 21% growth at Group level. Net income rose to EUR164m and adjusted net cash was positive at EUR1.3b.

I will now turn you to Julian, who will go over the quarter operational highlights, financial performance and the progress on our restructuring plan. Julian?

Julian Waldron - *Technip - Group CFO*

Thierry, thank you very much.

So I'll cover first on slide 5 the operational highlights of subsea. As you can see, our vessels were busy in the quarter. We had a utilization rate of 89%, compared to 86% a year ago. That reflects first the wide range of projects we have, but also the fact that we continue to reduce the fleet, as you've seen.

In terms of the offshore campaigns, we had them in most of our regions, including in West Africa in particular, where we were conducting installation on both Moho and Block 15. West Africa is ramping up strongly now and will be a major focus for us through the next few quarters.

In the North Sea, we worked on Asgard and Quad, in the Gulf of Mexico on Julia and Amethyst, and in Asia Pacific on the subsea pieces of Malikai and Prelude. Elsewhere, it was more a question of engineering and procurement ramp up on live projects such as Kaombo, TEN, Jangkrik and Bangka.

Manufacturing was very busy, both in flexibles, notably in Brazil, to which Thierry is going to return a little later, and also umbilicals.

So on slide 6 I'll turn to onshore/offshore, and we've moved forward on a number of our projects. There is a short list on the slide. So Burgas has been handed over to the client. Heera in India is nearing completion. On Block 316, the topsides of the main platform sailed away. And on Malikai, the topsides were successfully mated onto the hull.

Progress continues on Prelude, notably with the installation during the quarter of the turret mooring system. And we'll come back, or I'll let Thierry come back with a lot more detail on Yamal, but I would just like to point out that all the key milestones for 2015 were reached during the quarter.

Overall, and I think this is an important point, at the end of Q3 I would underline that the progress across all of our projects in the portfolio in onshore/offshore was very much in line with the assumptions that we took at the end of Q2, and in particular in the restructuring charge that we took at that time.



You've seen order intake across the two segments, and it's just worth noting that, for example, on projects like MIDOR and Browse at this point there's only the early works on those projects in the backlog.

So on slide 7, looking at the Group overall, as Thierry mentioned, revenue grew 10% year on year. If you strip currency out, we're around 4% or 5%. Adjusted EBITDA and OIFRA both grew 21%, and our margin was therefore 9.4%, which is nearly a percentage point above last year's level. I'll come back to the non-current charge and restructuring shortly, but I do note that underlying and reported OIFRA on an adjusted basis are the same this quarter.

Within the financial result is a mark-to-market charge for our MHB stake, given its share price movements. And all in all, our underlying net income rose 15.5%. And in addition, which I think is important, our reported net income also grew by [EUR132m to EUR164m] (company corrected after the call).

I'll turn to cash on slide 8. Cash was a little better than expected, and that reflects the profitability, I think, during the quarter.

Working capital did start to do what we indicated it would at the start of the year. If you would cast your mind back to then, we said that we would start to apply cash advances to projects in execution. We've done that systematically over the year. That's been compensated by the milestone payments, but that trend that we expected is seen in quarter three and it will continue in the fourth quarter. So we're in line with what we expected there.

As a result of applying cash advances to projects, our net construction contract balance fell substantially, and net cash at the end of the quarter was EUR1.3b.

On slide 9, a few words on the cost reduction plan. First, we book EUR14m of non-current charge in the quarter, and that takes the total charge booked to date to EUR585m out of the total of EUR650m that we announced in July. The charge in the quarter was for restructuring and severance.

We've continued to execute the exit from some companies, for example Myanmar, in the quarter, and we've also sold our activities in Belgium in October.

Since the start of the year, our workforce has dropped by about 2,300 people. That's -- if I can use the expression, that's on a net basis, given that we're hiring, for example, for Yamal and in Brazil for the manufacturing plants. And in addition, the Deep Constructor, which we were operating in Brazil, left the fleet during the quarter.

Slide 10, as you can see, we continue to reduce our net CapEx. That's on the left-hand side. Actually, over two years the run rate is halved. And on SG&A, we're down around EUR20m year on year and around EUR60m over two years. However, we have maintained investment in R&D, and that increased over the first nine months of the year.

Overall, to conclude on restructuring, we announced a plan that would deliver, against that EUR650m charge, EUR700m of savings in 2016 and a total of EUR830m in 2017. And the results over the first nine months of the year show that we're on track on all three of those elements.

Before handing back to Thierry, on slide 11, I would note that our profit objectives are confirmed, unchanged, and a combination of moving forward on some milestones on some projects as well as some currency impacts means we slightly raise the revenue outlook for the year.

Thierry, I hand back to you.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Julian. I will now comment in this section about the market environment and our projects. But before I do that, I should say a few words about the people who make these projects happen.



We have just completed a capital increase reserve for employees, and the response was beyond our expectations. Around 8,000 people have participated to this capital increase worldwide. So not only do Technip employees work hard to guarantee successful project execution, but they also invest personally in Technip's future, so I take this opportunity to thank all the women and men who do an excellent job every day and take Technip further.

Now, moving to slide 13 and talking about projects, we will start with the progress on Yamal project, which is the largest project in our backlog. So the eight modules scheduled for delivery at the Sabetta site in Siberia were offloaded and installed on time and as planned. So in July, the first preassembled pipe rack module for the initial LNG train, the first train, sailed away from Penglai in China. Another module was shipped from Spain, while in August six electrical buildings navigated from Batam in Indonesia to Sabetta after what is an unprecedented transit through the Bering Strait.

I would like to insist on this industry breakthrough. This is the first time that two vessels loaded with modules have been navigating through the Bering Strait, as it shows Technip's cutting edge innovation and engineering capabilities, as well as the valuable additional flexibility that we are introducing in execution of Yamal. This route through the Bering Strait is saving between three to four weeks of saving, and therefore it's much more efficient.

So we successfully delivered and installed all these eight modules. Now, engineering work neared completion in Paris and Yokohama, and underground construction has advanced well. So, in a nutshell, the 2015 key milestones on the Yamal project have been reached on time, and now we are ready for the winter activities on site.

Moving to slide 14, in a different geography, we would like to illustrate our early involvement, which remains a key differentiator to answer our clients' needs as it can ensure an effective project execution plan. And this is the case for the Sasol ethane cracker, ethylene project in Lake Charles, Louisiana.

In 2013, Technip engaged at very early stages a client to supply its proprietary ethylene technology and to carry out the front engineering design, the FEED, for this large grassroots -- world-class grassroots ethane cracker. About a year later, Technip Stone & Webster was selected to supply one of the most critical parts of the cracker, the eight furnaces. And lastly, more recently, in joint venture with Fluor, we now provide engineering, procurement and construction management for the overall project.

So as you can see here, with the different scopes awarded to Technip, you can see how early involvement, proprietary technology, strong project management capabilities, can be a key differentiator to secure and also deliver a better integrated project for our clients.

So I take also this opportunity to note that we continue to see that the US downstream market remains resilient, notably in petrochemical sector, with early studies for both greenfields and modernization and optimization of existing units, so this is one area of resilience in our markets.

Moving to slide 16 and the Brazilian market, we have resumed on the evolution of Technip's flexible pipe business in the region since 2010, which underpins our leading position in the Brazilian pre-salt market. In fact, after being selected back in 2010 to do an important first pilot for the Tupi field, Technip's subsea business grew substantially in the region, leading to several awards between 2012 and today that you can see on the map that is on this slide, such as, for example, Sapinhoa Norte, Iracema Sul, Lula Alto and the recently awarded Libra.

So this momentum of awards demonstrates our clear leadership in Brazil in flexible pipes. We're actually the only qualified contractor with some specification of large diameter flexible pipe solutions produced in our two flexible pipe plants in Vitoria and Acu. I remind you that Acu has been put in operation in 2014, and now it's working at its full capacity.

We have also continued to invest in R&D, including in Brazil, to overcome technical challenges in the pre-salt area and supply the technology needed to develop these fields. And that's why we recently received a flexible pipe award for the first extended well test for the Libra field. Libra is a giant field, and it's also a major complex development which is owned by several operators. Petrobras is the main operator, but it's quite important to see that we've been successful with the first well test.



So its development could include up to 12 FPSOs, just for one field, and that would provide visibility way beyond 2019, 2020. So, in other words, we remain -- we continue to remain confident in our leading position in Brazil.

Now, moving to slide 16, during the third quarter we continued to see strong interest in the offering by our alliance with FMC Technologies, so the results were actually ahead of your expectations. I remind you that we started our joint venture, Forsys Subsea, on June 1, as part of this wider alliance, and our joint venture Subsea Forsys -- sorry, Forsys Subsea received not one but two frontend studies awards.

So these two projects have different characteristics, as mentioned by John Grep last week in their conference call at FMC, and they show broad interest that our clients have for the new integrated business model that Forsys Subsea offers. So the fast adoption of this new approach also demonstrates our clients' urgent need to improve deepwater project economics in today's challenging environment, and we thus believe that these awards will position us well for a first EPCI for the alliance, at least one EPCI for the alliance, next year.

Now, moving on to slide 17 and to the backlog, we had EUR1.7b of new orders in the quarter, with about EUR0.5b in subsea and EUR1.2b in onshore/offshore, so total backlog at the end of the quarter is EUR17.5b. Work scheduled for 2015 is estimated at around EUR2.8b, which is above our revenue objectives, which we have increased, as Julian explained previously. Now, for 2016, we have now booked over EUR4.2b in subsea and EUR4.4b in onshore/offshore, giving us good visibility into 2016.

Now, moving on to the market environment, the expectation of a low oil price for longer continues to persist. We have seen and expect to see additional delays on new projects. Our clients have been strongly focused on CapEx and OpEx discipline, with obviously particular concern on managing their cash flow.

So we do expect additional CapEx budget cuts as our clients are finalizing their budgets, and increased pressure on the supply chain. Equally, we expect, however, that they will continue to prioritize their CapEx on strategic projects, and we can talk about that in the Q&A.

But we definitely see that they want to demonstrate, or our clients demonstrate increasing willingness to engage earlier and work differently with contractors. They want to make new projects viable and seem likely to accelerate the standardization and simplification of projects.

So our industry is facing structural changes, aggressive cost reduction plans across the board, price deflation, and the latter equally impacting our own supply chain, including raw materials. All contractors will need to reduce their costs and some will need to tackle overcapacity.

We will continue to improve our own efficiency, but we will have also investment and we continue to invest in innovation and technology. We continue to reshape our business, broaden our portfolio of solutions and integrate more capabilities. As we have been saying, Technip will both continue to adapt but also seize opportunities in order to place itself ahead of the curve.

Now, on to market opportunities, in what we continue to call a prolonged and harsh downturn, there are, however, a few pockets of resilience in offshore and subsea markets, for example Brazil pre-salt. We see more opportunities at the moment in onshore North America, as well as Eastern Europe, Africa and the Middle East. Moreover, we are starting to work with Genesis on joint studies which are also covering the reservoir, linking reservoir and subsea, and have received a tangible response from many clients to our alliance with FMC Technologies.

So these successes reflect our strategic choices and therefore make us very confident on our ability to drive change and bring fit-for-purpose solutions in a low price environment.

Now, as a conclusion, I'd like to reemphasize Technip's strengths. Technology, the ability to be involved early in an integrated basis, a worldwide footprint and a very strong QHSE culture; I think all of these enable Technip to anticipate and drive the change that is necessary in our industry. As a result, we have driven diversification into our revenue streams, and with that a solid backlog and a solid balance sheet.

Overall, therefore, whilst the coming period will continue to be tough for oil services, we remain confident that our strategy will enable us to resist its worse effects, add value to clients with a broader portfolio of solutions and so reinforce Technip's leadership position in the industry.



With that, I will turn over for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Guillaume Delaby, Societe Generale.

Guillaume Delaby - Societe Generale - Analyst

Yes. Good morning. Thank you for taking my questions. In fact, there are two questions. First, just two weeks ago, Schlumberger and Halliburton mentioned that the business environment has quite significantly deteriorated over the last month or two. I just would like to know if you agree with that statement and on the idea that any recovery may not start maybe before H2 2017.

And the second question would be about your views about the new competitive landscape which is about to emerge in 2017. So we know since the FMC call that Forsys is ahead of plan, but don't you fear that over the next 18 months, especially following the next to come Schlumberger/Cameron merger, that Forsys might be jeopardized?

Thierry Pilenko - Technip - Chairman and CEO

Well, thank you, Guillaume. I'm going to take these questions. Schlumberger and Halliburton are upstream from us, are pretty much focused on upgrading and well services, and they have a view at an earlier stage in the projects.

Now, what they said has absolutely not surprised us. In fact, back several quarters ago, we started to say that we were planning and adapting for a long and a harsh environment, and I think this is exactly what has been described not only by the people who are involved in well services, but the drillers, seismic companies, and I would say maybe not to the same clear extent by many of our direct competitors. So I don't think we are surprised by any of these statements, because this is exactly in line with what we have been saying all along, and this is why we have taken the decisions that we took recently.

I will not get into the guessing of when the recovery is going to start. One thing I can tell you is that all our clients are telling us that at some stage the delay on projects or the cancellation of projects is going to impact their production. Everybody agrees and everybody has started to model actually this impact on production. So it is clear that at some stage projects will have to start again, but projects will have to start in a cost environment which has to be different.

And I think this is why at Technip we are focusing so much not only on our internal costs, but also on ensuring that we have a structural manner to reduce the cost of projects, and not just by squeezing the cost all along the supply chain, which is what is happening in the very short term, but also structurally looking at the best solution, fit-for-purpose solutions.

And I think more than anything else, this is probably what is going to be the trigger for new projects to move forward is when the clients will see that they have a cost environment which is predictable and which is structurally lower than what it is today, but I'm not going to put a date on that. I can just tell you that clients are working very actively on making this happen.

Now, coming to the new competitive landscape, I agree with you that these major changes in our environment is triggering new ways of thinking, new ways of working. You can see that the word integration is becoming more and more important across the board. That includes obviously integration of different methodologies to deliver a project, and we can definitely see the value of that integration when we have FMC Technologies and Technip working together. You can see that more and more clients and the supply chain are thinking about an integration that goes even further, including integration of subsurface and surface systems, again, in the sense of optimizing.



So will the future see a new competitive landscape? Probably, and I think this competitive landscape is going to be made of players that have a much broader understanding of the clients' problem and can truly impact the overall cost. And this is why we have been focused on building these broader solutions, either internally or through acquisitions or through the alliances a la Forsys or a la Heerema.

Guillaume Delaby - *Societe Generale - Analyst*

Okay. Thank you.

Operator

Fiona Maclean, Bank of America Merrill Lynch.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Thank you. Yes, it's Fiona at Merrill Lynch. Thanks for the update on Yamal. I've just got a couple of additional questions that I would like to get some clarity on. Firstly, could you confirm whether this project is on time and specifically to your own schedule and also to the client's schedule?

And the second part is are you having any problems whatsoever in getting paid on this project?

And for 2016, for Yamal, could you maybe run through any key milestones that we should be looking at so that we can track the progress of this project? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

All right. Thanks, Fiona. I'll answer part of these questions. First of all, yes, the project is on time. In fact, all the milestones -- I was describing before. All the milestones for 2015 have been reached on time. We were supposed to deliver eight modules in 2015. We were supposed to test all the logistics, including this new northern route in 2015, which we tested successfully. So the modules are in place, they're installed and the engineering is absolutely on time. So the phase one is exactly on time with what we said we would deliver. So I think the project has reached all the targets in 2015.

Now, it's hard to tell you what milestone do we need to reach in 2016, because it's really 2016/2017 where we are going to be delivering a very large number of modules. The first year, this year, was the year of delivering the first modules as completed modules. Testing the logistics next year is going to be a huge delivery of tens of modules all along the year, so I cannot tell you exactly at what stage we're going to have the key milestone.

In fact, the milestone in terms of installation and starting some of the systems will probably be more in 2017, but we will update you on a quarterly basis on the project of -- on the progress of this fabrication and transportation of these modules. Next year is the year of modules.

Now, as far as getting paid, Julian, maybe you can say a few words.

Julian Waldron - *Technip - Group CFO*

Fiona, good morning. It's nice to talk to you. No issues on payment, to make it short. That probably answers the question.

I think the only other thing I would say is it's worth, I think, everyone -- maybe not at once, but it's worth everyone I think towards the end of the day or tonight or early tomorrow morning just start going onto the Technip website. We've put up or we will put up a series of videos which cover



both the fabrication in the yards in Asia and also what's going on onsite. I would encourage you to go on and look at those, because I think you'll be impressed by the extent of the physical progress that you see on the project.

But the short answer on your payment question, Fiona, is no issues.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Okay. Thank you. And just one follow-up question. When are we going to get some clarity around guidance on 2016?

Julian Waldron - *Technip - Group CFO*

I think we've said all through -- well, actually, the last two years, but this year what we want to do is to complete 2014 and 2015. In 2015 as well, we want to make progress on our restructuring plan. So at this point our plan would be to talk about 2016, as we generally do, with the results in February.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Okay. That's very clear. Thank you very much.

Julian Waldron - *Technip - Group CFO*

Thank you.

Operator

Mukhtar Garadaghi, Citi.

Mukhtar Garadaghi - *Citi - Analyst*

Good morning, gentlemen. Thanks for your presentation and thanks for taking my question. Thierry, just thinking about the structural cost reduction in the offshore you referred to, and looking a few years back, maybe 10, 15 years back on how the project costs have risen, in terms of unit costs maybe 300%, 400%, what sort of deflation do you think we can see in these numbers, the total sizes of offshore projects, beyond the 25%, 30% target you have described for subsea through Forsys? And what does that mean for your topline in subsea going forward? That's my first question.

Thierry Pilenko - *Technip - Chairman and CEO*

Well, the type of savings in subsea that we have seen we can achieve tangibly. And the two first awards that we've got with Forsys, for example, where we provide the entire subsea system thanks to our alliance with FMC, we certainly achieved the levels that we said we would achieve at around 30%. There is no doubt we can achieve that.

Now, working very closely with large operators, we can see that we can take it to the next level, probably with some -- in some cases, some R&D or adaptation of some systems to make them either more modular, more standard and so forth, but I wouldn't be surprised to see that on some projects we could go as far as 50%. Not necessarily on all projects, but on some projects we could go as far as 50%, when we are using the right technologies. And we are working on several examples today, actually. By replacing, for example, rigid risers with flexible risers, we are able to significantly reduce the cost.



Now, what does it mean in terms of topline? Actually, it is not so much the topline that is -- by project that is interesting. It's to make sure that together with FMC Technologies in particular, that we enable projects and that we get the right projects for Technip and FMC. I think that for us that's the key. And then we get the right projects and we get more projects. So it's going to be a game of who has the best solution, and therefore the best solution will be the winner of the -- and will get the best market share.

Mukhtar Garadaghi - *Citi - Analyst*

Thierry, just to follow up on that one, but without a material market share gain, if both yourself and some of your clients openly talking about up to 50% reduction in project sizes, wouldn't that mean the opportunity size is just smaller without -- and just looking back at your topline a few years back, or are you expecting a material market share gain through Forsys?

Thierry Pilenko - *Technip - Chairman and CEO*

Well, I'll take a very simple example. The two projects we are working on at the moment with Forsys are projects that could not have happened without the involvement of our best brains to work with the client to reduce the costs and enable them. So these projects, we are not in the market, if you want. So we become an enabler of a certain market just because we provide a solution. So then, whether these projects are smaller in volume, yes, of course they are smaller compared to something that was unfeasible or uneconomic.

So I'd rather have a smaller project that moves forward with the right solution and which is well thought through than no project at all. And I think that's going to be the game over the next couple of years, is who can have the most focused solution, the most standard and simple solution to make projects move forward. And I think we are very well positioned with what we have with FMC.

Mukhtar Garadaghi - *Citi - Analyst*

Thanks, Thierry. And hopefully a very short one on Brazil. Could you quantify the flexible opportunity going forward, at least in topline size? I know you don't comment on specific projects, but at least directionally, looking at 2016 and 2017, is it a bigger or smaller opportunity for you compared to 2015? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

I would say, if you look at the number of FPSOs that have been confirmed by Petrobras, we continue to see a pretty robust market in Brazil. And I cannot give you the number of kilometers, but it's -- because obviously the design will evolve as the clients will know more about the reservoir and so forth, but it's in hundreds of kilometers. The opportunity is hundreds of kilometers over several years.

Mukhtar Garadaghi - *Citi - Analyst*

Thank you. Thanks for the answers.

Operator

Rob Pulleyn, Morgan Stanley.

Rob Pulleyn - *Morgan Stanley - Analyst*

Yes. Good morning, gentlemen. The first question I'd like to ask is around the PLSVs in Brazil. You have two vessels rolling off, I think, in the near future, the Vitoria and Niteroi. I was just wondering how negotiations were going around potential recontracting of those vessels with Petrobras,

and whether within those negotiations you'd be willing to take a haircut on the contracted rate for the other six in order to get those two utilized and how you see the trade-off around that.

And then the second question really is just on Petrobras, asking around cash payment. Obviously Petrobras has some challenges. How are the cash payments from Petrobras developing? Is there any delays there building receivables, or is it all okay? Thank you very much.

Thierry Pilenko - *Technip - Chairman and CEO*

Right. Robert, thank you. Two vessels are rolling off. You're absolutely right. One at the end of this year. We are discussing the renewal of that contract as we speak. And the other one will be, I think, in Q1 or Q2 of 2016.

For your information, these two vessels are vessels that have Brazilian flags. Therefore, they have priorities in the market. So I'm not going to give you details about where we stand with the negotiation, because obviously we are negotiating with the client and this is confidential information not only vis-a-vis of our client but vis-a-vis of our competition. But I can tell you, these vessels being Brazilian vessels, they have priority in the system.

So I think it is something that we decided many years ago to have a certain number of our PLSVs in that market with Brazilian flags, and I think this is working now because we are going to get preference. It doesn't mean necessarily that we have a huge premium on these vessels, but we are going to get preference in terms of utilization because they are Brazilian.

Now, as far as cash from Petrobras, Julian?

Julian Waldron - *Technip - Group CFO*

So, Rob, good morning. Nothing for me to call out. Everything, not only with that client but I would say elsewhere, is in line with what we expected, what we planned, what we discussed with our client. There's no issues of the sort that you're alluding to.

Rob Pulleyn - *Morgan Stanley - Analyst*

Okay, Julian. That's very encouraging to hear. And sorry, Thierry, if I can just have one quick follow-up. In terms of the way you approach these discussions with Petrobras around these PLSVs, do you consider each vessel as a separate contract or is the discussion for the fleet of PLSVs in its entirety? Just trying to get the realms of what -- sorry, the ranges of what's within the realms of possibility as you actually negotiate getting those vessels contracted. Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Yes. Each vessel is a separate contract and is a separate issue, and we approach it vessel by vessel. But of course, when you have two vessels that are with Brazilian flag, Petrobras are looking at the, I would say, competitive dynamics and the priorities that they need to give to these two vessels and they look at their global fleet. But when we negotiate, we negotiate vessel by vessel.

Rob Pulleyn - *Morgan Stanley - Analyst*

Okay. That's very clear. Thank you very much.



Operator

Haley Mayers, Barclays.

Haley Mayers - Barclays - Analyst

Hi. Thank you both for your time this morning. A few quick questions from me. First, on variation orders, earlier in the year there were some issues on some of your variation orders that affected guidance in the restructuring plan, and I was hoping just for an update on those variation orders that you had previous issues on. And also, if there were any incremental issues that you found while going through your portfolio that have happened in the interim. That's my first question.

Julian Waldron - Technip - Group CFO

Haley, thank you very much for that. Nothing for us to say. We were quite -- I'll just go back to what I said in the presentation. The performance of the project portfolio throughout quarter three in onshore/offshore, and that's where the issues were earlier in the year, has been in line with the assumptions we took at the end of July, which means in all respects it's neither better nor worse. So I should probably stop there. Hopefully that answers your question clearly.

Haley Mayers - Barclays - Analyst

Okay. Thank you. And there's been no incremental issues that have come up in the --?

Julian Waldron - Technip - Group CFO

No.

Haley Mayers - Barclays - Analyst

Okay, great.

Julian Waldron - Technip - Group CFO

No.

Haley Mayers - Barclays - Analyst

And then on -- I know we've discussed topline in your backlog, in your recent order intake. Can you give us a bit more color on what's happening in pricing? So, for example, in the past you've mentioned a normalized onshore/offshore project is between 5% and 7% over the life of the project. Is that still the range you're seeing? How can we expect, for both subsea and onshore/offshore margins that you're currently winning and bidding on, to impact Group margins in the next few years?

Julian Waldron - Technip - Group CFO

So I think the order intake, particularly in subsea, is at a low level at the moment. And there are very few awards, we think, across the industry. So I think it's quite difficult to extrapolate either positively or negatively what's happening now to the wider market over the next couple of years.



If we look at what we do, you can look at areas where we're focusing on high technology projects, so for example around the flexible supply, as Thierry mentioned earlier. And there you are winning a project really based on technology and far more than any other aspect, including price. Equally, if you go to areas like the North Sea at the moment, pricing is -- across the industry is under severe pressure, as it generally is when you go through a downturn in the North Sea.

In onshore/offshore, again, I think it's difficult to extrapolate for pricing across the industry as a whole. Our focus has been very much project by project, the areas where we can get involved early in particular projects. And we find across the portfolio that when we get involved earlier, the outcome of the project, the profitability of the project, the result of the project for the client as well, are almost always better. So I think the focus for us has been very much on the quality of what comes into the backlog, and that might or might not reflect the overall market.

And again, I would say that the overall order intake across the industry, both in subsea and onshore/offshore, is at too low a level to extrapolate. You can see areas where pricing is okay and you can see areas, like the North Sea, as I mentioned, where pricing is really quite under pressure.

And what I think we look at on onshore/offshore projects like Browse or like MIDOR, where you are very much in at the early stage, where you're working with a client on an open book basis, I don't think we see the same pressures on risk, the same pressures on schedule, because it's much more of a collaborative process. I think therefore, for us, the outturn at the end in terms of risk and profitability will be better.

Haley Mayers - *Barclays - Analyst*

Great. Thank you. And just one last quick one from me. Just on your dividend, do you have anything that you can tell us around commitment to current levels or even growth over the next few years?

Julian Waldron - *Technip - Group CFO*

I think the response we gave back in June/July to the dividend question was the same as in previous quarters and holds true today. We're a company that wants to continue to pay, that wants to continue, ideally, to grow. We had a very good take up from shareholders on the scrip, so that seems to be something that shareholders like. We think the dividend is set at a level which is supported by our balance sheet and our cash flows. So, really no change to prior dividend policy from us.

Haley Mayers - *Barclays - Analyst*

Okay. Great. Thank you for your time.

Julian Waldron - *Technip - Group CFO*

Thank you.

Operator

Christyan Malek, Nomura.

Christyan Malek - *Nomura - Analyst*

Good morning, gentlemen, and thanks for taking my questions. Just firstly on just the capacity in offshore and subsea in the market, some of your peers are guiding to margins in high single digits. Where would you see margins moving to over the medium term, particularly in the context of



pricing, as you talk about, and overcapacity? If you can give us some sort of trajectory, particularly in light of the sector backdrop and what they're reporting.

The second question is around consolidation. Would you be -- would you revisit acquisitions, particularly CGG and others, at this point in the cycle, or are you looking just to hold onto your cash and maintain the balance sheet?

Julian Waldron - *Technip - Group CFO*

Christyan, thank you very much. I'll take the first one and, Thierry, do you want to take the second?

Thierry Pilenko - *Technip - Chairman and CEO*

Yes.

Julian Waldron - *Technip - Group CFO*

Okay. So as you know, Christyan, we're not going to talk about 2016/2017 I think even in general terms. So I appreciate your question and as you probably realize, I'm not going to give you a direct answer.

I think, on overcapacity, I think there's two points that I'd like to make. The first is that we are -- and then you choose the adjective, the characterization you want -- pleased or relieved, whichever way you wish to put it, in having taken the fleet from close on 40 vessels two, two and a half years ago down to close to 20. So I think in terms of taking out excess capacity or potential excess capacity in our fleet, I think we still feel that the heavy lifting is very much behind us and I think that puts us in a good position.

And I think the second point that I'd make on overcapacity in subsea is that because we are now buying in much more of the vessel days that we need on projects from outside, overcapacity in the industry might in some instances, has in some instances, worked to our favor. If we're a solid company with a solid balance sheet, and I'll let Thierry come back to that, then we should be able to make that and the volume of our business count in our procurement. And those third-party vessels that we buy in is a significant part of the work we do on projects, and I think there have been and there will continue to be opportunities for us.

So I think overcapacity can be looked at in a number of different ways. And I'm afraid beyond 2015, as you know, at this point we're not commenting.

Thierry?

Thierry Pilenko - *Technip - Chairman and CEO*

All right. About CGG, I'll use a term or a phrase that you'll like, which is on CGG let's turn the page, okay? We are very clear that our intent was, by the way, never to become a seismic company, but was to bring more competencies into subsurface, into imaging, reservoir engineering, reservoir studies, geological studies. And you can see that over the past year, some strategic moves have been made in that space to be able to combine subsea, in particular subsea and subsurface. And I think this trend is there, it's a long-term trend, and this is why we identified that as a key opportunity for our business.

In the meantime, what did we see? Well, we saw that first of all, in a market which has shrunk dramatically, that this type of activities around reservoir and geological studies are actually quite resilient and that the combination, again, between what we can do with subsea architecture and subsurface can create significant value to our clients.



And that's why, actually, we have looked at other alternatives, including alliances, to bring those skills and competencies together with our Genesis conceptual teams, and we are actually working on our first studies combining the two sets of skills. So I think this will be and continues to be our preferred route, alliances or maybe bolt-on acquisitions. But definitely I would say the race to combine first of all all the subsea systems together, which we are doing with Forsys and FMC, and then the subsea with subsurface, I think this race is on and I think Technip is in a very good position to play an important role there.

Christyan Malek - *Nomura - Analyst*

Thank you, and just a follow-up on the point around capacity. Given you've got this alliance, am I right in saying that it limits the extent to which you can restructure subsea?

And coming back to the order intake on subsea of EUR530m, if we see that continue over the next 12 months, where order intake is just structurally low because there's no activity, will you -- what's your strategy in managing utilizations on some of the high-end boats? Will you just continue to keep them and not restructure and take them offline, or will you take them offline and manage the downturn? I just wanted to understand which is it that you're going to follow, which path have you thought about following in the context of no work.

Thierry Pilenko - *Technip - Chairman and CEO*

Yes. I take a very different view from you on the alliance limiting our options to restructure. Actually, the alliance is enhancing our ability to continue to be differentiated in the market and have better utilization than our competitors. So I see it completely the other way around. Okay?

Now, I think Julian went through a pretty detailed explanation about what we did already to reduce our fleet, what we did to -- the flexibility we have with third-party vessels, and the visibility that you have through our backlog in 2016 shows that we will continue to have a very good utilization in 2016. And now, beyond that, if we need to stop one vessel, we'll stop one vessel, but this is not in the plan today.

Julian Waldron - *Technip - Group CFO*

And I do think, Christyan, it -- on future cost reduction, it's a very fair question. But I think there are two things which are worth me saying. First, the charge we took in July is the charge we need to deliver the EUR830m of savings, and that's a pretty chunky amount against our fixed cost base.

And I think either you or someone asked us the question about incremental restructuring. I'm sure we will find -- indeed, I know that we will find incremental areas to save cost in our business. And equally, I'm pretty sure that that will come at a fairly low, on a per opportunity basis, at a pretty low incremental cost to execute it.

So I think the heavy lifting, again, in terms of the fleet has been over the last two years. And when I look at what we did in July, I think that puts us into a strong position to add incremental cost reduction if that's what we need to do. But I would again underline the strength and the size of the plan that we've put in place relative to our fixed cost base. We think it's pretty substantial.

Christyan Malek - *Nomura - Analyst*

Brilliant. Thank you very much.

Julian Waldron - *Technip - Group CFO*

Thank you.



Operator

Amy Wong, UBS.

Amy Wong - UBS - Analyst

Good morning. Hi. It's Amy Wong here from UBS. I have two questions, please. The first one relates to the revenue upgrade in your guidance. I appreciate that some of it is due to FX, but could you help us understand on the portion, where you talk about it's related to more progress or milestones being pulled forward, help us understand why there's no corresponding increase to the EBIT? So that's the first question.

And my second question is on Forsys. Can you give a bit of indication on these two FEEDs that you've won, the geographic region of these projects and the potential size of the EPC portion of these projects? And can you let us know if the FEEDs are actually in competition with potentially other engineers who are submitting FEEDs as well? Thank you.

Thierry Pilenko - Technip - Chairman and CEO

Julian, you take the first one.

Julian Waldron - Technip - Group CFO

Yes. So, Amy, it's a good question. It's a bit of both, so some foreign exchange. For the project progress, it's not an exact example because it doesn't necessarily reflect what we expect at the end of the year, but I'll give you a tangible example.

If we deliver one of those eight modules on site in Sabetta, at one point that creates for us a revenue event. The module is, if you will, handed over or shipped contractually to the client. So at that point, we have progress -- cost progress on the project, so we recognize revenue. That can fall September 30; that can fall October 1. So it can change the timing of the recognition of revenue on the project.

However, it doesn't change the overall view that you have of the progress of the project, in particular with respect to margin recognition. And as you know, because we've had this discussion many times, revenue recognition for us is cost to cost. Margin recognition is much more based around the risks on the project, the phasing of the project, some key operational milestones which trigger that. So you have on projects very often a situation where you have a physical event on the project, revenue gets recognized automatically as it should, but it doesn't change the timing of your recognition of profit.

Amy Wong - UBS - Analyst

That's clear.

Julian Waldron - Technip - Group CFO

Thank you.

Thierry Pilenko - Technip - Chairman and CEO

Okay. Now, your question about Forsys, first, I'm not going to be very specific about the geography, but I can tell you Forsys can work in very deep water as well as relatively shallow water, and these two examples are across this range. One is for an independent operator and it's going to be a full greenfield development, so starting from scratch. The other one looks more like a brownfield development, and this is for a major.

And in terms of the process, no, we are not in competition with others. This is not a FEED competition. This is really an early engagement at conceptual level where clients were convinced that by putting FMC and Technip together through Forsys, that we would get -- they would get the best solution and they can go seamlessly from concept to FEED to full deployment of the solution. So, no competition.

Now, in terms of size, of course the size will very much depend on the outcome of the FEED, and when we are doing the FEED we are also doing the cost estimate. So these two projects would combine SURF, which is an installation that goes with it, which should be, I would say, the Technip side, as well as SPS which is more the FMC Technologies side. So everything together and we have the full solution for these two projects.

So if we were to win together with FMC the two projects, just to give you an order of magnitude, of course there is variation because full architecture is not completely defined, that would represent in terms of order intake for both our companies together, for the two projects, a range of about EUR500m to EUR800m, give or take.

Amy Wong - UBS - Analyst

Great. Thanks.

Thierry Pilenko - Technip - Chairman and CEO

The two projects together.

Amy Wong - UBS - Analyst

Okay. That's very clear (multiple speakers).

Thierry Pilenko - Technip - Chairman and CEO

You can see these are sizeable opportunities and opportunities that would not have happened, would not have existed, without Technip and FMC working together.

Amy Wong - UBS - Analyst

That's very good news. Thank you very much. And may the force be with you.

Julian Waldron - Technip - Group CFO

Yes, thank you. Well done, Amy.

Operator

Michael Rae, Redburn.

Michael Rae - Redburn - Analyst

Yes. Hi there. Thanks for taking my two questions. Just thinking about your order inflow, if I add up the contracts you announced in the quarter, I get about EUR2.9b, and yet you've only reported EUR1.7b of order intake. So should I assume that the remainder of those orders is yet to arrive in the backlog?

And then related to that, what's the total amount of future work which now sits outside the backlog, including Yamal?

And then the second question is just on flexible pipe. Can you just give us a bit of a steer on the utilization outside of Acuflex, and roughly what that'll look like in 2016 based on your current backlog? Thanks.

Julian Waldron - Technip - Group CFO

Michael, thank you for that. I'll try and take these, I think maybe in reverse order. Again, this year isn't finished and, as you can see, we're still taking orders on flexibles in Brazil which will have some impact on utilization of both Vitoria and Acu next year. And we also continue to ramp up production in Acu. It's still a new plant and still has further to go. But I think we look at those two plants and we look at Brazil, and we say that they're going to be working very hard next year.

I think in terms of order intake, the orders listed, they cover things that we announced today which could have fallen into previous periods. They cover things that we announced on which we've taken part of the scope and not all. I'm not quite sure exactly what the balance is between those things, but I think still -- and I'll give you the example of Browse.

When we announced Browse, we took the FEED part of that, and even in that case we didn't take all of the FEED part of that because some of that will be work orders over the next nine months which come into the backlog. Our partner on that announced an order intake for the full EPC amount, and that's just not something that we do.

So I think there is a gap between the size of the projects under EPC phase and the rhythm at which we take those orders into our backlog. And I think that explains, over time, anyway, quite a lot of the disconnect between just adding up and then what you see come through the order intake.

And I would hope that that's viewed positively. One of the themes of the last nine months in the industry in terms of questions with yourself and your counterparts at other firms has been how solid is your backlog and do you see projects moving out of backlog that were previously in it. And we've been, I think, at pains to stress the prudent way in which we take projects into backlog on the basis of firm contractual work rather than things like LOIs, and therefore I think that gives a much more solid picture to the backlog that we have. And we continue to see that backlog as robust and very stable.

I think looking forward on the reimbursable and the services work, I would say we still have upwards of EUR3b, probably significantly upwards of EUR3b of work that's within PMC contracts or Yamal or reimbursable contracts which is still to come through the backlog. So that's a good volume of work, and that doesn't, for example, include taking Browse to its EPC phase. So I think there's still a significant volume of work to come in through the backlog.

In terms of the rhythm of that, difficult to tell at this stage. I do believe that Yamal and the reimbursable work on the construction, I do believe that that will start to ramp up over the next couple of quarters in the order intake.

Michael Rae - Redburn - Analyst

Okay. That's great. Thanks very much.



Julian Waldron - *Technip - Group CFO*

Thank you. This is, I think, the last question.

Operator

Phillip Lindsay, HSBC.

Phillip Lindsay - *HSBC - Analyst*

Yes. Thanks. Good morning. Thanks for squeezing me in. Two questions. On the Libra EWT contract, can you confirm whether you were sole source for this scope of work? Reason for the question is we know that the competition have been working very hard to qualify pre-site pulp -- sorry, pre-salt pipe, as well as you have. So I'm interested to know whether you're competitively bidding for this work.

And then, the second question, hoping you could provide some detail on the magnitude of the claim against Technip in Algeria relating to the Baraki oil refinery. I understand that you're also counter-claiming there. So perhaps you can just provide an update on exactly where you are in these legal proceedings. Thank you.

Julian Waldron - *Technip - Group CFO*

So, Phil, thanks. I'll take the second question and I'll leave Thierry to take the first one and then maybe wrap up.

No, I can't -- I'm not going to give you numbers, because I think it's still very much at an early stage on both sides. And I think there will be lots of things that probably get rumored or whatever in the press. I'm not sure how reliable those things are going to be. I think it's at a very early stage yet. Not a lot has happened over the last three months. And I suspect this one will take quite a while. But there's been no -- in our judgement, no material event, no particular event over the last three months.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. And, Phil, on your Libra question, this was definitely sole source. We are the only ones to be able to provide this technology in the timeframe and with the type of diameter and constraints that we have on the fluid [or pre] characteristics for Libra. It's very good news.

Now, you should think about this extended well test not just as a small well test. In most cases, because of the side of the field, in most cases something of this duration with these volumes would be considered as a pilot or even as a production -- a full production. There will be a full SPS mobilized. We have a full production system and so forth. But I think it's extremely good news, because it shows once more that our technology is the easiest and the most robust to deploy for this type of development.

So I think it tells us that flexible pipe could be an important part of the solution for the full development of Libra, and therefore that justifies completely all the R&D efforts and the investments that we've made in Brazil. So it's very, very good news for us.

Phillip Lindsay - *HSBC - Analyst*

Excellent. Thanks, guys.

Julian Waldron - *Technip - Group CFO*

Thank you very much.



Thierry Pilenko - *Technip - Chairman and CEO*

Thank you very much. Thank you and have a good day. Bye, bye.

Kimberly Stewart - *Technip - Head of IR*

Ladies and gentlemen, this concludes today's conference call, and we would like to thank all of you for your participation. As a reminder, a replay of this call will be available on our website in about two hours. You're invited to contact the investor relations team, Aurelia, Michele or myself, should you have any questions. And once again, thank you for your participation and please enjoy the rest of your day.

Operator

Thank you for your participation in today's conference call. The replay will be available by dialing 33172001500 for France or Continental Europe or 442033679460 for UK or 18776423018 for USA, using the confirmation code 296501 hash key. The replay will be available for 90 days. Thank you and goodbye. You may now disconnect.

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