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PRESENTATION

Operator

Good morning everyone and welcome to Technip's first quarter 2014 results conference call. As a reminder, this conference call is being recorded. (Operator Instructions). I would like now 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 SA - Chairman and CEO

Thank you. Good morning, ladies and gentlemen and thank you for participating in Technip's conference call. I am Thierry Pilenko, Chairman and CEO of Technip. And with me are Julian Waldron, CFO, Arnaud Real, our Deputy CFO, Virginie Duperat, our Group Controller as well as Kimberly Stewart and [Michel Chante] of the Investor Relations team.

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

Kimberly Stewart - Technip SA - 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 and an audio replay of today's call at technip.com.

I now turn you over to Thierry who will go over the first quarter 2014 highlights. Thierry?



Thierry Pilenko - *Technip SA - Chairman and CEO*

Thank you, Kimberly. So we'll go first to the first quarter highlights. So in the first quarter our revenue was stronger than expected in both segments with plus 10% a growth in subsea and plus 34% in onshore/offshore compared to last year.

Our operating margins were in line with our expectations and consistent with our full-year guidance.

Net cash declined as expected as working capital rolled off, but remain a healthy level of EUR533m (sic - see presentation slide 3 "EUR573m").

The order intake was very good in the quarter at EUR2.8b, particularly so in subsea. And the backlog is now EUR15.4b.

But please note that in particular both the net cash and the backlog take into account the first-time application of IFRS accounting changes which Julian will cover in more details in due course.

The backlog would have risen by about EUR300m without currency impacts.

Concerning order intake, subsea was really the standout. We were awarded the Jangkrik project in Indonesia earlier in the year and have also since also been awarded a major installation scope on Block 15/06 offshore Angola with a total contract value, including supply, of around \$1b.

We also extended our work on the ground-breaking Asgard project in Norway, and made good progress on the Brazilian pre-salt flexible award with Sapinhua and Lula.

The flexible awards we have taken in Brazil have actually enabled us to start commercial production in our Acu plant in the first quarter, as we said we would.

In onshore/offshore we made very good progress in technology-related projects and early-stage involvement, and took over EUR700m of awards in total.

With that I will hand over to Julian to cover the quarter in details. Julian?

Julian Waldron - *Technip SA - CFO*

Thierry, thank you very much. Good morning everybody. Thank you for being with us. So I'll turn to slide 5 and talk about accounting. IFRS 10, 11, 12 are new standards which were introduced out of January this year. They essentially cover consolidation methods.

The one that I think our industry will, or have and will spend most time on is IFRS 11. IFRS 11 in particular covers joint operations and, in particular, has an impact on joint operations which are structured through legal entities.

The impact on us, as you'll see, in terms of the P&L is minimal and I'll go through some of the impacts on slide 5. The main area of our business which is impacted, or which will be impacted going forward are the vessels that we have in joint venture and, in particular, those vessels that we have in joint venture in Brazil.

And, as you'll see, in terms of the balance sheet, in terms of the backlog and, in a minimal way, in terms of the P&L they come out of our consolidation scope in terms of proportional consolidation. I suspect other companies in the industry will have to go through the same exercise over the next few months.

As you can see, looking at the detail on slide 5, there is not that much impact on the statement of income either in subsea or in onshore/offshore. There is more an impact on the backlog; the opening backlog is reduced by just over EUR1b and that's essentially our vessel charters. It's important to stress that the contracts, of course, remain in place and you will see the income coming through as those contracts go into force.

And then in terms of the balance sheet you have some changes to the asset side, a little bit of change to the debt side as well and, accordingly, the net cash of the Group on a restated basis goes up.

All of the numbers, both on an as published basis and on a restated basis, are available in the press release. And as we go through -- as you go through the press release you'll see that we've commented where we felt it was appropriate on the differences. And some of those differences will come out, I'm sure, in the presentation and in the Q&A.

If I can now pass to -- sorry. The last thing I would say, there is, of course, no impact to our objectives and our guidance from these changes.

If I now pass to operations and the subsea highlights on slide 6, we indicated three months ago what we expected for the first quarter and the different elements that would make up the first quarter. The overall performance during the quarter has been in line with our expectations.

So, to take it one-by-one, we've been ramping up activity on multi-year projects; projects with a revenue but no margin. We've also progressed our Gulf of Mexico projects. As Thierry mentioned, we have ramped up or we have started commercial production at Acu, with the associated cost of that start-up during the quarter. We had an intensive fleet maintenance program and I confirm that that went according to plan in the quarter.

We have a vessel utilization rate of 69%. This could seem quite high compared to 72% a year ago, given that we have roughly twice as many maintenance days in the quarter. However, I would just note that in the first quarter last year we had more vessel days overall as we had more vessels.

And, as you know, over the last 12 months we've sold or disposed of a number of the older vessels. So whereas a year ago those vessels were idle, they are not in the number of vessel days this year. And we continue to think that this strategy of focusing on newer, [higher-end], differentiated vessels is a positive medium-term for the Group.

And the last point is that the summer [sic - see presentation slide 6 "spring"] installation campaign is now -- I would say has now started up again.

I should comment on the Gulf of Mexico on slide 7. We've now completed the main operations on four out of the seven projects. The Deep Energy has left the Gulf. The Deep Blue will continue on these projects, and indeed she'll start newer projects before her scheduled maintenance in mid-year, and she'll spend the rest of the year in the Gulf of Mexico on work on the newer projects.

We continue to work with our clients on the remaining phases. And, just to be clear, there are no changes to our financial assumptions on these series of projects, either in terms of what happened in quarter one or in terms of what we expect to happen in quarter two.

As you've seen we've confirmed all aspects of our subsea guidance. And all in all the outcome of the first quarter enables us to look forward to the sharp rebound in profitability expected in the second quarter with increased confidence.

Slide 8, onshore/offshore, as you can see we are in the midst of a wide range of projects in early and middle stages. We handed over the second package of Jubail to the client in the quarter and this project will now move out of our backlog. And over the next several quarters on numerous projects we're in critical phases of execution and that will last for a while now.

Turning to slide 9 and the Group financial performance, we have on our P&L presented according to the new IFRS. I'll just comment on interest charges. Interest charges, just over EUR17m of interest costs, gross interest costs. That's up compared to EUR13m of costs last year. The delta, principal deltas between the interest -- the financial result this year and last year are a lower amount of interest income on cash and a lower level of mark-to-market positive income actually which was positive a year ago.



The tax rate at close to 28% is in line with the average of the last few quarters and is a reasonable guide to what we expect -- what we might expect for the full year.

Slide 10, change in cash, the cash was negative EUR259m in the quarter. First that reflected in a consumption of working capital on projects, as expected, after the stronger than expected inflows in the fourth quarter 2013. Net CapEx was EUR90m, and we made EUR41m of share repurchases during the quarter in accordance with our strategy to limit dilution from employee share plans.

The net cash position, adjusted for IFRS 10,11 and 12, was therefore EUR573m compared to an adjusted EUR832m at year-end 2013.

A couple of comments on the investment program on slide 11. We've made a small investment in a company called Kanfa. This is a technology business with over 40 high-quality engineers based in Norway. This will add technology skill and competence to our offshore business particularly around platforms, not just in the North Sea but we expect that competence is useful to us worldwide.

On the divestments side we released one more vessel and also sold a small activity, TPS, which is based in France which was not involved in the oil and gas sector. And as you saw maybe earlier this week, we announced the [partial] divestment of our majority stake in our Seamec diving business located in India.

Although these divestments and asset sales are small, we think, quite strongly, that they will have a good impact on focusing our management teams on the core of our business with the strong ramp-up of our backlog to execute.

So on slide 12 I'll finish on the guidance. There is no change to our guidance either for 2014 or 2015. We haven't put down all of the numbers here. That's just I think to make the slide a little shorter and a little more readable, but there is no change to numbers either in 2014 or 2015.

Concerning onshore/offshore, we stated in the press release this morning that we expect an award on Yamal quite soon. As previously indicated, Yamal LNG is not currently part of our onshore/offshore guidance and it's likely to bring in incremental revenues over the next couple of years.

Concerning subsea, the performance in the first quarter, as I mentioned, gives us increased confidence that we'll meet our 2014 and 2015 targets and this is based on the operational performance year-to-date as well as the order intake which serves to increase visibility in 2015, for example through Kaombo and Jangkrik, but also significantly in 2014 through Block 15/06 where we've already started installation work.

We've indicated that we expect a rebound in margins in subsea in the second quarter, and we confirm that expectation today. We have been asked this morning whether the very large Kaombo award changes any aspects of our subsea guidance for 2015 and I'd like to confirm that it does not. We indicated that the next three quarters would have operating margins in subsea in the range of 13% to 15% and we confirm that expectation again today. And we have indicated that to meet our full-year guidance for the year that margins across the next nine months in subsea would need to be at least 14%. And again I confirm that expectation.

So, with that, I'll stop and hand back to Thierry.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Thank you, Julian. I will focus now on the order intake. So starting with onshore/offshore, we took actually a significant project for Total for the Maharaja Lela & Jamalulalam South gas project in Brunei.

In addition, as you can see on slide 14, we were very focused on technology and early-stage involvement with key clients such as Shell and Sasol, preparing for future EPC projects.

Subsea, as I said before, was a standout in the quarter. And I'll be focusing more on one [of the] two major projects that we won this quarter, Jangkrik and Block 15/06.



We have also made good progress in flexible and in expanding into new areas such as [higher life] for field work on Asgard and with the new project in the Middle East for execution this year, so the subsea project that will be executed with G1201 in the UAE.

So moving onto slide 16 [sic - see presentation "15"], and on Block 15/06, I think both 15/06 and Jangkrik illustrate the value of being able to provide strong national content as well as an integrated offering; so engineering, project management, product supply and obviously the right vessels to install this equipment.

So for Block 15/06 the supply contract was awarded last year, while the installation contract is included in our first quarter 2014 order intake. Actually we have already started to install flexibles, those supplies that were awarded last year, with Deep Pioneer offshore Angola.

On slide 16 you have the Kaombo project, the Kaombo project is very important to Technip in a number of respects. It is the first project won jointly with Heerema since we started the alliance with them, since we formed this alliance a little bit over 18 months ago. And the combined offering of the two companies presented a very compelling case for the award and really validate the decision we and Heerema took to work together on these large and complex deepwater projects. I think that was the right strategic decision and we can see the first fruit through something which is actually the largest subsea project awarded to us.

So it's also a flagship project for our clients Total and Sonangol and we are very proud to have been entrusted with it. And I think we have been not only able to provide the right technology, the right assets and combination of project management teams, but also the right level of national content. And again, once again, our integrated offering has been key to winning this project.

So I confirm that Kaombo was not in our backlog at the end of the first quarter. So this is a project that will be in our second quarter order intake.

Now moving to slide 17, we've been talking about Yamal LNG for a while. Yamal LNG is on the Yamal Peninsula in Russia where, after an extensive open-book process, the EPC phase is now imminent. So, detailed engineering and early procurement are ongoing and we have actually applied modularized fabrication strategy to minimize the on-the-ground construction. So the project is moving forward.

Turning to the business environment on slide 18, we actually haven't seen any material change compared to two months ago when we published our annual results 2013. We are very active in most parts of the world, either for larger scopes in projects to be green-lighted in the coming months, or for early-stage work to help our clients. So we have a lot of feed and construction studies on hand at the moment, both onshore/offshore and subsea.

Our clients are obviously focused on making sure that on existing and new projects that they obtain value for money, as we said before and, of course, we are committed to helping them do that. However, we still see them determined to move ahead with key projects, as you've seen with our order intake in Q1 and the one that is coming in, in Q2, with the two large awards that I just mentioned.

Therefore, with the high level of the backlog we have, we are clearly in a more robust position, either to be able to be more selective and targeted in what we try to win, and to maintain a good level of activity if awards are slower to materialize.

So, in summary, I'd say that our first quarter 2014 was in line with our expectations. We continue to see good momentum in order intake, which allows us to continue to build a diversified portfolio of projects.

The entire Company is very focused on project execution and delivering the backlog, delivering the projects to our customers. And, of course, as our customers are looking for value for money, we continue to provide clients with solutions as soon as possible in their project life cycle.

Now, with that, I will turn over for questions.



QUESTIONS AND ANSWERS

Operator

Geoffroy Stern, Kepler Cheuvreux.

Geoffroy Stern - Kepler Cheuvreux - Analyst

In Yamal could you give us a bit more color on this project and the fact that the EPC contract is imminent? I was wondering in terms of size and execution scheduling; any indication would be helpful.

And is it fair to assume that in 2014 the EBIT from the onshore/offshore division will be somewhat lower than previously expected as you are going to replace, let's say, engineering [sales] from short-term contracts with Yamal LNG which in 2014 will not generate any profit. Thanks.

Thierry Pilenko - Technip SA - Chairman and CEO

Okay, I'll start answering maybe the first part of your question to give some more color on what Yamal is about and how we are handling this project. And then I'll let Julian talk about the revenue and profit recognition.

So this project we are -- we've been working on it for over a year now and -- in what we call an open book estimate. And we are going to now enter very soon into the EPC phase after this open book estimate.

And for this project we are in a joint venture with two partners who are JGC and Chiyoda. And both partners have extensive experience in LNG and we have actually worked with both companies on different LNG projects in the past. So Technip is the leader and has 50% of the project and JGC and Chiyoda have each 25% of the project. The client, as you probably know, is a group of companies led, obviously, by Novatek. And you have Total and CNPC as other shareholders in the project.

So our scope will be to build three trains, three LNG trains of 5.5m tonnes per annum and all the utilities that goes around the trains, so the [off site] and utilities. So the scope has been extremely well defined between Technip, Chiyoda and JGC.

The way we are going to approach the project is mostly through a modularization of the units. In other words, we are going to build the modules in a number of shipyards around the world, mostly in Asia and then ship those modules into the Yamal Peninsula so that we can minimize the on-site construction.

So where are we at the moment? We are about to ramp up resources for the project, for the EPC phase of the project. We will, over the next few weeks, go into the [proper] scheduling of this project which includes, in particular, the main events around procurement of the main items, particularly the main critical items for the project which are part of our scope, equipment and then, of course, starting to place orders with the different shipyards. We are in the process of selecting those shipyards.

So I would say one thing which is going to be very important for us to do over the next few weeks is to ensure that, as we ramp up into that EPC phase, that we get a good grasp on the scheduling of the different milestones. And this is really what is going to be driving revenue and profit recognition on this project.

So now I'll let maybe Julian add a little bit more on the profit and -- [profit] recognition and impact.



Julian Waldron - Technip SA - CFO

Geoffroy, thanks for the question. Physically what is happening at the moment on the project is a significant movement into the project of resources. We are -- the schedule that we will have with our customer will call for a significant and fast ramp-up of resources on the project and that is already happening.

So one of the things we've called out in the press release this morning is that engineers who might have been expected to work on other short-term engineering work and studies will progressively, but probably quite quickly, move on to working on Yamal.

Now I'm not going to speculate on what the outcome will be because, I think, until we have finalized every last detail I don't think we'll quite -- we will know. And, as Thierry mentioned, even once we have signed the EPC contract, which as we say we think is quite imminent, there will still be work to do to finalize the procurement scheme and the schedule that goes with that. And that will impact, in particular, some aspects of revenue recognition and profit recognition, including in 2014.

So what you speculated on in terms of could it actually replace profitable -- profit-recognizable revenue with other revenue; yes it could. I am not telling you that that will happen because at this point I don't know. It will take us I think a couple of months the other side of the announcement of the contract to finalize the EPC. And that's why we say this is something that we expect to come back to at the latest with Q2 in July, beforehand if we can but at the latest then.

Geoffroy Stern - Kepler Cheuvreux - Analyst

And with regard the overall size of the project at 100% so for the three partners, is it fair to assume something around (inaudible) of \$15b? Is it making sense?

Julian Waldron - Technip SA - CFO

We are not going to comment on that today, but you can assume that for Technip this is a very large EPC project and that therefore is a few billion euro's.

Geoffroy Stern - Kepler Cheuvreux - Analyst

And it will be recognized as a one-shot in the backlog?

Julian Waldron - Technip SA - CFO

No.

Geoffroy Stern - Kepler Cheuvreux - Analyst

Okay.

Julian Waldron - Technip SA - CFO

A significant amount initially, but there will be other amounts that come in over time. It will be much more up-front, I would expect, than Prelude however.



Geoffroy Stern - *Kepler Cheuvreux - Analyst*

Alright, thanks for this.

Operator

Fiona Maclean, Merrill Lynch.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Thank you. Yes, it's Fiona at Merrill Lynch. I have a couple of questions. Firstly in your subsea business you had a lot of activity over the last couple of years in the North Sea. Can you talk about what you're seeing there this year and, in particular, whether you're going to have an active spot market?

And, secondly, I wanted to get your thoughts on the broader level of potential order intake through the rest of the year, because we are in this slightly strange scenario with Technip where you're very focused at the moment on a number of very, very large-scale projects. So I'd be quite keen to see what's happening on the smaller and more medium-sized contracts given there is so much talk that there is [this pause] in spending and things like that. Thank you.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Alright. Well, good questions Fiona. Good morning. On your first question, there is always a certain amount of vessel days that are related to the spot market in the North Sea and I don't think this year is going to be very different. However, it is true that this year we are on some medium to large projects such as Quad 204 and Boyla in the North Sea which actually had given us, I would say, probably a higher visibility than in the past because of the size of those projects and the fact that these projects were multi-year projects.

You made a comment that we seem to be focused on large-scale projects and I would like to correct that. It is not because we have announced a couple of large projects in the subsea over the past year or so that we are only focused on large-scale projects.

Actually we do have, in the North Sea and in other regions, projects of, I would say, small to medium-size whether they are in the Gulf of Mexico, in Asia or even in the, as I said before, in the Middle East, projects of between [EUR50m to EUR150m] just to give you an order of magnitude, which we are still focusing on.

I think it's very important that we continue to have a strategy to have a portfolio approach with projects of different sizes that help us maximize the utilization of our fleet and of our engineering teams and of our plants.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Okay, thank you. And just one follow up, are you seeing any change in the language from oil companies about what margin they are willing to allow you to price into your bids?

Thierry Pilenko - *Technip SA - Chairman and CEO*

No, the oil companies don't really talk about our margins. They really talk about their cost and what is the overall cost of their projects. So, in fact, oil companies don't mind us making a margin, whatever that might be, as long as they see that what we are providing is adding value and that the projects that -- or the solutions that we offer to them are falling within the limits of their budgets and are providing them comfort that they'll be able to execute on time and on budget.



So I wouldn't say that we have a discussion about margins unless in some cases where we are, for example, in reimbursable -- on reimbursable contracts or on contracts where we have extended period of time where we are doing open book estimates for example. But, in general, I would say they still are focused on the total costs. And, as you know, a very large proportion of our revenue, whether it's onshore/offshore or subsea, is in lump sums. So at the end they just look at whether this lump sum fits their plans and whether we are competitive.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Thank you very much.

Operator

Guillaume Delaby, Societe Generale.

Guillaume Delaby - *Societe Generale - Analyst*

Yes, good morning. Two very simple housekeeping questions if I may. First, can you remind us the start-up cost of Acu, so can you confirm -- so the start-up cost of Acu in Q1. And can you confirm that there will be no other start-up cost related to Acu over the next quarters.

And my second question, I think at the end of 2013 there were 38,900 employees at Technip. Could we have a rough estimate about the number of employees at Technip at the end of 2014?

Julian Waldron - *Technip SA - CFO*

Guillaume, two very good questions. I'll deal with the first one first; that at least gives us time just to make sure that we are going to give a reasonably accurate answer on the number of employees.

So, the first quarter around about EUR15m to EUR20m is the cost. And you are right, once the plant is commissioned the plant either makes a profit or a loss. There is no cost to speak of.

What we've said about Acu previously is that we expect it still to be in loss in quarter two and we expect it to break even over the six month in the second half of the year. And those assumptions are maintained today; there is no change up or down in those assumptions.

We are pleased with the way that we've worked over the last quarter. We are pleased with the way that the order intake came in at the back-end of last year and early this year, which you've seen. So the assumptions that we have baked into our 2014 guidance, including by quarter, remains as it was in February and as it was in December.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Now, going to your HR question and the headcount, we are at the end of March at 39,300 people, so a slight increase compared to 2013. I don't expect a major increase in 2014 in terms of headcount; probably much less than the previous years, although, of course, on the -- as we ramp a project like Yamal, we'll be hiring a few people for the Yamal project. But otherwise, I think when we look at our fleet, our manufacturing plants and so forth and the projects that we have on hand, I think being around I would say 39,000 to 40,000 is probably the right number.

Guillaume Delaby - *Societe Generale - Analyst*

Thank you.



Julian Waldron - *Technip SA - CFO*

Guillaume, if I may, in going back to a conversation that we've had before, what we want to continue to follow within the Group is where and how those employees join us and to bring them in in places where they're directly working on projects and, as we've talked about before, looking to control our costs in [OpEx], between gross margin and operating income.

So we will need to bring in additional people, as Thierry said, on the projects that we've won. What I think we need to do is to make sure that we constrain the growth of the back-office functions, for example, to support the projects. And that's a discussion that we've had before and it's a good conversation and a good discipline for us to bear in mind.

Guillaume Delaby - *Societe Generale - Analyst*

Thank you very much.

Operator

Mick Pickup, Barclays.

Mick Pickup - *Barclays Capital - Analyst*

Good morning, everybody. Thank you for today. A couple of questions, if I may, on the subsea. If you look at Jangkrik, 15/06, Kaombo, it seems to be, over the past three to six months, that the score is Technip 3, the rest nil. Historically, when we've seen one company being so successful, there's usually been something about bidding that's made them successful. So could you just tell me what it is that makes you feel that you've managed to gain all this market share over recent months? Is it your offering; is it what the project is about? Can you just tell me why you're successful?

And, secondly, just on that subsea business, you've got EUR3.3b in hand for next year, and that's pre-recent announcements. If I look at the consensus Kimberly kindly sent around the other week, I think revenue consensus for next year is EUR5.3b, and that's 60%, 70% coverage, and you're normally 30% at this stage of the year. So are you expecting a significantly slower second half of this year, or is it just that our expectation of significantly ahead of EUR5b is a bit underwhelmed at the moment?

Thierry Pilenko - *Technip SA - Chairman and CEO*

I'll start with your third question, Mick, and I'll have Julian answer the second one. Jangkrik and 15/06, I'll start with these two, because they just happen to be for the same customer, who is Eni.

One is in Indonesia. The other one is in Angola, two very different markets and where we have obviously different teams focused on these different markets. But in both cases, what we see is that we have a very strong combination of basically everything that Technip can offer, including product supply, namely flexible and particularly flexible pipes, which are I believe on this project the key differentiator, and the ability to provide also local content and vessels that are in the same area, I would say. So proximity of vessels and proximity particularly affected the Jangkrik project.

We will be manufacturing in our plant in Malaysia, which is very close to where the project is going to take place in Borne and -- so there is better logistics. There is local content, we have a strong presence in Indonesia. And we can have the right vessels and the right time and a customer that is actually used to work with Technip when there is a combination of flexible and rigid pipes. So I would say what has helped here, first and foremost, was the vertically-integrated solution.



Mick Pickup - *Barclays Capital - Analyst*

Okay.

Thierry Pilenko - *Technip SA - Chairman and CEO*

In the case of Kaombo, it's a very large project, and actually everybody -- when I say everybody it means us and our competition -- have been working on Kaombo to try to optimize the cost and look at the best solution.

In the case of Kaombo, I think the key factor has been the combination between Heerema and Technip; Heerema bringing their experience with very large-diameter, ultra-deep risers and the right assets. Not only their experience, because we also have experience in installing ultra-deep water risers, but they are bringing the right assets.

And this is exactly why we did the agreement with Heerema. We are bringing project management. We are bringing flexible pipes. We are bringing umbilicals. We're, of course, bringing the vessels that are necessary to install those. And they are bringing the high-tension, large-diameter riser installation technology.

So it was a very, I would say, natural fit and obviously Kaombo was a natural target for the alliance. But once more, here I would say this is the integration; integrating flexible pipes, umbilicals, rigid pipes and the alliance, so again the integration, and, of course, the local content. But I would say on that side, in Angola, some of our competitors could have probably provided local content, but for the rest, we were in a very, very strong position.

Now, Julian, you want to answer the other questions?

Julian Waldron - *Technip SA - CFO*

Mick, on the 2015 revenue, so we indicated subsea revenue well above EUR5b and that guidance remains unchanged. And the expectations I think we had 3 or 4 months ago and what we have today are also broadly unchanged. I think I would view the current situation as follows.

If we were sitting here with 30% or so of next year's subsea guidance covered, I think it would be legitimate to ask us how we expected to bridge the gap, which would be a very significant gap. Our strategy has been to try to make sure that we're ahead of the curve in order intake to de-risk the growth of the Company over the next year or so.

With the different projects we've taken, I think we're moving very well to succeeding in that objective. It gives us flexibility in the rest of the year either to adapt if, as many of you I think believe, that the market is going to slow-- it doesn't happen to be our view -- or to be more selective, to focus on projects that we feel we can execute well, where we can add value to the customers and where we can earn what we think is a proper return.

That selectivity or downside protection I think is what the current backlog gives you, looking ahead. I wouldn't want to say anything more than that. I think we're very -- it's what we wanted to have at this time of the year, looking ahead to 2015.

Mick Pickup - *Barclays Capital - Analyst*

Very clear, Julian. Thank you very much.

Operator

Jean Francois Granjon, Oddo.



Jean Francois Granjon - *Oddo & Cie - Analyst*

Yes. Good morning. Thank you to Kimberly for taking my questions. The first one concerns the onshore/offshore business. Could you explain why the margin for the first quarter was quite low compared to the full year expectation?

The second question, revenues; what do we expect for the EBIT margin for the onshore/offshore for the second quarter?

And the last question also for the onshore/offshore business. When we see your guidance, you expect I would say 8.5% growth for the full year of sales, after strong growth for the first quarter, more than 30%. So are you quite cautious for the full-year guidance for the onshore/offshore sales in 2014? Thank you.

Julian Waldron - *Technip SA - CFO*

Thank you very much. I'll take those. Quarter one we had more revenue than we expected. I think in the mid-February call, from memory, I indicated that we were maybe looking at revenue maybe as low as EUR1.2b, maybe up to EUR1.3b. So we've had EUR100m, EUR150m more of revenue come in.

Now, that's really progress on projects, as well as the handover of a couple of older projects to customers as well, which bring revenue as the project is completed. Those things, as they happen, particularly around engineering and procurement, for example, they don't always bring margins straight with them.

I think in one quarter to be at EUR5.9b against a range of EUR6b to EUR7b, yes, I think the absolute numbers are pretty small, so I'm not sure I would read too much into the quarter one.

Now, looking ahead to quarter two, if we had the same trend, in other words, continued good progress on projects, particularly in the engineering and procurement phase, we'd have I think a continued good level of revenue in the second quarter. And again, it would come with probably a slightly lower level of margin than you would expect normally. At this stage, that's probably the visibility that I've got.

I think, looking ahead to the full year, I think there would be no change in our guidance. I think the comparables become a little more difficult as you get to the end of the year in terms of growth because you have a higher back number. But there's no change in the on/off guidance for the year.

I think the only other thing that I should just -- again, forgive me for reiterating it -- just point out that we will come back to you at the latest in quarter two, just to comment further on Yamal and the impact that that will have on/off both in 2014 and 2015.

So that I hope answers your questions. Thank you.

Jean Francois Granjon - *Oddo & Cie - Analyst*

Okay, thank you very much.

Operator

Henry Tarr, Goldman Sachs.



Henry Tarr - *Goldman Sachs - Analyst*

Hi. Just a couple of questions from me. Firstly, on Petrobras, and just looking at the tender activity in Brazil, clearly you've been successful on the flexible side recently. Are there tenders out now for future work and do you see any change in the strategy from Petrobras concerning the mix of rigid and flexible looking forward in the development of the pre-salt?

And then, secondly, a housekeeping question, I guess, financial expenses. Is that run rate going to be relevant for the rest of the year, or is it slightly higher than we might expect looking forward for 2014? Thanks.

Thierry Pilenko - *Technip SA - Chairman and CEO*

On your first question, I think what we see from Petrobras is that they're clearly focused on production. Okay? So if there is any shift that we see over there, I think it's from probably slightly less focus on exploration and more focus on production and really bringing the pre-salt production as quickly as they can, and therefore hooking up the FPSOs that they are building to the wells that have been drilled in some cases or are being drilled. So it's a top priority.

Now, in terms of opportunities for flexible pipes, of course we continue to tender for quite a lot of flexible pipes for the pre-salt. And this is very much in line with the vision that we had when we actually decided to build a second manufacturing plant specifically dedicated to pre-salt. So this is going exactly in the right direction.

Now, Petrobras will continue to look at solutions that are either rigid or flexible, depending on what makes most sense in the different technical environments and so we haven't seen any major change in that.

Julian, do you want to take the other question?

Julian Waldron - *Technip SA - CFO*

Financial charges, so the interest expense a year ago was around EUR14m; EUR13m to EUR14m. We've added about EUR3m of interest costs; that's on the private placements that we made during the course of 2013. And we did three private placements in 2013 for between 10 and 20-year money, which at current absolute levels I still think for the Company over the long term is the right financing choice.

So you can I think expect between EUR17m and EUR20m of interest expense over the next three quarters. I still find it difficult to give you a prediction, if you will, on the IAS 21, 32, 39 impacts, but quite possibly, looking at 2013, 2013 might be a reasonable guide to what it'll be in 2014, or you take quarter one and you multiply it by four. I think those are two ways to give you a bracket for the interest -- for the financial charges for the year.

Henry Tarr - *Goldman Sachs - Analyst*

Okay, thank you.

Operator

Jean Luc Romain, CM-CIC Securities.



Jean Luc Romain - *CM-CIC Securities - Analyst*

Good morning. A follow up on Brazil. Schlumberger and Halliburton mentioned pressures on pricing, notably in Brazil. I guess this is maybe on the exploration side, but could you give us a little bit more color on the kind of pressures that Petrobras might try to put in on Technip in terms of pricing?

Thierry Pilenko - *Technip SA - Chairman and CEO*

[I'll take that]. I would not compare what we are doing in Brazil to what Halliburton and Schlumberger is doing because, as you pointed out, rightly, first of all, they are much more (inaudible) involved in exploration activities and we are not. There is another effect that you should not discount in Brazil, which is the demise of one major company in Brazil which was exploring and potentially producing and which has stopped its activities, which probably translated -- but here, I'm just speculating -- but translated into some overcapacity of logging, pumping and other types of equipment.

So when you combine the lower appetite for exploration at this stage, or lower exploration activities, plus the fact that there is basically one important client that has disappeared from the market, I think this is probably creating pressure on pricing.

In terms of Petrobras projects, what we see is the urge to have the flexible delivered on time. And I would say then, more importantly, the pipe-laying vessels to lay those flexibles as quickly as possible, deliver those vessels as quickly as possible, because this is clearly the bottleneck between the FPSOs which are coming and the flexibles that are coming, the wells that have been drilled. So you need to be able to lay those flexibles [to produce].

So of course, it's a competitive environment, but I would not compare our situation to the well services companies.

Jean Luc Romain - *CM-CIC Securities - Analyst*

Thank you very much.

Operator

Phillip Lindsay, HSBC.

Phillip Lindsay - *HSBC - Analyst*

Yes, good morning, gents. Two questions, really. I just wanted to come back on two themes; the first one is Yamal. Can you just elaborate on the complexities of the job? I think we know it's extreme temperatures and very remote, so how do you plan to manage the risk and how much contractual protection will you be afforded? That's the first question.

And then the second question, again, is going back to Acu, so I appreciate the guide on the profitability ramp up for this year, but looking beyond that, do you expect the facility to be a margin headwind or margin dilutive to subsea in 2015 and in 2016 as well, based on the work you think you're going to be bringing in?

Thierry Pilenko - *Technip SA - Chairman and CEO*

Okay, I'll start with the question on Yamal. The temperature is only one of the challenges. I would say the challenge on Yamal is to make sure that we have an execution plan, which we built over the past year with the customer, which maximizes the fabrication in yards, fabrication of modules and then we take care of the logistics work; fabrication and logistics. And then, on the site, there will be what we call a minimum construction effort, on-site construction effort, to actually assemble those modules.

I can't get into a lot of details about the contract itself, but I would say, in a nutshell, we have taken the responsibility of, of course, engineering, procurement and fabrication and we will be supervising the construction on-site. But we are not taking the construction risk on-site. We will be just supervising that construction. That's as far as I can go at this stage.

So we are very focused, obviously, on identifying the right shipyards, because there will be several hundred thousand tonnes of modules to be built, and focusing, obviously, also on getting the right equipment at the right time.

Now, from a technical standpoint, all the critical equipment and processes have been thoroughly analyzed and there is nothing really special to the way we're going to build those plants, except that, of course, they will have to be, as we call them, winterized.

Julian, you want to talk about Acu?

Julian Waldron - *Technip SA - CFO*

Phil, on Acu, so you have our subsea guidance for 2015 for the segment, so the margin of between 15% and 17%, and forgive me, I'm not going to give you any more granularity behind that number.

I think one of the advantages now of having a facility starting commercial production is it enables you to look back two, two and a half years to when you FID'd the investment. And it enables you to look at the hypotheses you took then and say do those assumptions and hypotheses still seem valid? There are always some changes in them and some puts and takes, but we've done that exercise. And I think if we were sitting here today with the same decision in front of us, we'd make it again like (inaudible).

The way that we see our customer focused on production, the way that we see him, our customer, using rigid on the one hand, flexible on the other, the types of flexibles, the complexity of those and therefore the types of machines that we need, the way that we've managed to qualify over the last couple of years for the harsh pre-salt environment, when we look at the future beyond Petrobras to other potential customers in Brazil, everything in what we see, I think, confirms that investment decision. And we do expect to continue to take orders and indeed, we have. And we expect to continue to take orders in 2015 to continue to drive the plant forward in 2015 and beyond.

I think, to be honest, that's as much granularity as I'd like to go into.

Phillip Lindsay - *HSBC - Analyst*

Okay, that's fine. Thanks, guys.

Operator

James Evans, Exane BNP Paribas.

James Evans - *Exane BNP Paribas - Analyst*

Hi. Thanks for taking my question. I would like to ask a medium-term question about the Gulf of Mexico and your business there. You've obviously tied up your two reel-lay vessels in the shorter term, the Deep Energy and the Deep Blue, in West Africa. But, on the other hand, we're hearing of good demand from other elements of the subsea supply chain in the Gulf of Mexico. So just wondering how your business evolves there over the next two to three years.



Thierry Pilenko - *Technip SA - Chairman and CEO*

Okay. Medium-term Gulf of Mexico, first of all, we have to see where we start from. As Julian was saying, we are finishing some projects in the second quarter. Then, we will be working with the Deep Blue only -- only the Deep Blue is there at the moment. We'll be working on new projects that have been awarded in the second half of last year for most of them. Beyond that, the Deep Blue will go to West Africa. And the Deep Energy is already back to Europe, where she will be operating most of the time in the North Sea for this season.

Now, looking at the medium-term Gulf of Mexico, maybe answering your question, at the moment, we are working on several studies that -- which are early-stage studies, conceptual studies, with our Genesis Group in Houston in particular, on the more recent discoveries that have taken place in the Gulf of Mexico, whether they are BP or Chevron or Anadarko.

And I think we will probably have a period during which we will be more in FEED work medium term, and then we will start installation again probably 2016, 2017. Now, during that period, we can expect that we will start to see some traction on the Mexican side of the Gulf of Mexico.

In other words, Pemex have decided to make a very strong push towards the development in deep waters. And in that timeframe, so which means two, three years from now, we should start to see a potential couple of projects in the Mexican waters in the Gulf of Mexico.

So, I would say, finishing the existing projects, keeping the vessel busy for 2014, then a period during which clients will be making decisions about what type of development plan they want to have, and then again a very active period of bidding end of 2015 and early 2016 for installation 2016, 2017.

James Evans - *Exane BNP Paribas - Analyst*

Thank you very much.

Operator

Ryan Kauppila, Citi.

Ryan Kauppila - *Citigroup - Analyst*

Yes, good morning. Just to beat the activity question to death, when you look at your activity in Genesis, your inquiries for FEED, is there anything you can say about how that compares today to a year ago?

And then just secondly, we're hearing a lot of talk from several of your clients that they're changing the way they work, more modularization in projects, more front-end engineering in projects. Is there anything that you've seen from your end that would point to that being true, that we are seeing an actual change in how the industry operates?

Thierry Pilenko - *Technip SA - Chairman and CEO*

I would say, first half of your question, whether it's for our Genesis operations, which are mostly upstream and subsea and offshore, or for our process technology organization -- because we didn't speak much about onshore/offshore here, but on the onshore side our process technology organization is also extremely busy.

So, I would say, compared to a year ago, probably more activity than a year ago. So people, our clients, are still looking at preparing the future and identifying the technologies and the concepts for future development, whether it's upstream or downstream, so which is good news. That means there hasn't been a real loss of momentum.



Now, at the same time they do that, there is quite a significant amount of work, particularly with the Genesis work, which consists in re-engineering some of the projects at early stage, trying to analyze is there a different design that could be applied which is more fit for purpose? Is there a way to develop fields that would be more in phases, like phase number one, where you can get quickly to first production and then go into phase number two, rather than trying to have everything fully optimized from day one? So we do see that, and we welcome that because this is a way to make projects more viable.

Now, have we seen a massive change in the way that our clients are working? I would say no. These changes take time. What we see is that our clients are certainly looking for more fit-for-purpose solutions. They are looking at using, as you mentioned, modularization, I think in the remote areas in particular, whether it is in the Arctic or even in west Canada, for the LNG projects in west Canada, probably similarly to what we saw in some projects in Australia, there is a big push for more modularized construction. But I would not say that over the past three months that we have seen a major shift in the way clients are working. But, for sure, they are looking at fit-for-purpose solutions.

Ryan Kauppila - Citigroup - Analyst

Great. Thanks for that answer.

Thierry Pilenko - Technip SA - Chairman and CEO

Thank you.

Operator

Rob Pulleyn, Morgan Stanley.

Rob Pulleyn - Morgan Stanley - Analyst

Thanks very much. Just two quick questions from myself. First of all, you mentioned that disposal of non-core assets, which we saw the press releases of, is that a trend which is going to continue? And do you have a target in mind of how much you wish to dispose to get it off the balance sheet?

And the second question, could you give a little bit of color around the risk management with the alliance with Heerema? Obviously you said that yourselves are not brought into any problems on the operational front, but that Heerema may suffer if they do, of course. Thanks very much.

Julian Waldron - Technip SA - CFO

Rob, thank you. On non-core assets, I don't think it'll change the face of our balance sheet. I saw a couple of notes earlier this week that talked of it of being marginal. And in pure financial terms, the things I think we have left to do will continue to be marginal.

I would, if I may, repeat or reiterate what I said earlier on. I think you can underestimate the distraction of some of these smaller entities, however small they are, whether it's in terms of trying to find work for a very old and not differentiated vessel, for example. And so the gains, I think, we'll make in management time are far more important and management focus are far more important than the financial aspects.

We have a few things left to do. I would not expect it to change the face of the balance sheet.



Rob Pulleyn - Morgan Stanley - Analyst

Okay, very clear. Thank you.

Thierry Pilenko - Technip SA - Chairman and CEO

Now, moving on to the Kaombo project and our alliance with Heerema. We are in a joint venture. Technip is the leader. 55% is Technip and 45% Heerema, which corresponds more or less to the scope of work of the two companies. So, obviously, we are together in terms of risk sharing according to that share, 55%/45%.

Now, one of the things we are doing with Heerema when we identify targets, is one of the first things we are doing is we sit down and we look at, of course, the technical scope, but also at the risk profile of a given project. And unless we are both comfortable and fully aligned together on those prospects -- we go ahead. Okay. It's only when we are absolutely sure that we have the same view of the risk and that we -- so we have been sharing quite extensively, over the past 18 months now, the way we are looking at risk on projects.

So sometimes we decide to go together. Sometimes, we will decide that this project is not a project for the alliance. But when we are together in a joint venture, we analyze the risk, yes, we look at the ways to mitigate risk together and we take the risk together. I hope that answers your question.

Rob Pulleyn - Morgan Stanley - Analyst

It does. Thank you very much, Thierry.

Thierry Pilenko - Technip SA - Chairman and CEO

Thank you. Well, thank you again for attending our conference call, and have a very good day. Thank you.

Julian Waldron - Technip SA - CFO

Thank you very much.

Thierry Pilenko - Technip SA - Chairman and CEO

Bye-bye.

Kimberly Stewart - Technip SA - IR

Ladies and gentlemen, this concludes today's conference call, and we would like to thank 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 should you have any questions or require additional information. Again, thank you, and enjoy the rest of your day.

Operator

Thank you for your participation in today's results' conference call. A replay will also be available by dialing 33-172-001-500 for France, or 44-203-367-9460 for UK and 1-877-642-3018 for USA, using the confirmation code 286681 hash key. The replay will be available for two weeks. Thank you and goodbye. You may now disconnect.

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