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PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's second-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, and with me are Julian Waldron, our Group CFO; Virginie Duperat-Vergne, Senior Vice President and Group 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 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 a transcript of today's call at Technip.com.

Please note that we will refer to adjusted numbers which are prepared as described in Technip's fourth-quarter and full-year results press release throughout this conference call. To ensure consistency and comparability, we will continue to provide forward-looking information on an adjusted basis as is used in Technip for management purposes.

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

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Kimberly. So during the call, we'll go over the main elements of the second-quarter results. Julian will cover the restructuring charge and I will comment then more on how we position ourselves. In particular, we are not going to go back over everything we said on July 6, but I want to start off with our strategy. Even in this difficult market, I think it's important for Technip to maintain its strategic developments, and we did that in the first half.

So moving to slide 3, first the alliance with FMC Technologies and the creation of Forsys Subsea joint venture is now up and running since June 1, with strong interest from our clients and well beyond expectation.

We announced a FEED contract for the Browse FLNG project in Australia, which I will expand upon later on during this conference call. We also pursued the rationalization of our fleet, not only divesting one vessel, the Sunrise, but also taking the full ownership of the Skandi Arctic. We will now have two state-of-the-art vessels of this type, to offer best quality, reliability and cost effectiveness in our diving and construction operations.

As I stated we would earlier this year, we are developing subsurface expertise at Genesis and through direct hires, but also third-party alliances, in order to offer a more integrated project development capability.

We also announced on July 6 a restructuring and reorganization of our business to drive cost savings and to put Technip on the front foot in the challenging environment. Technip's restructuring plan optimizes our footprint and asset base, with a decrease in workforce by approximately 6,000 of the 38,000 employees and EUR830m of cost saving by 2017, and we believe this will enable us to stay ahead of the curve.

And as our second-quarter result demonstrates, this plan is on track. We'll come back to that in a few minutes.

Now, back to -- specifically to the second-quarter results, in the second quarter Group revenue was strong, up 18% across the Group. Underlying operating profit increased by 17% and underlying net income by 11% year on year.

As with the previous four quarters, obviously the contrast between both segments continues, with subsea revenues up 26% and onshore/offshore up 12%. So Subsea continued to outperform, with good performance across our project portfolio. Onshore/offshore showed slightly better than expected revenue growth and their underlying profit was EUR53m.

The quarter closes with EUR1.5b of new orders, which translates into a backlog of nearly EUR19b, which I will discuss in more detail later during this conference call.

Before I pass you on to Julian for the financial highlights, I would like to go over in more detail -- go over the key operational achievements of the quarter, starting on page 4 with subsea. And as I said, the subsea segment had a strong second quarter with vessel utilization at 89%, which is substantially up from 68% in the first quarter of this year and compared to 88% a year ago.

In the North Sea, both the Deep Blue and North Sea Atlantic worked on Quad 204 for BP, while the Deep Energy completed its pipelay campaign on Kraken in Scotland, before mobilizing on the Prelude project -- for the Prelude project at our Orkanger spoolbase before transiting to Asia Pacific for the installation on Prelude.

In the Gulf of Mexico, welding was completed for Julia and Stones at our Mobile spoolbase, and the Deep Blue was remobilized on the Julia project for its third installation trip.

The G1201 was based in Malaysia, where she completed the installation campaign on Block SK316 and then was mobilized on the Malikai project.

In West Africa, engineering and procurement progressed on major projects such as Moho Nord in Congo, T.E.N. in Ghana and Kaombo in Angola.

Flexible pipe production now includes six pre-salt developments at our manufacturing plants in Brazil, our two plants in Vitoria and Acu, so six developments there.

And throughout the second quarter, subsea has demonstrated a very strong performance both with revenue up 26% and margin at 16% compared to 15.3% year ago. We are very satisfied with the progress made on projects across the world, which is setting up us well for the rest of the year, as reflected in our guidance.

Now turning to slide 5 for just a few onshore/offshore operating highlights, first engineering. Ramp up on the ammonia plant in Slovakia, while engineering and procurement progressed well on the sasol ethane cracker project in Lake Charles in Louisana, and also on the RAPID refinery and petrochemical complex in Malaysia. Equally in Malaysia, the superlift of the topside of the hull of the Malikai tension leg platform was successfully completed. This is a major achievement on this first tension leg platform in this area.

Construction ramp up on the Umm Lulu complex in Abu Dhabi and on the Juniper project platform in Trinidad and Tobago, while construction continued on the Ethylene XXI petrochemical complex in Mexico.

Another milestone was reached on the Burgas refinery units, which are now ready for startup in Bulgaria, so a very successful refining project.

Yamal LNG, the project continues to progress well. Engineering and procurement progressed according to plan. We have started to deliver the main bulk equipment to site and preparation has started for trains 2 and train 3. With good progress and favorable ForEx, as previously stated, Yamal will contribute over EUR1b to 2015 onshore/offshore revenues. And actually, I've just received the news that the first modules are leaving Penglai yard in China today, to be delivered as planned in September.

Now I turn you over to Julian, who will go over the financial highlights of the second quarter and cover some of the aspects of the related one-off charges. Julian?

Julian Waldron - *Technip - CFO*

Thierry, thank you very much and good morning, everybody.

So turning to the financials, I'll start with the Group financial performance on slide 7. Revenue was up for the Group 18.5%. Foreign exchange, and there's two currencies, notably the dollar and sterling, was positive this quarter for EUR282m, even if the mix of that revenue brought only a modest EUR17m impact at this stage to OIFRA. So growth with and without ForEx has been quite constant over the first two quarters of the year.

SG&A expenses were slightly down, more so on a constant currency basis. And by contrast, in accordance with our strategy, spending on R&D continued to increase. And underlying margins were stable year on year. Interest expenses, EUR20m in the quarter. And the remaining expense going through the financial income line was IAS 32 and 39 movements, largely.

The effective tax rate on the underlying earnings was 27%. There's nothing in particular to note here. And therefore, excluding the one-offs, underlying net income rose 10.5%.

So I'd like on slide 8 to cover the one-off charge, and I'm first going to start off, if I may, by recapping what we said on July 6.

So on July 6 we said that we would take a total one-off charge of EUR650m, and that of this amount we expected to take 80% to 90% in the second quarter. We indicated that of the charge, 60% would be cash and 40% non-cash. And although we will not, we did not and we will not give a breakdown, the charge covers the four main elements on the slide, so restructuring and severance, asset write-downs and impairments, other costs of the restructuring, including where the restructuring could have an adverse impact on our performance, and appropriate amounts for the onshore/offshore projects in that segment.

Now, turning to the second quarter, we've taken EUR570m in the quarter, which is just shy of 88% of the total charge. The remaining charge is largely severance and will be taken in the coming three to four quarters in accordance with IFRS, and very largely in non-current, and that will obviously be largely a cash expense. So of the EUR570m charge in the second quarter, 45% of that is non-cash and 55% of that is cash.

And in terms of accounting, the EUR570m in quarter two is taken to two line items in the P&L, and where they are positioned in the P&L is driven by accounting. I'll start with non-current.

Now, within non-current results are all charges that are, for example, direct severance, direct restructuring, the write-down of the vessels, charges linked to exceptional events like business closures or litigation, and this is in line with the definition of non-current that you'll find in our annual report and which conforms notably to IAS 1. Now, taken within OIFRA, by consequence, are all other types of charges which don't fall into that clear definition of non-current that we have.

Tax. There is a EUR92m positive tax effect on that charge. That's equivalent to around a 16% effective tax rate. And that rather low level reflects the locations of some of those charges and the associated local tax rates, and an initial maybe prudent estimation of whether we can use the tax losses in some jurisdictions within a reasonable timeframe. And so with the above in mind, reported net income was a negative EUR307m, and if you strip out those one-offs, the underlying net income was EUR183m.

If I can turn to slide 9 on cash flow, I'm going to make the following comments. Net cash at the end of the quarter was better than we expected at EUR1.41b. We expected a decline compared to the end of March and this happened, but we're still above the level at the end of December -- from the end of December 2014.

Working capital in the quarter was slightly positive, plus EUR53m. Net construction contracts moved in line with cash as we applied advances to projects. We said in February, and actually again in April and on July 6, that we thought working capital requirements would rise modestly this year. Although it's not been the case so far, I still expect it to be so. Notably, cash consumption will accelerate on Yamal and on other projects such as the subsea West African offshore campaigns.

We paid EUR89m of cash dividend in the quarter, and net CapEx was EUR85m after EUR58m in quarter one. So the EUR145m for the year to date is consistent with our full-year objective of net CapEx around EUR300m, and we're still actively working on divestment opportunities.

So I'm going to turn to slide 10, to the main elements of the restructuring plan. So I just wanted to recap the main elements of the plan announced on July 6. We target EUR830m of savings in total and we expect to deliver EUR700m of those in 2016 and the balance in 2017. The main savings will come from a reduction in the workforce, as Thierry said, by around 6,000.

We thought on slide 11 that it would be useful to come back on the cost base being addressed. If you look at the 2014 annual report, you'll see that cost of sales in 2014 was EUR9.9b and, of this, EUR5.6b is fully variable cost. It goes up and down with the projects we have as it comprises the equipment or the construction subcontracting, for example, that we need on projects.

And EUR4.3b is direct fixed costs. Now, you can find three of these elements in the annual report. You can find EUR2.3b of employee costs, EUR300m of leases and about the same amount of depreciation and amortization. And in addition to that, there's EUR1.3b of other costs, which notably includes the cost of contracted employees. It's this EUR4.3b of cost base, and that's the end of 2014 base on which we're working, which we expect to reduce as a result of the cost savings plan.

Now, within the EUR4.3b is also R&D, which was EUR85m last year. And as Thierry's said on a number of occasions, we do not expect to cut this, and in fact we will at least maintain or probably increase it.

Now a couple of elements in terms of progress on slide 12. Firstly, one of the vessels that will retire, the Sunrise 2000, is on her way to be scrapped as we speak. And secondly, looking at the workforce, over the first six months of the year our workforce has been reduced by 900, and this has accelerated into the second quarter, in fact. So we're very much on track on the cost reduction and restructuring plan that we've developed over the past months and increased during the month of June, and it's now in implementation across the Group.

Slide 13 to close. Slide 13 has got the objectives and the guidance. This is unchanged from July 6. I'd just like to make two comments on the quarterly split for Q3/Q4. In onshore/offshore, we would expect a slight weighting towards Q4 in underlying OIFRA. And in subsea, please remember that we have a much higher weighting of activity in West Africa this year, so Q3 and Q4 subsea OIFRA will be much more balanced than in previous years.

And with that, I'll hand you back to Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Julian. Now let's take a look at the backlog scheduling on slide 5 (sic - "15"). We have EUR1.5b of new orders in the quarter, which are diversified and balanced between subsea and onshore/offshore. This order intake reflects the key elements of our strategy: success in areas such as Brazil pre-salt where we have technology leadership with flexible pipe supply, and the US Gulf of Mexico deepwater where we have been awarded two EPCI projects.

Also part of our strategy is positioning in the early phase work for future projects, as demonstrated by our onshore/offshore segment order intake in the quarter, comprising of a FEED for the Browse FLNG project in Australia, which is going to be -- this FEED is going to be the basis for three FLNG units to be built after 2016. The revamping of an ammonia plant in Vietnam and a project management consultancy contract for the upgrading of the Basra refinery in Iraq.

So backlog is quite stable at EUR18.8b. Work scheduled for the second half of 2015 is estimated at around EUR5.3b, in line with our revenue objectives. 2016 has also improved and we have, for example, over EUR4.1b of subsea and EUR4.2b in onshore/offshore work booked for 2016. And I remind you that the JVs, such as the PLSVs, the long-term charters in Brazil as well as reimbursable and service contracts are not in the backlog.

Moving to slide 16, I wanted to revert to this slide, which was first presented for the fourth quarter 2014. So we continue to expand our portfolio of solutions. Our revenue streams across our segments are more diversified and well balanced.

Our business is approximately evenly distributed, as represented with EPCI and EPC projects, and new revenue streams in green such as the Basra refinery PMC, early-stage projects like Browse, Liuhua TLP, manufacturing with flexible pipes in Brazil, and EPCm such as the Libra FPSO conversion where we are giving E&P services. So this green part is a significant part of our revenues now.

Now, Brazil. Brazil upstream is a growth area and we are well positioned there. Petrobras has recently confirmed their commitment to push forward with their pre-salt development plans, which was a clarification that everybody was expecting. So Technip's leadership continues in this market, with more than 700 kilometers of flexible pipes awarded thus far.

Moreover, 19 additional FPSOs are scheduled to be installed by 2020 and 15 of these were already contracted by Petrobras to shipyards, thereby giving us long-term visibility for our business there. This already includes initial work for the major Libra field development operated by Petrobras.

Now, moving to slide 8 (sic - "18"), a comment on Browse. The Browse FLNG FEED awarded during the second quarter is actually a great illustration of our early involvement, capitalizing on our long-term alliance with Shell. It is by being involved early in projects like this that we can gain assurance that our backlog will remain of good quality.

So what is the scope of Browse? The scope is firstly a FEED for three FLNG units, taking into account the composition of the gas, local weather conditions and factors which are specific to each field. This contract was novated by Shell to Woodside, who are the operator on this field.

And then the second part of the scope for Browse is an EPCI of the -- an EPCI contract of the three FLNG units, which of course is subject to a client final investment decision. This investment decision could happen sometime in the second half of 2016.

So basically there are two elements in Browse. So this project associates the know-how for the design and construction that we have gained on the Prelude FLNG by our teams, and it demonstrates our ability to bring together a fairly unique combination of expertise from subsea to onshore, subsea floater and onshore.

On slide 19, we illustrate another key priority at Technip, which is to invest in technology to better anticipate the industry's challenges. And I know that during the second quarter, many of the sell-side analysts that cover Technip had the opportunity to visit our Innovation and Technology Center outside of Paris, where our R&D growth objectives were presented.

And the thing I wanted to highlight with Technip technology is we really aim at reducing overall project costs for our clients and Technip. I think it's quite important to realize that technology is there, of course, to reach new frontiers, but also to make sure that we reduce the project cost.

And looking now at the evolution of R&D spending, as Julian was saying, it has increased steadily and we plan to maintain or slightly increase our investment for the future, as we believe we have the right R&D themes not only to remain differentiated but also to reduce costs.

So moving to slide 20, in the first half of 2015 I think it's worthwhile reminding what the key strategic achievements were in this first half. First, as I said before, the launch of the Forsys Subsea joint venture and the alliance with FMC Technologies, to provide meaningful and immediate step change in project economics.

Secondly, pursuing our fleet rationalization and taking full ownership of the Skandi Arctic diving support vessel.

Third, continuing to broaden our portfolio with the integration of subsurface knowledge and expertise, and we have started to acquire this expertise with Genesis through internal hiring and third-party alliances.

And last but not least, we extended the perimeter of Technip Stone & Webster Process Technologies by adding all the refining, petrochemicals and fertilizers and LNG/GTL resources that we had spread around the Group, make sure that those are managed throughout the organization and through the portfolio of Technip Stone & Webster Process Technologies.

So now moving to slide 21, and to conclude, I think in spite of the challenging environment, it is important to drive through our restructuring plan, but while still maintaining our strategic direction. We will continue to invest in and expand our capabilities.

By having an earlier and broader view of projects, we are able to apply our technologies, lessons learned from other projects, intelligent standardization to optimize project returns. So clients across the spectrum, national, international companies, are responding positively to these initiatives that are truly aligned with their priorities, thus giving us confidence in our strategy.

Now, looking forward, we will continue to seize opportunities where we believe we are best positioned to deliver our industry's needs, reduce project costs and continue to create value.

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 question. Just a question which might be a little bit new. Could you maybe make a few comments regarding the opening of the Iranian market? Do you see some opportunities for Technip going forward and do you plan to become, let's say, a major player in Iran over the next five years?

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Guillaume, and good morning. I will make a few comments here. First, Technip has had a long history in Iran until, of course, the sanctions were put in place. And what we will be doing, as long as the sanctions are fully lifted, we will reengage with customers. And I believe this is a market that could represent something significant for Technip and our industry in general. But of course, we haven't operated and we will operate only when the sanctions are fully lifted.

Guillaume Delaby - *Societe Generale - Analyst*

Thank you.

Operator

Mick Pickup, Barclays Capital.

Mick Pickup - *Barclays Capital - Analyst*

Good morning, everybody. Couple of questions, if I may. Firstly, Julian, thank you for slide 11 on the fixed costs and variable costs. It's very helpful. I'm just looking at that, and if I look at the variable cost elements, obviously that's the one which is undetermined here, is there any reason to think that won't move with the revenue adjustments? I'm just looking at consensus, and by 2017 there is circa a 20% drop in revenues, yet that variable cost element from backing it out only falls by about 5%, 6%. So is there any reason why that would fall any lower than the revenue level, or any faster?

Julian Waldron - *Technip - CFO*

That variable cost should be directly linked to revenue. If we don't have a project and we don't have the revenue from a project, we do not have this cost. If we have an extra project, then we'll have extra cost. It will move directly in line with revenues, Mick, if that answers clearly your question.

Mick Pickup - *Barclays Capital - Analyst*

That is very clear, Julian. And second question, look, I think your message over the last few years has been the earlier we get involved with projects the less issues we have, and I noted a couple of weeks ago one of your clients on the Juniper project was moving it from a yard to another yard. I think that was one of the ones which Genesis got in very early in and it was one of your poster childs. Can you just tell me what's been going on there, please?

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, I'll take this one. On the Juniper project, we were effectively involved at a very early stage. Not only we were involved at a very early stage, but we redesigned entirely the project when the customer asked us to find a more cost effective solution. And so that redesign took about a year. We rebuilt an execution plan with the customer.

Now, during the course of the project, like things may happen from time to time, there were some difficulties on one yard in Trinidad which is one yard that was selected for the local content. This is only for the construction of the jacket, and with the agreement of the client we have identified a yard that is going to be capable of delivering this jacket. Now, the local content and the choice of the yard -- initial choice of the yard was the client's decision, to ensure that we had a proper level of local content.

So it has nothing to do with our ability to be involved at an early stage or the quality of the work that was done at the early stage. It is something that happens rarely, but can happen from time to time in a project where you have to de-scope a yard and give more work to another yard. So we have put the plan in action as soon as we saw the difficulties on this yard. And it's on the jacket only; it doesn't affect the subsea part of the project.

Mick Pickup - *Barclays Capital - Analyst*

Thank you, Thierry. Very clear.

Thierry Pilenko - *Technip - Chairman and CEO*

(Multiple speakers) side of the project.

Mick Pickup - *Barclays Capital - Analyst*

Thank you.

Operator

Jean-Luc Romain, CM-CICC Securities.

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

Good morning and thank you for taking my question. I would like you to update us on the contracts which are not in the backlog. That is your reimbursable contracts and the service contracts. How much of future revenue does it represent? And if you could indicate schedule for those revenues, that would be perfect.

Thierry Pilenko - *Technip - Chairman and CEO*

Julian, do you want to take this one?

Julian Waldron - *Technip - CFO*

Sure. Jean Luc, thank you for the question. So on the projects which are not in backlog, there are a few types of those projects. So first -- or projects and revenue streams. So first of all there's PLSVs on charter in Brazil, and from an accounting point of view those are not considered part of adjusted earnings so we don't have those in backlog. But as you know, those PLSVs are contracted quite well forward. So that's the first group.

The second group would be, for example, the construction work on Yamal, which is a reimbursable. It'll pass in large part through our books, so that's the construction and as well the logistics.

And then the third group would be reimbursable work, for example, on projects like the Rapid refinery and PMC work, and you've seen a number of PMC announcements, project management consultancy announcements. So Rapid again and the work in the Middle East that we announced during the course of this quarter.

So I won't cover the PLSVs, because you'll never see those come through the revenue stream. But there's probably around EUR3b of that Yamal, PMC, reimbursable services work which you will see over the next few years come through the P&L. Some of that you saw come through the P&L in quarter two, because there is some construction on site. Some reimbursable work and some services work on PMC is already coming through the P&L in quarter two, and there's around EUR3b odd left. Might be a bit more, a bit less than that, but that's roughly what it is.

Now, we don't book it in the backlog until it gets called off as a firm work order. That's the procedure that we have.

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

Thank you very much.

Julian Waldron - *Technip - CFO*

Thank you.

Operator

Mukhtar Garadaghi, Citi Investment Research.

Mukhtar Garadaghi - *Citigroup - Analyst*

Good morning, gentlemen. Just a very quick question from me. What proportion of your onshore/offshore backlog has come through early engagement?

And just staying on the same thing, has Prelude performed in line with expectations, both in terms of timing and margin? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

I'm not sure I can give a percentage, but I can take examples. You know Yamal was definitely -- Yamal LNG was definitely an early engagement because we worked with the client. We did a great part of the FEED and then an open book estimate and the risk analysis together with the client. This is how we defined the parts that were going to be lump sum versus the parts that are reimbursable, as described by Julian in the construction, as an example.

Projects like Ethylene XXI in Mexico is a very early engagement as well. Projects like Prelude, Burgas that we have just completed was a very early engagement. So I would say quite a few of the projects that we are executing at the moment correspond to a very early engagement where we have a good grasp of the design. And of course we did that on Prelude FLNG and the next big project that's coming with early engagement will be Browse FLNG, because the next year or so is going to be focused on going into the FEED and part of the more detailed design on the Browse FLNG.

Mukhtar Garadaghi - *Citigroup - Analyst*

Sorry, and just on Prelude?

Thierry Pilenko - *Technip - Chairman and CEO*

On Prelude?

Mukhtar Garadaghi - *Citigroup - Analyst*

Yes.

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, Prelude was one. Yes, of course.

Mukhtar Garadaghi - *Citigroup - Analyst*

Sorry, my question was has Prelude performed in line with expectations in terms of timing and profitability for you guys?

Thierry Pilenko - *Technip - Chairman and CEO*

Prelude is according to our expectation. Now, in terms of the production of the field and the full installation, I think this is something that is in really the client's responsibility, so we cannot really comment about first production and so forth. But this project has been well managed.

Mukhtar Garadaghi - *Citigroup - Analyst*

Thank you very much.

Operator

Phillip Lindsay, HSBC.

Phillip Lindsay - *HSBC - Analyst*

Yes. Thanks and good morning. The Assiut refinery in Egypt, in the release it suggests that Technip will provide support to ensure project financing. I'm just trying to get a sense of what exactly that support entails.

And I suppose related to that, we've heard a lot about other parts of the value chain being prepared to put more skin in the game, something that I think all companies are encouraging in this cycle. Clearly, for lump sum contracting this can be quite a dangerous game, but perhaps you could just discuss what options might be available for Technip.

Julian Waldron - *Technip - CFO*

Phil, thanks for the question and I need to be very clear on this. What we've done for our customer in Egypt is arranged for and helped the relationship between him and the export credit agencies in Italy, and it is those export credit agencies that will be providing the backbone of the financing.

So one of the things that Technip has always done, and it's been a particular strength of our Rome office and some of the teams in our Paris office, has been to arrange export credit backing and also provide the relevant information, technical information to support project financing. It is nothing more, absolutely nothing more than that.

So when you talk about skin in the game, please don't mix that up with our helping our clients on Alexandria or other projects to get project financing. That's part of our job for the last 10, 20 years is to help our clients do that. But it's a technical job not a financial job, if I can put it that way. Is that a clear answer?

Phillip Lindsay - *HSBC - Analyst*

That is a clear answer indeed. But are there any other --?

Julian Waldron - *Technip - CFO*

Just on Egypt, to come back, I think one of the important aspects of Egypt is it shows the range of things that we can offer customers early in a project lifecycle. So that's a refinery; the Midor refinery is one we know well. And we've been working with the client for quite a while now, both on the conceptual part of the refinery upgrade and, because the client wanted to secure project financing, how to approach in particular the Italian export credit agency and arrange those contacts and facilitate that to enable the project to get FID.

And again, I think that shows the different ways in which we can get involved early in projects to help first of all us get involved, but also simply to help the projects go ahead on the best terms possible for the client.

Phillip Lindsay - *HSBC - Analyst*

Okay. All right. Understood. Thank you.

Operator

Christyan Malek, Nomura.

Christyan Malek - *Nomura - Analyst*

Good morning, gentlemen, and thanks for taking my question. Just in the context of one of your largest clients, Shell's announcement of cutting their CapEx this morning, with that said, what is your outlook in terms of subsea and the margins? We've had several results so far talk about pricing getting more aggressive.

While you can't quantify necessarily the targets in 2016, what are the moving parts that make up the subsea margin next year? Obviously you've got backlog coverage and an EBIT for utilization, but can you give us a road map over the next 18 months, particularly given the announcement of one of your largest clients to cut CapEx so meaningfully?

Thierry Pilenko - *Technip - Chairman and CEO*

First I'll take the Shell part and maybe we can dive a little bit more in -- qualitatively in the margins. It's not quite surprising that our clients are saying that, and particularly a client like Shell who's in the middle of executing a very important merger, that they are talking about extracting the synergies and reprioritizing the CapEx. So I think we're going to see a phase during which there will be this reprioritizing, particularly in light of a much broader portfolio thanks to the BG assets.

But at the same time, and without being extremely specific about what we hear in terms of subsea development for Shell in particular, what I can tell you is that the strategic momentum in places like Brazil for companies beyond Petrobras, like Shell or Total, on a field like Libra, and I'm just coming back from Brazil, the strategic momentum is intact and it's very strong. And in fact that corresponds to something that I think is maybe, I wouldn't say quite new but -- yes, it's new in the market.

We start to see a trend where the mega fields are really being worked up. When I'm talking about the mega fields, I'm talking about fields that represent large reserves. And many people have been talking about offshore slowing down dramatically, of course, on the back of a slowdown in the North Sea, some projects in the Gulf of Mexico and so forth. But I think what I start to see happening is that when you have very large reserves, clients are really starting to look accurately at how to develop those reserves. And that of course applies to, for example, Libra in Brazil, but also the gas development in Mozambique, for example.

So I think probably over the next few years, we're going to see two things. First, focus on the very, very large resource areas. When you have tens of TCFs of gas, nobody will be overlooking that. And the second thing is looking at solutions to exploit or produce very marginal fields with, for example, very long tiebacks and very long pipelines where we're going to see heated pipe-in-pipe, for example, that could be applied. In fact, many of the projects that we are working on with Forsys Subsea at the moment involve this type of technologies where we are trying to bring additional production to existing platforms and facilities through these long tiebacks and the right subsea equipment.

So I think I'm not surprised about the reprioritizing and the numbers of CapEx reduction. So probably going to see more tweaking or even more than tweaking before the end of the year from our clients, but at the same time we see that reprioritizing that I was talking about.

Now, Julian, do you want to talk about subsea beyond 2015?

Julian Waldron - *Technip - CFO*

Yes, I'm more than happy to talk about subsea beyond 2015 in anything other than the numbers, as Christyan -- as you said and as you expect. I think there are two things that I'd like to say for the medium term in subsea.

On the one hand, there continue to be new projects awarded. They may not be in the same volume as in 2014, which let's remember was absolutely a record year for the industry. But if you look in the second quarter, there's two EPCIs in the Gulf of Mexico. And for us anyway -- it doesn't affect all of our competitors in the market that the volume of flexibles in Brazil seems to offer very long-term visibility. So I think that's one aspect that shouldn't be forgotten.

And I think for us, if I look out beyond 2015 into 2016, 2016 in terms of installation is going to be a very heavy year for us in a number of regions. So we have projects pretty much everywhere we operate, whether that's West Africa, Gulf of Mexico, North Sea or Asia Pacific. And if you look out beyond 2016, if you look at major projects like Kaombo, like Bangka, like Asgard, you can see a number of our major projects have installation campaigns which go beyond 2016.

So I think, not wishing to detract from everything we said on July 6 and the actions we took then, there is a backlog at Technip that goes out beyond 2015 and indeed in some aspects beyond 2016 as well.

Christyan Malek - *Nomura - Analyst*

Just to follow up on, you haven't talked about Middle East or the onshore opportunities there. Are you -- clearly pricing can be quite aggressive there. What's your strategy against a backdrop of arguably projects being sanctioned over the next 12 to 18 months?

Thierry Pilenko - *Technip - Chairman and CEO*

Well, I think we -- our strategy is not changing with the Middle East. Our strategy is to go after projects where we believe we have differentiation, and certainly not go into price wars to obtain projects. So the Middle East is an area where -- and there are two main areas in the world where we can see a better visibility on onshore projects. One area is and has always been the Middle East. The other one is onshore US. It's a simplification, but it's onshore US.

So our plan for the Middle East and our strategy hasn't changed, which is we will focus on the projects where we think we can have differentiation and value, and we are not going to get into the market share war in the Middle East. But we have recently reorganized and refocused the organization so that we can be more effective in the project division in the Middle East by making our Rome office, which has a very strong track record in the Middle East, responsible for future projects there, but our strategy overall is still the same.

Christyan Malek - *Nomura - Analyst*

Brilliant. Thank you very much.

Operator

David Farrell, Macquarie.

David Farrell - *Macquarie - Analyst*

Hi. Good morning. I've got a question on Brazil. If you look at page 17, obviously the amount of FPSOs being delivered out to 2020 in 2015, 2016, 2017 has come down. I'm just wondering, with regard to the PLSV business, is there any chance that there will be overcapacity in that business for Petrobras as a whole, given the way the PLSVs are coming in the next couple of years? And if so, what action could they take? Thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

All right. Well, it's actually a good question because, as you know, Petrobras has ordered a fairly large number of PLSVs and we are watching this market very carefully. What you need to take into account also are the number of PLSVs that are existing in this market, because the reason for which Petrobras ordered so many is because they had a real age profile problem with existing assets there. And what we see at the moment is that a lot of the older assets are being retired as the new assets are coming in.

As far as Technip is concerned, we have one asset that is leaving Brazil now and is going to be scrapped, as Julian was saying, which is the Sunrise 2000. This vessel is actually out of the market right now and sailing to the scrapping yard. There is another vessel that will be retiring in the next few months. And our competitors are doing the same, because quite a few vessels are reaching their useful lives and they're going to be scrapped as well.

So we reviewed the situation with Petrobras last week, actually, when I was there with them, and it still looks like there is a good balance between the supply and demand.

Now, one strong advantage that Technip will have in case, say, beyond 2020 there is slower demand, which it's too early to tell obviously today, one strong characteristic that we have in our fleet there is that we have already two Brazilian flag vessels in operation in Brazil and by 2017 we'll have another two which are currently under construction. And these vessels are going to have priority because they have been built in Brazil. So in case of overall fleet reduction from Petrobras these vessels would be protected, which is a very important element in our PLSV strategy.

Does this answer your question?

David Farrell - *Macquarie - Analyst*

Yes, thank you very much.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Thanks.

Operator

Andrew Dobbing, SEB.

Andrew Dobbing - *SEB Enskilda - Analyst*

Yes. Good morning. Can you provide some updated color on your cost reduction opportunities, or I should say cost reduction opportunities in general for subsea developments? I know you guys sometimes do analysis looking at how new technologies and designs can support cost reductions. And perhaps if you were to redo some of your historic projects now, what differences in cost savings you could incorporate. Any specific examples would be very useful. Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

All right. So since, and actually before even the creation of Forsys, we have looked at how to reduce our customers' costs. First it was just on the Technip scope and obviously, since we have the alliance with FMC and the creation of Forsys, we've been able to put the teams together and analyze the bigger scope, and the response from customers has been pretty strong.

In fact, we have seen over the past few weeks a number of customers, whether they are international oil companies, national companies, large or smaller independents, coming to us and coming to Forsys and saying not only they want to understand what we can reduce in terms of cost in the projects that they are already -- that were almost ready to be sanctioned, but also they are bringing new projects that were at the limit of their economic model, that were really on the cusp, and they were excluded from the current portfolio.

And the response has been very strong because -- and I think this is the area. Of course, we talk about what we can control and the costs that we can control, our internal costs, the cost of the supply chain, to enable projects, but really the biggest element of savings that we can achieve is when we get involved early. And you know the savings that we described on projects that we analyzed together with FMC in the past, we talked about 25% to 30% savings. We can find them on future projects by putting our teams together. So this is the order of magnitude of what can be extracted from the -- or reduced on the project cost.

Andrew Dobbing - *SEB Enskilda - Analyst*

So you think there's real opportunity for this to support potential FIDs going forward on subsea development projects maybe this year or next year?

Thierry Pilenko - *Technip - Chairman and CEO*

Absolutely. And what we said is that we would have -- we expect to have -- we have an objective to have at least one project before the end of the year. And the fact that we are bundling SDS and Surf and that we are addressing that at an early stage, reducing the number of interfaces, this is really saving costs across the board and our clients are reacting very, very positively to that. But it takes time, of course, to identify the project, work it up and then get the final investment decision, but this is moving.

Andrew Dobbing - *SEB Enskilda - Analyst*

Thank you very much.

Operator

Rob Pulleyn, Morgan Stanley.

Rob Pulleyn - *Morgan Stanley - Analyst*

Yes. Good morning, gentlemen. Rob Pulleyn from Morgan Stanley. Just to change tack a little bit, and it's slightly conceptual, but I'd like to ask -- is that given what we know now about the oil price environment and obviously now that those external observers can see the arrangement with FMC, would you still have been interested in CGG if you'd have known this when you initially approached them quite some time ago in a very different oil price environment? Would the geoscience capabilities that they have still be of interest in this environment, or would that have -- or would this have made it less interesting? Thank you very much.

Thierry Pilenko - *Technip - Chairman and CEO*

All right. Well, Rob, we turned the page on CGG. But in terms of the overall strategy, we strongly believe and I would say today even more than before, maybe, that having subsurface capabilities to have the full understanding of the reservoir, the well and the subsea system and the platform is a key element to reduce cost and improve production efficiency. You cannot talk about production optimization if you don't have the full picture. You cannot talk about reserve optimization in an environment that is constrained by the production system.

So this is why since the beginning of the year, we have been working with our Genesis affiliate to identify the key resources that we need to have to bring subsurface and reservoir and well understanding into the picture. In fact, when we launched Forsys, some of our clients' reaction was oh, yes, now we truly see where you're going and we understand that to be a stronger partner to the major operators you also need to have skills in the subsurface environment. So in terms of strategy, it is very much there.

Rob Pulleyn - *Morgan Stanley - Analyst*

Okay. That's very interesting. I'll hand it over. Thank you.

Julian Waldron - *Technip - CFO*

And Rob, as you can see just on slide 3 of Thierry's speech, we have actually tangibly started to progress that through Genesis.

Rob Pulleyn - *Morgan Stanley - Analyst*

Okay.

Operator

James Evans, Exane.

James Evans - *Exane BNP Paribas - Analyst*

Morning, and thanks for squeezing me in. I've got a question on LNG, actually. Now, given you've worked on FEEDs I think in almost all of the proposed regions for projects, US, Canada, floating LNG, and obviously your positive comments on East Africa, I just wondered, how do you think Browse or any floating LNG project of scale sits on the cost curve over the next couple of years given maybe some of the cost moves we'll be seeing in the sector? Thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

I think it's a very good question. And I believe floating LNG is still a very attractive solution in areas where you have very high cost for a traditional LNG for -- like, for example, Australia. And this is why of course we are doing the exercise not only from a technical standpoint on the Browse FLNG but also on the cost standpoint, because the FEED is going to be working on both technical and cost. And this is still very -- we believe very competitive with onshore developments because of the cost in Australia.

Now, in the case of Mozambique, for example on the Coral FLNG and so forth, I think here this is more the remoteness and the lack of resources and the lack of infrastructure at this stage. So actually, in that case, floating LNG is actually the fastest route to monetize gas.

Now, when you have such a large volume, of course over time our clients will want to construct permanent facilities onshore as well. But if you are constrained by schedule and you want to be sure about the delivery, the timing, the best way and the most economic way is floating LNG. And that's why I think ENI are very seriously considering floating LNG as an option for their Mozambique development.

James Evans - *Exane BNP Paribas - Analyst*

Brilliant. Thanks very much.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you.

Julian Waldron - *Technip - CFO*

Thank you very much indeed. Kimberly?

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 are invited to contact Technip's investor relations team should you have any additional questions or require additional information. Once again, thank you and please enjoy the rest of your day.

Operator

Thank you for your participation in today's results conference call. The replay will also be available by dialing for France 0172001500, for UK 442033679460 and for USA 18776423018 using the confirmation code 294956 hash key. The replay will be available for 90 days. Thank you and goodbye. You may now disconnect.