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PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's third quarter results conference call. As a reminder this conference call is being recorded. At this time all participants are in a listen-only mode. Later there will be a question and answer session.

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. Sir, please go ahead.

Thierry Pilenko - Technip SA - Chairman & CEO

Good morning, ladies and gentlemen, and thank you for participating in Technip's conference call today. I'm Thierry Pilenko, Chairman and CEO of Technip and with me are Julian Waldron, our CFO; Arnaud Real, our Deputy CFO as well as Kimberly Stewart, Apollinaire Vandier and Chuan Wang from our Investor Relations team.

I will turn you over to Kimberly who will go over the conference call rules and Julian, who will go over the third quarter 2012 operational and financial highlights. 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 hand you over to Julian.



Julian Waldron - Technip SA - CFO

Kimberly, thank you very much and good morning everybody. Thank you for being with us. I'll go over the operational highlights of the quarter and I'll start on slide five with the Subsea order intake.

There was no standout contract in the EUR1.2b order intake for the quarter, although the North Sea continued to be the standout region. The largest contract in the quarter was the Greater Stella development which is around EUR180m. The backlog stands now at just over EUR6b.

On the next slide, on Onshore/Offshore, the order intake was larger at EUR1.6b and included two more important contracts. The Ethylene XXI complex is a project on which we've been working for some while now in the FEED phase and on which Technip's proprietary technology is also being used. And we've now converted that FEED into a large EPC scope.

The Upper Zakum EPC is the first EPC to come out of that development is smaller. It's about \$400m, but is the first EPC contract for this development and as you know, we've also been working through our -- with Abu Dhabi office on the FEED for that project for close on 18 months now.

So both contracts show that our strategy of getting involved early in projects and looking to tie where we can into technology-rich projects gives us an excellent opportunity to move into larger scopes even in the more competitive markets such as the Middle East.

If I turn now to operations on slide seven, with Subsea first, no standout contracts in terms of project or in terms of revenue and profitability this quarter. We continue to make reasonable progress in the North Sea to catch up on the difficult 2011 weather. We are now entering the most sensitive phase of the year in this respect and our vessels we would expect will continue to work through most of the last quarter, weather permitting, to finalize the catch-up.

Vessel utilization in the quarter was 77% for the fleet as a whole and the underlying split between what I call the ex-Technip vessels and the ex-Global vessels was similar to in Q2. And we were a little above 50% utilization for our S-Lay vessels in the quarter.

Revenue overall was ahead of our expectations. The margins were in line. Strong revenues means that we'll be above our revenue expectations for the year as whole and Thierry will come back to that at the end of the presentation, although I do note that some of the revenue comes from either the North Sea weather situation that I noted earlier, or from the early stage of some of the multi-year projects which we've taken over the last 12 months on which we're recording the first stages of revenue, but as you know, minimal, if any, margin. We've got no large Subsea projects concluding in quarter four.

Slide eight, Onshore/Offshore operations, our projects continue to move forward. The Lucius Spar is moving well through fabrication. We hosted a press trip to the site last week and in 2013 looking ahead, we'll be looking to invite investors and analysts in spring 2013 to [Porin].

We've started steel cutting on the Prelude FLNG. That was formalized at a ceremony last week and we've also kicked off a number of FLNG studies, including, for example, for GDF Suez on the Bonaparte development. We also ramped up activity on some of our newer projects such as Burgas.

Revenue was in line. The margin held up well and for the full year we'd expect to be, although at the bottom end of the guidance range in revenues, towards the upper end now for margin.

Group financial highlights on slide nine. Subsea, as I have noted earlier, drove the strong revenue growth of the Group. Foreign exchange though was also positive for about EUR120m of revenue and EUR30m of profit. Revenue growth, therefore, would have been about 16% without currency, the operating margin though unchanged. The US dollar was the strongest currency, although with the exception of the Reais, for example, and the rupee, most currencies were positive during the quarter.

Depreciation and amortization was around EUR50m which is in line with the run rate after the acquisitions. And the operating margin ticked back above 10% after being just below 10% for the first two quarters of the year.

Underneath operating margin we took another tranche of acquisition costs on Stone & Webster, with the remaining couple of million I think taken in Q4 and we'll start to strip out the restructuring costs over the next two quarters. And we noted in the press releases on Stone & Webster that that will be about EUR7m in total.

The tax rate was a bit lower, 30% run rate and that just reflects the tax rate in the entities where, at the moment or in the quarter, we were recording our profitability.

Turning to the balance sheet and cash on slide 10, net cash at the end of the quarter was EUR184m. CapEx was EUR110m. There was the EUR229m acquisition of Stone & Webster. Employees and stock options contributed close to EUR100m of capital and foreign exchange and other impacts were negative. There was a small negative impact on working capital of just EUR23m.

I'd note that despite the strong increase in backlog, we are seeing I would say normal upfront payment structures at the moment. And seeing as we do have a backlog that is heavily skewed towards Subsea that means that upfront payments are probably less at this stage than they've been when the business was much more Onshore-driven. This looks like an industry trend to us.

Last thing on the cash on the balance sheet, we undertook to update you on where we expected our CapEx to be for the year. Our current estimate is for around EUR500m of CapEx.

CapEx spend is important as we have two vessels, the Deep Energy and the Deep Orient and the Acu factory, our second flexible pipe plant in Brazil, which enter service towards the end of 2013 as well as some smaller upgrades like, for example, the steel tube umbilical plant in Newcastle. We'll be spending time over the next quarter during the budgeting process to plan the ramp-up in '13 and '14 of these vessels and plants.

We'll need to invest in a strong hiring and training campaign particularly for the manufacturing facilities to ensure we've got a qualified workforce to produce the high spec pipes that we plan to produce notably in Acu.

Looking forward on slide 11, as we've said a couple of times over the last two or three weeks, we think we continue to operate in a positive business environment. I think we're no different to other players in our industry in that respect. Tenders continue at a good level in pretty much every region and as you can see from our backlog evolution, the rhythm of project awards remains good overall.

We've stressed in the past and we continue to stress that guessing the timing of individual project sanctions remains extremely difficult in the current environment. We've got projects which take a long time to move from a soft award if you will through to sanctioning phases and projects which even if sanctioned by the partners, then take a number of months to move between award and contract signature. And our strategy has been and will remain to focus on a wide range of contract types and to remain as geographically diversified as we can.

And to conclude on slide 10 (sic - slide 12) looking at backlog visibility, we've not only a very strong record backlog today, but we have also one which offers a long visibility. As we highlighted in the press release, we're booking projects whose duration is very long and for the first time that we can trace anyway, the volume of business booked for execution two or more years out, is equal to the forward year one. And this is particularly striking in Subsea. We've got good long-term visibility for our workload now.

It does mean that the revenue and profit recognition on these projects is much more back-end loaded than in previous cycles, in the case of Subsea in particular. And for many of the projects that we've been taking this year, the installation phases, which are critical phases as you know for margin recognition, are 24 to 36 months into the future.

With that I'll turn it back to Thierry to talk about strategy and outlook.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Julian. Turning now to slide 14, we have actually made significant progress on our strategic roadmap in the past couple of months, with the completion of two strategic moves.



Firstly, we are pleased to welcome new members into the Technip team with the completion of the acquisition of the Stone & Webster Process Technology business. We have -- since the acquisition has been completed, we have now combined it with our Technology unit into a worldwide organization of roughly 1,200 people, dedicated to providing our clients with the best range of technologies for downstream applications, with engineering offices in North America and Europe and commercial presence in key regions.

This new entity is built around differentiating technologies in refining, hydrogen, ethylene, petrochemicals and GTL and it offers licenses, high-end engineering services and proprietary equipment. And we expect that it will generate around EUR400m of revenue on a pro forma basis once we combine the ex-Technip and ex-Stone & Webster teams.

This reinforces Technip's position as a technology provider for the downstream industry. We had very positive feedback from our clients so far and it should expand and diversify our Onshore/Offshore segment with revenue stream from the high-end proprietary solutions. This is also a very good way to strengthen the relationship with our clients, with a presence at a very, very early stage in their projects.

So as you can see on slide 15, we are now leaders in almost all the technologies we have in our portfolio, either on our own or through alliances with at least a top three position worldwide across the board. Obviously, the most evident market for us is ethylene, which is benefiting from the new wave of investment, particularly in North America, but as well as Asia and Latin America. In fact, around 35% of the ethylene installed capacities today, current capacities, are designed with Stone & Webster ethylene technology, so that's about 120 plants. And if we take Technip only over the past 10 years, we've been either delivering or working on seven plants worldwide in EPC phases.

We recently won a variety of ethylene contracts across continents; in India with Reliance where we have a license and detail engineering, in Mexico with the Ethylene XXI EPC project that Julian was referring to before and also North America with Chevron Phillips Chem, a FEED on a cracker on which we are currently working which is probably going to be turned into EPC sometime in 2013. And then in Brazil on the Braskem Comperj petrochemical complex licenses.

So the strategy is moving forward. It's winning at the very early stage licenses and detail engineering.

We also have a leading position through a joint venture, the Badger joint venture. The joint venture is called Badger. It's a joint venture between now Technip and Exxon Mobile in petrochemicals. And we also have a strong position in RFCC and DCC technologies to convert gasoline from fuel oil.

Longer term, we also see very interesting prospects in GTL, mostly in North America and in Central Asia in particular.

So the second strategic initiative that we announced since the last results, recently announced, is the commercial alliance we signed with Heerema Mining Contractors. This alliance -- so it's Technip's strategic objective to broaden our portfolio of capabilities in Subsea, building on our CapEx program and last year's acquisition of Global Industries to cover environments from ultra-deepwater up to shore. We have already started targeting projects with Heerema for which we believe the first successes are expected in 2013/2014 with offshore installation phases in 2015 and beyond.

The alliance also fulfills our mid-term requirement for high-tension vessel capabilities that, as you will recall, we had said that we would make a decision before the end of the year about high-tension capabilities. And this alliance is helping us move in the right direction.

Ultra-Deepwater projects are expected to be the fastest growing part of the Subsea market over the next several years. For example, the Ultra-Deepwater in-fill pipelines are forecast to grow at a yearly pace of more than 15% between today in 2012 and 2017.

So these developments generally represent today significant challenges both in terms of size and complexity for our clients. And with the alliance of Heerema -- between Heerema and Technip we will be able to address them because of our extensive project management skills and excellent execution track record of both companies. [Sim] design optimization and solution supplies for high-pressure, high-temperature or highly corrosive hydrocarbons for which we have the right solutions. And, of course, deeper water and higher pipe tensioning installation vessels, which we have as an extended fleet available to our client.



So, in fact, as an illustration, on slide 19, we are showing that with a combination of Heerema and the acquisition of Global Industries last year, we have Rigid Pipelay solutions that cover everything from Ultra-Deepwater to Shore, with S-Lay, Reel-Lay and J-Lay, as well as Heavy Lift installation capabilities.

If we add to this the qualification of flexible risers and flow line for 3,000 meter water depth, like what we are doing in Brazil, now Technip has the technologies to provide the broadest portfolio of deepwater pipeline solutions, whether rigid or flexible, so the broadest solutions of the market. So these particular initiatives are reinforcing all our segments Onshore, Offshore and Subsea.

And are -- going back now to our backlog, you can see that our backlog has been growing constantly and has now reached a record of EUR13.5b, which, as Julian said, gives us good visibility and has a good diversification between our segments and by geography.

Now, moving to page 21, and based on the good results of the last three quarters, you will notice that we have slightly increased our 2012 guidance. And now we believe we will deliver for full year 2012 a revenue towards EUR8b. I remind you that, formerly, we were guiding for EUR7.65b to EUR8b. Now we are closer to EUR8b.

Subsea revenue is also increasing in our guidance and should be at least EUR3.8b. It was formerly between EUR3.35b and EUR3.5b. So a good performance, particularly in the last quarter in terms of revenue generation and good visibility. So we should have an operating margin, again, that we confirm at around 15% for the Subsea business.

Onshore/Offshore revenues should be around EUR4.3b, at the lower end of the bracket that we have given before but with an improved operating margin, which should be between 6.5% and 7%. We have guided before for 6% to 7%. Now, given the visibility over the next quarter, we think we'll be landing between 6.5% to 7%.

With that, I would like now to turn the call over to participants to answer the questions you may have. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We have a first question from Alex Marie from Exane BNP Paribas. Please go ahead.

Alexandre Marie - Exane BNP Paribas - Analyst

Good morning, guys. Thank you for taking my questions. I've got a few. First of all, on Brazil we see Petrobras starting a new cost-cutting drive. So I was wondering if you see any risk of further delays to projects there in Brazil.

And again on Brazil, I know you were in the process of qualifying the Asiaflex plant for Petrobras, so can you say where you are in that process?

And one question on Onshore as well. I see in your press release that you're starting the pre-commissioning for Dubai in Saudi Arabia. Do you think you're still on track to meet the schedule of closing this project in Q2 next year?

And I remember at the time when you took the project you were commenting that margins embedded in that project were probably lower than your average Onshore margin. Do you still think this is the case? Thank you.

Thierry Pilenko - Technip SA - Chairman & CEO

Okay. Well, thank you, Alex. Lots of questions and all interesting questions.



First of all, in Brazil, the cost-cutting program of Petrobras, I think, is based on the visibility that they have of their projects and looking at some of the projects that have slipped in time, particularly, the delivery of the FPSOs. But as we always said, our plan in Brazil was based on our own analysis of the projects and of the capabilities and capacity that we would bring to Brazil. And as far as we are concerned, for the projects that we are working on, particularly the projects, the CapEx-driven projects, we have seen no change because we have taken a much more conservative approach on the growth than what our client was telling us.

So, now it doesn't mean that we are not going to see some pressure going forward. But at the moment, we still see Petrobras, in particular, looking for high-end solutions and for a company that are capable of delivering the large projects that they're talking about for putting the press out into production. So, as far as we are concerned, our view of our own business in Brazil is not changing.

Second question about qualifying Asiaflex, we are still working on it. So Asiaflex is actually full now. And we are working on bringing additional capacities through improvement of productivity in Asiaflex. But we are on the right track there.

Now, as far as Dubai is concerned, the project is -- has progressed extremely well. I think our team has done a great job here. We never comment on margins on a project-by-project basis. And we never comment on when the project is going to be completed because, you know, we have only have one part of the refinery. So I'd rather have my clients comment about when they plan to put the refinery in production. And we have an important part, but it's only one part of the refinery. So -- but this project is on track.

Alexandre Marie - *Exane BNP Paribas - Analyst*

Okay. Thank you.

Operator

The next question is from Fiona Maclean from Merrill Lynch. Please go ahead.

Fiona Maclean - *Merrill Lynch - Analyst*

Thanks. Yes. It's Fiona at Merrill Lynch. I have two questions.

Firstly, I was interested in trying to get a better understanding on the Heerema transaction and specifically why you have chosen just to have this agreement for a five year period. Normally, with these other partnerships, they do tend to be open-ended so I'm very keen to get a clear understanding there.

And then secondly, sticking on a strategy aspect, we've seen a lot of corporate activity from Technip this year. Can you give us an indication of what you expect to be concentrating on a bit more next year? Is it still going to be very much on acquiring new intelligence and expertise into your business, or are you just going to be fully focused on operations or winning backlog or moving into new countries? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Fiona. Two good questions.

First of all, the Heerema alliance is a worldwide alliance. And it is five years, during which we will be concentrating on what we call the win it. Getting projects and winning projects. And if we look at the projects that we have on the radar screen for the next two to three years, projects that are going to be sanctioned, we can see that there is a new wave of projects in very deep -- ultra-deep water, or projects that require very high-tension capabilities. So it made complete sense for us to provide everything from deep-water to shore with a complementary fit.



During the next five years, we are going to be focused mostly, but not exclusively, on winning the projects. So many of these projects will just actually extend way beyond the five year agreement. And, of course, if after five years, or during the five years, we realize that these agreements make sense to be extended also on the winning side beyond the five years, we have all the flexibility to do that. But, at this stage, we give us enough time to evaluate what type of projects can we win and how we can work together before we talk about open-ended.

I think it's a matter of discipline between the two companies to make sure that we are very focused exclusively during that period and -- on winning projects and start delivering projects. But, of course, some of them will go way beyond 2017.

Next year, well, it's a little bit early to talk about next year. But, obviously, as you can see, we have done two important acquisitions over the last 12 months. Global Industries and then Stone and Webster Process Technologies. And we bought Cybernetix which is a smaller acquisition, but very rich in technologies. And we have the Heerema alliance in a market which is growing across the board in all our segments.

And so the priority of the Group is to target profitable growth and to integrate the companies that we have bought, or to make -- and to make the alliance work. So main focus is about integration, delivery and targeting the right profit in the right projects.

Fiona Maclean - *Merrill Lynch - Analyst*

Okay. Just one last quick one for Julian. Can you just give us a bit of clarity on why your CapEx guidance has gone up over the quarter for the full year?

Julian Waldron - *Technip SA - CFO*

We're trying to make sure that we get our assets, firstly, on time and, secondly, if we can, bring them available to us earlier than scheduled. And one of the ways to do that is to change the profile at which you spend and spend earlier.

Secondly, we have added some CapEx programs this year compared to what we planned in January, February. Some of that around logistics. Some of that is around, for example, installation equipment in the North Sea some of which is project related. Some of it is related to the equipment that we want to put onto vessels that we've taken out on long-term charter. So there's a range of things, but I think, probably, the most important is the phasing of how we spend on the acquisitions -- how we spend on the new investments.

Fiona Maclean - *Merrill Lynch - Analyst*

Okay. Thank you. That's it from me.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Fiona.

Operator

The next question is from Geoffroy Stern from Cheuvreux. Please go ahead.

Geoffroy Stern - *Cheuvreux - Analyst*

Cheers. Good morning. I have a couple of questions please. The first one, based on your backlog in the Subsea business and the visibility you have at this stage, could you make some qualitative comments for margin going forward?



And the second question I have relates to the type of visibility you have for your engineers, especially in the Onshore-Offshore business?

And finally, if you could share with us your view on the Australian LNG market going forward? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Would you like to take the first question, Julian?

Julian Waldron - *Technip SA - CFO*

Sure. Good morning, Geoffroy. Thanks for the questions. I always think giving qualitative comments forward looking is as difficult as giving quantitative. So I think we will do as we said, which is to come back to you in February '13 with more comments on forward-looking.

The only points that I wanted to call out in my comments earlier in this call and they were, in fact, called out very much in the Heerema release last week, is that we need to plan the investments we need to make for the start up of the two vessels Deep Orient, Deep Energy and, in particular, Acu. And because those are new assets for us, particularly the Acu plant, we need to invest to make sure that we've got the right people and the right training.

And the second is the backlog in Subsea over the last 12 months has moved from being small short-duration contracts to being larger long-duration contracts, with the installation phases further out and, therefore, the revenue and margin recognition on those is different to a project with nine-month duration. How all that comes through in '13, that's something we'll talk about in February. Those were the only two qualitative comments that I wanted to make, both last week with the Heerema announcement and again today.

On visibility on engineering, I think one of the things we tried to do in our press communication is to highlight the FEEDs we take now. We do that for two reasons. One is because, as you know, our strategy is to take FEEDs and then to look to see if we can't move those into larger scopes. But it also gives you an idea of the workload that we have for engineers across the Group. And I think I would say that our people, our engineers, our engineering teams are very busy in all of our centers. And that we continue to be a Company that's hiring to meet workload, and to meet a workload that's visible in terms of FEEDs and engineering work for quite a good period of time. So our issues are much more getting the resources, getting the right quality and quantity of resources than anything else.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Yes. If I may add to Julian's comment? We are recruiting and developing people in all of our centers. We are growing across the board. But, obviously, we are ramping up much faster in Asia and the Americas, as we speak. And we are growing actually where the resources are and where the projects are and where our clients are also asking for more and more national content. So growing in many Asian countries where we are also winning projects. Growing, obviously, in North America through acquisitions or through natural recruiting.

And I'll take a couple of examples of things that we've been doing to strengthen our teams even if they don't seem material compared to the 10,000 people we have added since 2007. But, for example, we have announced an acquisition in Brazil of a small group of about 80 people, a little bit more than 80 people, who are going to join our Genesis Group to work on Subsea engineering. Very highly qualified people that will be supporting not only Petrobras, but also the newcomers in Brazil, so becoming stronger with a very high-end engineering.

We are also doing thing in Europe. For example, as we see the need for Portuguese speaking engineers in Brazil, in Angola, in Mozambique, we have started a very active and successful campaign to recruit and develop an office, a new office, in Portugal. And we've been able to recruit very highly qualified people, particularly naval architects and people who can help us in the Offshore and in the Subsea business.

So these are just two examples, but we have seen an acceleration over the past couple of years in our headcount numbers. And we will continue to recruit actively because all our engineers are busy. But we have the resources to respond to the client demand and the ability to recruit more.



Going to the Australian LNG market, well, I think you have all seen some of the, either delays or cost overrun that happened with the onshore LNG. And our view is that, of course, these projects are going to be going ahead -- continue to progress and are going to be completed. But there is more and more realization that for some projects, future projects, floating LNG could be a solution which is more cost effective and more schedule effect, more on time, than traditional onshore LNG. So, as we move into 2013 and beyond, we start to see companies that are looking at floating LNG for reserves, gas reserves offshore Australia.

This trend is there. As you've probably heard Exxon Mobil is looking at a pre-project, at a pre-FEED for floating LNG. The GDF Suez is looking at a pre-FEED as well which is going to be pre-FEED competition in which we're going to be involved. And I wouldn't be surprised to see some additional projects coming in the future.

Now on the onshore Technip has been participating at a relatively low level in projects like Gorgon, for example. But we don't intend to participate to lump-sum turnkey projects in onshore Australia for traditional LNG.

Does this answer your question?

Geoffroy Stern - *Cheuvreux - Analyst*

Yes, definitely. Thank you very much.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you.

Operator

The next question is from Phillip Lindsay from HSBC. Please go ahead.

Phillip Lindsay - *HSBC - Analyst*

Hi good morning. A couple of questions please. Firstly, the North Sea, it sounds like the operation in the North Sea, based on your comments, are extending the season well into Q4. Can you say are there any indications from the operators there that they may choose to extend the North Sea season in 2013, i.e. do a lot more work in Q1 and try and smooth out some of that seasonality in the market? That's the first question.

Then the second question, the tie-up with Heerema to me looks very sensible in deal, but I'm also interested in your views on the competitive environment. I think we've seen certain Asian players chasing and, indeed, winning work in places like the North Sea and the Gulf of Mexico, and it also looks like there's some vessels on order that in theory, or on paper look like they could compete with some of the enabling vessels of the top tier. So I just wondered how, what your current views are on the competitive environment? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, Julian, the first question.

Julian Waldron - *Technip SA - CFO*

Thank you very much. We'll be working through most of quarter four and one of the reasons for that this year, I don't think by the way that we're alone. But one of the reasons for that is to make sure to the extent we can that we catch up on work that wasn't done last year. The industry suffered



last year from the weather conditions and our customers did not get everything delivered that they wanted from us and our fellow installers in the North Sea. So if we can work as we planned the catch-up I think for the industry as a whole will be done.

We don't see, because generally it's not that cost effective, unless you're forced, we don't see any change to the seasonal patterns in the North Sea. It is just a fact though that with more work, if you can extend the season, then you can deliver more for your customers. And we've been doing some work on our vessels over the last 12 months on technology solutions to enable us either to install in slightly worse wave conditions than previously, or to better predict short-term windows to enable pipe lay. I think those technology innovations are things that we think we're having good success on and we think that we can continue to bring those and put those at the disposal of customers. But I don't think we see a fundamental shift in the way the North Sea works because it's not really technically feasible for the whole of the market.

Next year should be a very busy but more normalized environment weather permitting and assuming that the industry completes its catch-up as I mentioned.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Julian. Going to the competitive environment and to the position that we now have thanks to the Heerema alliance, I would say that our clients, very much in general will continue to favor and/or to give preference to the top tier players for their larger and more complex projects that require not only a very specialized fleet, but also a strong engineering, logistics procurement capability. So this is definitely the space where we will find Technip Heerema and where we will find [Saitem] and Subsea 7.

Now going to smaller players, we have seen some competition in the North Sea for the more simple projects but, again, our focus in the North Sea was on either larger projects, like Quad 204 that we won earlier this year, or technology projects such as pipe-in-pipe projects. And there is so much work in the North Sea that I don't think this is going to -- the presence of some of the new players should not affect the momentum that we have seen in the North Sea in terms of pricing.

The situation in Asia is slightly different because projects in Asia have been slower to materialize so the competitiveness is more important and I think some Asian competitors maybe are ready to take a little bit more risk.

Now it is one thing to buy vessels and it's another thing to become a full-fledged installation company with the right engineering and the right logistic resources. So, as usual, when the market picks up we see people who are attracted by the market. Now we will see how they deliver over time and if you look at some of the divestments that one of our smaller competitors has done recently in the Gulf of Mexico, it shows that not everybody is successful in that market and that sooner or later you see those smaller competitors get into some kind of consolidation. But obviously, we are at the beginning of a new phase of investment in the Subsea so we are going to see those guys around and winning the simpler projects for a while.

Phillip Lindsay - *HSBC - Analyst*

Okay, very interesting. Thank you.

Operator

The next question is from Guillaume Delaby from Societe Generale. Please go ahead.



Guillaume Delaby - Societe Generale - Analyst

Yes, good morning. Over the last conference calls I got the impression that you were extremely optimistic regarding a future margin in Subsea in the North Sea and more generally, speaking within your backlog. Do you still -- Is it still your view or would you become a little bit more cautious? What kind of outlook could we have more margin especially in Subsea for let's say the coming quarters?

Julian Waldron - Technip SA - CFO

Guillaume thanks for your question. We've commented in the past, and it's probably worth going over it again on the five main basins in which we operate in Subsea; so Brazil, Gulf of Mexico, North Sea, West Africa and Asia-Pacific. We, internally anyway, I think in the way that we look at our vessels and the way that we bid on projects, tend to look at the world in that way. There are some new ones, for example, the Middle East, but they're fairly small at this point.

Now, during the downturn in the market, 2008/'09 onwards, we saw strong price declines in the North Sea and you've seen pricing momentum really over maybe the last 18 months or so. And that's not recovered all to get back to previous peak, but it's certainly good momentum in that market.

Pricing in that market in the Gulf of Mexico and Brazil has been acceptable throughout that downturn. In the Gulf of Mexico, the issue has never been a question of the industry cutting price, if you will, to get work. With Macondo there was no work to do. So in those three markets I think there's nothing new in our view of those three markets. They continue to be good in terms of your ability to win projects with the right reward for the project you're doing.

The two markets which have been most competitive over the last couple of years are West Africa and Asia Pacific and they continue to be competitive and at this point, there's no signs of that competition fading to allow better pricing. What will drive better pricing in those markets is volumes and I think our view has remained constant this year that we would expect volumes to pick up in Asia Pacific before West Africa because West Africa, the larger projects are probably '13/'14 for order intake rather than '12/'13.

Now volumes have picked up in Asia Pacific. And there have been one or two areas where the industry has won projects on a technology basis rather than on a price basis. Those remain anecdotal.

So of the five basins I think our view remains the same as it was a couple of weeks ago and the same as it was a couple of quarters ago. Three out of the five look pretty good. Two still have some way to go before we can get back to previous peak.

Guillaume Delaby - Societe Generale - Analyst

So, but we are not yet, regarding the North Sea, to the level of previous peaks?

Julian Waldron - Technip SA - CFO

Not in all respects, no.

Guillaume Delaby - Societe Generale - Analyst

Okay, thank you.

Julian Waldron - *Technip SA - CFO*

Thanks Guillaume.

Operator

Ladies and gentlemen, we have time for a few more questions. The next question is from Mick Pickup from Barclays. Please go ahead.

Mick Pickup - *Barclays - Analyst*

Morning, it's Mick Pickup up here, not Nick Pitchup. A couple of questions if I may. Firstly, if I look at your commercial alliance with Heerema, the new centers you've put in there is working together through ad-hoc JVs, consortium or subcontracts. Now, as far as I'm aware, Heerema has always tended to work on a reimbursable business. Can I ask how you're going to deal with lump-sum when you're joint venturing up or subcontracting to Heerema? I just tend to think that if you're subcontracting the high-tension part of a project, the high-risk part of a contract, goes somewhat against the derisking you've done in the last five years.

And secondly for Julian, I may have missed this earlier, sorry, one of your competitors yesterday had a monstrous working cap outflow, about one and a half times your CapEx budget for the year in a quarter. Part of that I think is due to worsening terms in the onshore. Can you just talk about the payment terms you're seeing in the Onshore at the moment and whether they have deteriorated somewhat in terms of the cash flow into you? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Let's start with the payment terms first.

Julian Waldron - *Technip SA - CFO*

It's Julian, Mick. I don't think we have seen what I'd call a degradation from a normal contract environment. What you haven't seen is a return to the 2006/'07/'08 environment of very large upfront payments on the Onshore side. That we don't see.

On projects where you have a longer period between what I'd call the soft contracting and the hard signature of the contract, during that period, in some cases our clients are anxious for us to start work and you find that the advance payments they give you are therefore coming in much more closely to procurement. And therefore, the amount of money and the length of time that that money stays on your balance sheet before it goes to your suppliers has shortened.

I think the third thing for us is that as we've seen a move from the Onshore/Offshore business to the Subsea business, structurally, particularly for flexible supply, there is a more back-end loaded payment structure to those contracts.

So these are the three trends I think that we are seeing. Not anything which says we're now going to pay you with a negative cash curve throughout the life of an onshore project. That radical sort of change I don't think we're seeing as an industry trend.

Does that answer your question?

Mick Pickup - *Barclays - Analyst*

Yes, very clear. Thank you.

Julian Waldron - *Technip SA - CFO*

Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay. Going back to the Heerema alliance, the JVs that we're going to do are going to be based on projects. So we look at things project-by-project. We have a list of targets that we are establishing together to see in which areas we can combine our fleet in the most efficient manner. So some projects are definitely where we can see the full complementarity and generally we see a scope of work which could be anywhere between 40/60 to 60/40, but in some cases it may be a few percent, or let's less say 10% for the involvement of a Heerema asset. In general, the rule is to have, to work together on these projects as a project joint venture, splitting the revenue, the profit and the risk more or less according to the scope.

Mick Pickup - *Barclays - Analyst*

Okay.

Thierry Pilenko - *Technip SA - Chairman & CEO*

All right. So it is not an arrangement which will be similar to, for example, what happened on the Ichthys Project where they are clearly a subcontractor. The idea here is to get together, we pool all the Technip engineering resources, all the Heerema excellence into heavy lifts and high-tension vessels and so forth and we have terms and conditions that we negotiate together with the client and we share the risk in those large projects. This is the spirit into which we are building this venture.

Now if we believe, as both companies believe, that there is a risk profile in a certain project that is too high or not manageable we'll just not bid these projects. But we think there are enough projects on the horizon for us to be very successful because we have everything we need now from very high-tension, large diameter ultra-deepwater to show, J-lay, reel-lay, S-lay.

Mick Pickup - *Barclays - Analyst*

Okay. Thank you very much. Cheers.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you Mick.

Operator

We have a question from Henry Tarr from Goldman Sachs. Please go ahead.

Henry Tarr - *Goldman Sachs - Analyst*

Hi, thanks. Just a quick question on Global Industries. I think initially you expected it to be breakeven at the EBITDA level for 2012. I know it's difficult and it's been merged into the business, but do you still see, is that --

Julian Waldron - *Technip SA - CFO*

Henry you've cut out at the end. Could you just --

Henry Tarr - *Goldman Sachs - Analyst*

Oh right, sorry okay. Let me just go again. Sorry, just on Global Industries, initially you expected to breakeven for 2012 at the EBITDA level. Is that still the case?

Julian Waldron - *Technip SA - CFO*

This year we expected to lose at the EBIT level 30 to 40 and it's extremely difficult to track. We haven't really been able to track that from the beginning of the year as you know. I think looking at the utilization of the vessels, looking at the types of projects they're working on, the estimate that we gave you at the beginning of the year was a good estimate and holds true.

Henry Tarr - *Goldman Sachs - Analyst*

Great.

Thierry Pilenko - *Technip SA - Chairman & CEO*

If I may add something to why it's so difficult, we currently have a project in West Africa in Ghana on Jubilee Phase 1A I think where we have vessels coming from the Technip fleet and the 1200 from the Global fleet. And on this project the two fleets, the logistics, everything is fully integrated.

Henry Tarr - *Goldman Sachs - Analyst*

Okay.

Julian Waldron - *Technip SA - CFO*

But I think what we said at the beginning of the year was a good estimate then and if we were going back 10 months, nine months and starting the year again I don't think we'd change what we said.

Henry Tarr - *Goldman Sachs - Analyst*

Okay. Where do you see vessel utilization then in 2013 versus how we've seen it move through 2012?

Thierry Pilenko - *Technip SA - Chairman & CEO*

We still have some -- it's moving up, but we still have some room for one S-lay vessel, some slots for one S-lay vessel.

Henry Tarr - *Goldman Sachs - Analyst*

Okay, so in aggregate about 80%, above 85% or --?



Julian Waldron - *Technip SA - CFO*

That's going to be -- well for one thing we don't give guidance on vessel utilization. If we were, that would be February. But I would I would encourage you to look more broadly than at one number and here's two or three reasons why.

You know, for example, that we had 90%-plus vessel utilization in some quarters last year. A lot of that was driven by the North Sea and a lot of it was not vessel utilization that brought a lot of bottom line.

Secondly, you can utilize the vessels, but as important as well as the vessel is utilized or not, is the underlying profitability and the underlying execution of the project. So what we want to do in any given year, '12 was no different, '13 will be no different, '14 will be no different, is to make sure that we have a sufficient level of utilization to limit any risk of under absorption, but thereafter, it's about choosing the right projects to maximize the returns we get from the vessels.

So vessel utilization as a single number is one part, but it's not necessarily the most important part of what we look to do in any given year.

Henry Tarr - *Goldman Sachs - Analyst*

Okay, that's very clear, thanks. Just the last question then, could I ask what prospects you see near terms in North America with the Stone & Webster transaction?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Well we actually see a number of prospects at a very early stage FEEDs and pre-FEEDs licenses and then there are at least four ethylene crackers that are being discussed. Now obviously we are not going to target four but we are certainly very active with many of our clients and it's across the board from Exxon Mobil, Chevron Phillips, Sasol, Dow, plus potentially a GTL project in North America. So I think the acquisition was extremely timely because it puts us in the technology driver's seat at the right time for this massive investment that is about to happen in petrochemicals.

Henry Tarr - *Goldman Sachs - Analyst*

Great. Thanks.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you.

Operator

Our last question today is from James Evans from Canaccord. Please go ahead.

James Evans - *Canaccord Genuity - Analyst*

Hi guys. Thanks for taking my question. A couple if I may. To follow-up on Henry's question on Global, for 2013 you had initially guided to 5% to 7% EPS accretion but I've not seen any contracts signed for any major utilization for those vessels that were brought into the Company. So can you just give me a bit more clarity on how you get to that number for next year or whether you still believe it's right?

And secondly, a while ago you invested in MMHE in Malaysia. I think you were looking to target offshore projects jointly there. Again, not seeing too much progress. I just wonder if you can give us an update on that particular market. Thanks.

Julian Waldron - *Technip SA - CFO*

I think we're actually going to do this question and then one more, so we'll do two. Do you want to --?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Yes, I'll take the MHB question. We invested 8%, took 8% into the MHB yard and we have since introduced a lot of management, with of course the agreement of the major shareholder of MHB which is MISC, and this yard has continued to improve its productivity and its capabilities because there have also increased through a recent acquisition. So in Malaysia a few projects are going to be awarded in the next couple of quarters and I do expect that MHB with Technip are going to have an important share of these projects.

So I cannot be more specific at this stage because we don't communicate on projects before they are fully contracted. But we are extremely happy with what we did there because it strengthens our national content in Malaysia. It builds a strong relationship with Petronas and it improves the delivery for all the clients in Malaysia, not only Petronas, but also the other clients who are operating in Malaysia.

So we are on the right track, but, of course, orders don't come as small orders but generally as larger lumps. So we believe we'll be able to demonstrate that whatever we have done there, including all the investments that we did in Malaysia, Asiaflex, the Deep Orient and so forth, are going to bring the right returns for our shareholders. We're on the right track there.

Julian Waldron - *Technip SA - CFO*

So James just to answer your first one, I think we are at this stage of the year very pleased with the progress we've made over the last nine months on Global. We have more work to do in Q4, but there's nothing that we see today that goes against the basis on which we made the acquisition and the objectives that we had.

Just on contracts, I'm not going to name all of the ones that we've announced this year, but for projects which include utilization of the ex-Global vessels, there are two in Australia, including Greater Western Flank, which is big. There's Jubilee, which Thierry mentioned, which is a quarter four and quarter one project, and then the 1201 goes to the Middle East. We won two projects in Mexico and we have other projects which were ex-Technip projects actually on which the 1200 will be working early part of next year. So I tot that up and not everything is announced, but that's quite a good number of projects in Subsea that we've announced for the ex-Global vessels over the course of the year.

There's more that we need to do, as Thierry mentioned. But so far we are pretty pleased with what we've been able to do.

I think at the beginning of the year we had a major concern which was how do we get the 1201 occupied and help her to ramp-up. She's offshore China at the moment as you know, and she's been actually probably a little busier this year than the 1200. So she's been able to begin to learn how to work and I think that was one of our priorities at the beginning of the year and I'm pleased that we've got as far as we have on that.

So I think there's been a good flow of contracts announced which you can go back and track. I've mentioned some of them.

Thierry Pilenko - *Technip SA - Chairman & CEO*

And I think that in the next six to nine months, six to 12 months maybe, we'll be able to demonstrate that having the deep to shore S-lay capabilities on Global, plus the Technip assets such as Deep Blue, Deep Pioneer and others, so both rigid and flexible-lay vessels, plus access to the Heerema vessels through our newly announced joint venture, because of this combination we will be able to demonstrate to you that we are winning projects that we could not have won before without Global Industries and without Heerema.

James Evans - *Canaccord Genuity - Analyst*

Okay, thanks guys.

Julian Waldron - *Technip SA - CFO*

So have we got one more?

Operator

Our very last question is from Alex Brooks from Credit Suisse. Please go ahead.

Alex Brooks - *Credit Suisse - Analyst*

Good morning everybody and thank you for slipping me in the at the end. Fiona and Mick and have very kindly asked all the critical questions. I've got two things. One is tax rate coming down. Julian this is something you've talked about in the past as an aspiration and whether you're actually making some headway on that or whether it is simply timing.

And the second question, I just want to check that this wasn't a slip of the tongue from Thierry when you said that revenue in Subsea would be at least EUR3.8b, not at least EUR3.5b?

Thierry Pilenko - *Technip SA - Chairman & CEO*

I'm sorry, I'm not sure I got the first question.

Julian Waldron - *Technip SA - CFO*

The first one was on the tax rate so I can deal with it.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, go ahead.

Julian Waldron - *Technip SA - CFO*

In fact I can deal with both. Yes, EUR3.5b is the right number for the second question.

Alex Brooks - *Credit Suisse - Analyst*

Good, thank you.

Julian Waldron - *Technip SA - CFO*

On the first one, I think it's difficult in the current worldwide economic environment to talk about sustainably bringing tax rates down, so I'm not sure that's territory in which I'd want to venture at this point.



We have, over the last couple of years, I think succeeded in doing one thing which I wanted to do and which Thierry set as an objective for the team here which is to try and bring stability into the tax rate, and between 28% and 31% I think has been the spread that we've had over the last two or three years. So that's one objective and that continues to be important to us.

I think this quarter I would prefer to comment on it as being a question of location of profit more than anything else. We're making profit in countries whose tax rates just drive the overall Group rate to that level. I don't think it's anything more significant than that at this point. And I think in the current environment, it's difficult to talk differently about tax.

Alex Brooks - *Credit Suisse - Analyst*

Okay, that's very kind. Thank you very much.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, thank you again for attending our conference call and have a good day.

Kimberly Stewart - *Technip SA - IR*

Ladies and gentlemen this concludes today's conference call. We would like to thank all of you for your participation. As a reminder, a replay of the call will be available on our website in about two hours. You're invited to contact Investor Relations teams, as unfortunately not everyone was able to ask your questions, so we'd be more than happy to follow up with that after the call.

Once again, thank you and enjoy the rest of your day.

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