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PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's second-quarter 2016 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, Mr. Thierry Pilenko, Technip's Chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Good morning, ladies and gentlemen, and thank you for participating in Technip's conference call. I'm Thierry Pilenko, Chairman and CEO of Technip. With me are Julian Waldron, Group CFO, Virginie Duperat-Vergne, Deputy Group CFO; as well as Aurelia Baudey-Vignaud and Elodie Robbe-Mouillot of the Investor Relations team. I will turn you over to Aurelia who will go over the conference call rules.

Aurelia Baudey-Vignaud - *Technip SA - Investor Relations Director*

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 a press release, an audio replay and a transcript of today's call at Technip.com.

I now turn you over to Thierry, who will go over the second-quarter 2016 highlights.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Aurelia. I will start off today's presentation with the highlights of the second quarter. Julian will then cover the quarter's operational and financial performance. Last, we will go over some of our key projects, how do we see the market outlook and Technip opportunities. Then we'll update you on our strategic focus and the pending merger with FMC Technologies.

Moving to slide 3, the second quarter was strong, both operationally and strategically. We executed the project portfolio well overall, with important milestone on our subsea projects and onshore projects such as Yamal.

Our restructuring plan announced in July 2016 and extended in February 2016 is ahead of schedule, with EUR900 million of savings to be delivered already in 2016. Conversion of this good performance into cash flow was strong and we maintained a solid balance sheet, with a record net cash at EUR2.2 billion.

Our broad-base offering enabled us to take new orders worth EUR1.5 billion with a mix of studies, large EPCs, technology supply, reimbursable work and the renewal of a Brazilian PLSV charters on Skandi Vitoria and Skandi Niteroi vessels.

Last, our combination with FMC Technologies was announced. This is progressing well. The milestones we met in June were ahead of schedule.

As you will see on slide 4, these achievements support our profitability and confirm the rationale of our strategy. Staying selective and taking projects that answer our risk requirements enable us to maintain a balanced backlog in both business segments and visibility beyond 2016. Being focused on safe and timely execution as well as on a sound financial structure and reducing our costs places us ahead of the curve.

Our order intake has averaged EUR1.5 billion per quarter in 2015 and 2016. Our adjusted revenue and OIFRA have been resilient and cash flow has been a strong point for us over the last 18 months.

Now on slide 5, going back to our order intake, I want to highlight three current awards. First, Bahr Essalam, which is a major gas field development in the Mediterranean. It brings us a significant number of utilization days for our own vessel, around 600, in fact.

And in addition, we just won in the third quarter a large project in Australia, Greater Enfield for Woodside, which we just announced and which gives us not only vessel days but also plant utilization. In both cases we also have to buy in very significant amounts of third party vessels in the current deflationary involvement.

Last, the EPCm for the GazpromNeft refinery provide us with low-risk revenues and man hours over an 18-month period.

Now I'll hand you over to Julian to cover the quarter in more details.

Julian Waldron - *Technip SA - Group CFO*

Thierry, thank you very much. Good morning, everybody. I'll kick of these on slide 7 with the quarter and a half-year P&L. So adjusted revenues were down in the quarter. Around 6% of that was due to foreign currency translation. Adjusted OIFRA was down 8% in absolute value but the margin slightly improved year on year to 9.2%, with both segments doing well in terms of profit.

For the half year, adjusted revenue is also down. But underlying profit and margins improved.

Turning to subsea, activity was strong, as Thierry said. Vessel utilization was 77%, but inside that there are two dry docks for the Deep Blue which was planned an Niteroi, which we inserted between the two charters. There were no significant project closeouts in subsea.

Turing to onshore/offshore, there were also no significant project closeouts in the quarter. So the margin recover reflects good performance across the portfolio, with an increased contribution from some newer projects and good cost cutting. Cost cutting was also reflected in the SG&A expense and in the corporate line of the P&L.

On slide 8, we've presented a longer-term look at margins in the two segments and start to see the ramp-up in offshore activity over the last 24 months, coupled with discipline on cost and strong efficiency measures about the way we work. All of those things enable us to present a resilient performance.

In onshore/offshore the cost reduction, coupled with a better mix of projects in the portfolio, robust project performance, all of those things have enabled us to recover profitability over the last six quarters.

On slide 9, turning from P&L to cash flow. Conversion of profit to cash has again been strong in the quarter. Looking at the underlying items, CapEx is being reduced and was less than half the level a year ago. Working capital performance was again strong and we ended the quarter with 125 days of positive working capital. This is slightly above our long-term average of about 110 days.

The dividend outflow was EUR101 million given the scrip take-up. As a result, adjusted net cash grew from EUR1.99 billion at end of Q1 to EUR2.2 billion at the half end.

On slide 10, I'd like to focus a little more on cost reduction. As Thierry said, we are ahead of plan. So, for example, as you can see we've taken EUR74 million on a half-year basis out of SG&A over the last two years. We also continued to reduce the fleet, with another vessel returned to its owner at the end of its charter with us in the quarter.

Looking at that on slide 11, taken as a whole. Our reduction in workforce is in line with our plans. The workforce at the end of the half is around 32,500. We completed the sale of two non-core activities in Korea and in Germany. And the non-current charge in the quarter reflects the restructuring but also a loss on the disposal of Germany. But thanks to these strong efforts, we can raise the expectations of what we will deliver in cost reduction in 2016.

We now expect to deliver close to EUR900 million of cost reduction, addressing our fixed cost base by the end of this year, so taking the 2014 baseline of EUR4.8 billion to close to EUR3.9 billion equivalent at the end of this year. This is close to EUR200 million more than we'd planned. And the remainder of the EUR1 billion target will be delivered as planned in 2017.

This means that we're able to turn our full attention now to seeing how best to take out additional costs in the context of the merger with FMC Technologies to enable us to at least fully deliver our merger synergy commitments.

Slide 12, we'll talk about backlog. Backlog stands at EUR13.5 billion and we have an additional EUR2.2 billion of contracted work not included in our backlog.

Within the subsea backlog, looking ahead, there are a few points to reiterate. First, we're not offshore with all of our projects this year and there are some very substantial projects, such as Kaombo and [Yan Creek], which have significant offshore phases next year.

Second, as Thierry commented, some of the new projects that we're winning at the moment bring offshore campaigns already in 2017.

Looking at onshore/offshore, the backlog is longer, reflecting notably the Yamal project which Thierry will come back to, but also the stronger renewal of the backlog through downstream projects over recent quarters. And we'll comment further on the resilience of the downstream market later on.

The non-backlog elements are, as before, composed of reimbursable work and not only have we seen these elements transfer into backlog during the quarter, but we have also renewed these types of contracts and therefore expanded the potential revenues.

So lastly on slide 13 on objectives. At the half year we can say that the objectives we announced at the beginning of the year are well underpinned by both the first-half results and the cost reduction plans. And with that in mind, we now expect OIFRA in both subsea and onshore/offshore to come in around the top end of the respective ranges, so around EUR680 million for subsea and EUR280 million for onshore/offshore.

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

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Julian. I'd like to come back to operations first. So on slide 15 I'd like to talk about the progress on the 2016 campaign of the Yamal project. Project delivery has accelerated this quarter with the sail-away of modules from the Asian construction yards. So far this year 48 modules have left their yards and we have a series of vessels currently on their way either to Sabetta, the site off the LNG plant, or to the intermediate logistics base in Zeebrugge.

We have more of the campaign to go and indeed the peak of our module shipments comes in July and August and is on time. So on the site construction in Sabetta, the progress is good. 20 modules have been delivered on site, 2 of which are the biggest process modules which have been installed. So we have now close to around 8,000 people mobilized on the site in Sabetta. So 2016 is an important year for the project, and so far everything is going as planned.

On slide 16, we show that we will continue to be active in West Africa throughout 2016 on the TEN in Ghana, Moho Nord in Congo and Block 15 in Angola. All projects are focusing on their offshore campaigns, mobilizing both our own vessels, such as the Deep Energy and the G1200 and our own plants, such as Flexi France in Normandy and Technip Umbilicals in the UK.

I also point out that these project have and will mobilize around 35 third party vessels alongside during the quarter and five Technip vessels -- alongside five Technip vessels.

We have commented on a number of occasions that we are a very important user of third party vessels at the moment, so 35 third party vessels out of 40 just for West Africa.

Julian mentioned that Kaombo is not offshore in 2016. In fact, the main offshore phases start as planned at the end of the year. Engineering and procurement phases are still active and we are well into manufacturing. For example, umbilicals, including some manufacturing of umbilicals in Angora.

On slide 17, I will focus on the market environment and outlook and summarize the opportunities that we see for Technip in this current environment. But let me talk about the overall environment first.

For the last seven quarters, our industry has been facing an unprecedented downturn, where client budget cuts and the associated pressure on supply chain cost are leading the entire oil and gas industry to transform itself. Now the recent rise in the oil price in January low, along with the deflation across the supply chain gives us all more confidence to plan for the long term.

I have actually spent most of June and July on the road with clients worldwide, with international oil companies, national oil companies and several independent players. And I would like now to give a little bit of my analysis on their feedback. So this is coming from clients and it's a summary of what I have heard from them and what I have interpreted from their messages.

So clients remain focused on cash flow and short-term priorities are unchanged. So it's about completion of committed projects on schedule, preservation of dividends for public companies or royalties and internal restructuring, sometimes pretty heavy internal restructuring.

However, there is now a strong consensus that the current investment levels are insufficient to sustain production and we are starting to observe a significant production decline at field, company or even country levels. Therefore we start to see our clients changing from what to cut to what to [start].

In terms of priorities, exploration expenditures will be limited as most operators already have a substantial portfolio of undeveloped resources. Upstream, we will see phased developments rather than megaprojects, with the exception of some strategic projects that were initiated several years ago. For example, in the near term, LNG projects will be mostly additions of trains to existing facilities, with some rare greenfield exceptions, like Mozambique.

In this reprioritization process, deep water and, more generally, offshore developments are part of the solution to balance supply and demand in the medium term. But preference will be given to shorter-term subsea projects, brownfield, extension of life and tie-back to existing facilities.

Pressure on cost will be tactical, taking advantage of the overall industry deflation, but also structure, through improved efficiency, [FEED focused] design, standardization and alternative sourcing or fabrication. Therefore our customers are expecting us to be proactive and help them in this process, which cannot be based on further pricing concession but requires some fundamental rethinking of the way we work and how we integrate the different pieces.

Looking more specifically at the market on slide 15 and by region, we have, for example, the Libra project offshore Brazil, extending the pre-salt developments; strategic greenfield, LNG developments in East Africa; and the emergence of tie-back opportunities, as I said before, in the Gulf of Mexico, North Sea and even West Africa. And in addition, there is a focus on both gas and downstream in Asia and the Middle East.

So we continue to have a leading market positon in LNG and downstream and witness good interest across our clients in investing in refining and petrochemicals. We are able here to engage early, supply technology, equipment, consulting, as well as take on major projects. I remain convinced that our broad-based strategy has been key to our resilience in the downturn and will be the key asset in the upturn.

And as I said in February and again in April, I am convinced that the industry will structurally change. The breadth of our ability to drive change and be best positioned ourselves is clearly enforced by the proposed merger with FMC Technologies, on which I'd like to come back in the next couple of slides, starting with slide 18.

So you can see from my comments, which I -- why I believe so passionately in the prospect for combination with FMC Technologies. On May 19, Technip and FMC Technologies announced our intention to merge. This combination will enable us to build an even broader integrated company, new generation of comprehensive solutions in subsea, surface and onshore/offshore to increase efficiency, reduce project cost and enhance life-of-field productivity.

Now moving to slide 19, we have made good progress to create Technip FMC. The first 70 days' achievements are ahead of schedule. We have signed the business combination agreement following European Work Council's approval on June 16 and reach US Antitrust approval on June 27.

Doug Pferdehirt and I have announced the senior leadership team, Doug's first line of management. We have also formally launched the integration program. The combination is still expected to complete early 2017.

We will continue to inform you as we make additional progress. In particular, we will be together in front of investors in the autumn, starting at the beginning of September and including New York at the Barclays conference.

So one of the questions that we have had most often concerning the combination of Technip and FMC Technologies is the extent to which our clients are prepared to contract on an integrated basis. And I summarized earlier what I have heard from clients. And they've done -- that I strongly believe that they buy in to the benefits that an integrated approach to projects can bring them.

I know that some of our competitors are also saying the same, by the way. You will recall what John Gremp and Doug Pferdehirt of FMC Technologies said about early-stage studies at Forsys Subsea on the FMC call last week.

What makes Technip so confident is that we have been successful with this integrated approach already for many years. Let's take one of our recent project wins, Bahr Essalam, in more detail. The project has many aspects, but for Technip we will perform engineering, project management, logistics, equipment manufacturing, supply, installation and makeover work or upgrade of the existing field platform. So a project on which our technology, equipment, consulting, our subsea project and our offshore skill base are all present.

And this project is first -- well, it's first, the latest in a series of projects that we are active on on a broad basis, as you can see on slide 21. Some of these projects, like [Carabobo], were bid out and won on an integrated basis. Others, like Prelude, have been a process of adding additional scope to an initial contract. But in each case, we have been able to offer the client additional added value by the combination of technology, equipment, consulting and project expertise across our segments.

Now, in a few words I'd like to conclude before we open to questions. Our industry has been facing and continues to face a prolonged and harsh downturn, where pricing pressure coupled with client budget cuts have led the entire supply chain to adapt.

Technip has restructured itself and remained focused on its fundamental broad-based offer, integrated solutions, technologies, sound execution and early engagement. We have the means to shape the future, the right change across our industry and the best position as the market returns.

With that, I will turn over for questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions). We have first question from Jean-Luc Romain from CM-CIC Securities. Please go ahead, Sir.

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

Good morning. My question regarding to the value proposition of merging Technip with FMC. It's a candid question, I believe. How does the value proposition of integrating SURF with subsea production systems compares to the proposition of Schlumberger, which integrates sub-surface plus [SBS] with Cameron?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Jean-Luc. I'll take the question. So combining Technip and FMC Technologies means combining the two leaders in the subsea space, and this is very clear. Our clients have really welcomed this combination, because they know that they will continue to have the flexibility to work in a certain way if they desire to procure the different pieces of the subsea system in a traditional way. Or they can also go all the way to a company that can integrate everything from the well head all the way to the platform.

And you can see from the recent awards, such as Bahr Essalam, that integration was key. Now had we had the opportunity at the time Bahr Essalam started to be tendered, which is several years ago actually, I'm sure that we would have been able to make a complete integrated combination.

It was pretty interesting to see that over the past couple of months with many clients that I have met, and particularly those who were involved in deep water development. They are really welcoming this combination, because they think that in terms of technology with the ship, this is the right thing to do.

In terms of expertise with sub surface, as you know we have developed the relevant expertise and alliances so that we have a good understanding of sub surface when needed. But the key is really to drive technology and project management and new architecture in the subsea space. And the value proposition that Technip and FMC Technologies have is actually unparalleled in the market.

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

Thank you very much.

Operator

So we have another question from Alex Brooks from Canaccord. Please go ahead, sir.

Alex Brooks - *Canaccord - Analyst*

Yes. Good morning, everybody. Two questions from me, one broadly. It's one specific fact that, Thierry, you partially addressed, which is you talk about the client feedback in terms of where they're going, but you didn't specifically address how the shape of Technip -- how your view of the shape of Technip has changed as a result of that client feedback, because clearly that's one of the most significant things.

And then the second question, which is much more brief and it is, how the maturity of your projects has changed, because you've had a very steady order flow over the last 12 to 18 months and it's just interesting to -- are you going to see your projects getting younger or older over the next couple of quarters?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay. Well there are really two questions, one which is more technical, which Julian will help me answer, on the maturity of the projects. And the other one is about the client feedback. So one element which was pretty clear, particularly when you talk to clients that have a significant offshore portfolio, Brazil, Gulf of Mexico, North Sea, West Africa, Asia, is that there is a very common message here, that for the medium-term mix of production, deep water or more generally offshore, has to be part of the equation.

They are not going to rely -- or the world is not going to rely just on unconventionals. It just can't. The demand just can't be met in terms of oil production in particular with unconventionals. So all of them have said that they are working actively on finding ways to make the offshore projects economic again. And there are several elements to that. There are elements which are purely tactical, taking advantage of the deflation, for example, with [drilling]. Then the rig rates have basically gone down by 40% to 50%. So that may not be sustainable very long term, but that's a saving.

But more importantly, I think our clients are looking ways of developing fields which are different, which means, for example, very long tie-backs, which requires two things, the ability to bring the idle carbons from 10s of kilometers, in some cases, and therefore have subsea systems which are capable of bringing energy into the system over these very, very long tie-backs. We're talking about -- some of them could be 70, 80 kilometers tie-backs, okay, bringing that to existing facilities, which means we will see extension of life or some modification of existing facilities.

In fact, going back, to the Bahr Essalam field development that we won recently, we do have a platform modification to accommodate either a different type of idle carbon or different production. So these are the types of trends that we see, so what we need to be able to do is, as we shape Technip, is to continue to focus on technology, because it's not obvious how to manage those long tie-backs, continue to focus on project management in brownfield and also invest at the appropriate time, of course, after the merger with FMC Technologies into the right R&D so that we can respond to that demand.

We need also to be able to have the right consulting teams, which we have today, to help clients change the architecture of their fields. They are talking about having a much more phased approach to projects, particularly offshore projects, to avoid the very large CapEx which has [drawn] cash for a very long term. Therefore they may go towards potentially suboptimal developments in terms of reservoir management, but something which is more focused on schedule and early cash flow. This is what we need to help our client evolve with and therefore bring the right expertise for.

Julian, would you like to answer question about maturity of the portfolio?

Julian Waldron - *Technip SA - Group CFO*

Yes. Alex, thanks for that. Good morning. I think it's a very interesting question. I'll give you an answer for subsea and then I want to spend a bit of time just on onshore/offshore, where I think the answer is a clearer one and a more evident one.

On subsea, over the last three to four years, I think the trend has been towards projects with a longer execution period. Going into the downturn, I think one of the question marks has been will there be projects which bring relatively quick utilization of assets?

I think we can see on the projects we're winning currently, whether it's Bahr Essalam, whether it's Greater Enfield, that -- and as Thierry said, linking that back to the strategy of fast-track projects or tie-backs, you are seeing projects, including sizeable projects for relatively short execution. Bahr Essalam brings vessel days, for example, in 2017 and 2018. And those opportunities I don't think are extinguished at the moment.

Secondly, if we look at flexibles, Brazil will continue to be a relatively short-cycle order-to-production market. So overall I would expect the subsea portfolio to slightly shorten in its maturity, if I've understood your question correctly. But I can equally -- again, we don't know what will exactly happen on the project, but if you were to point to a [coral] for example, the subsea part of the execution of that will be a longer-term event.

What we're trying to do strategically is, as we've done in previous cycles, to match those projects which bring relatively early utilization with a project portfolio that anchors or blocks of asset utilization in whatever year it is and then use those blocks of utilization to construct an overall campaign. And projects like, in particular, Greater Enfield enable us to do that in a region, for example.

Onshore/offshore I think I would view differently. The market continues to be robust. We continue to see in many different areas, Asia, in the Middle East, in North America, good opportunities to win projects. We expect that continue. We're well positioned on a number of projects with early phases and particularly through the supply chain that we have and the efforts that we've made in onshore/offshore over the last 12, 24 months around supply chain. We see ourselves being a competitive company in that respect, so I don't see much change in the profile of the onshore/offshore business that we have today.

You have larger projects. You have the nearer-term technology projects. You will continue to have feeds. You've seen us win PMC and reimbursable work. It's a very varied portfolio and you see the strength that's delivering for us in the second-quarter results.

Alex Brooks - *Canaccord - Analyst*

That is great. Thank you both very much.

Julian Waldron - *Technip SA - Group CFO*

Thanks, Alex.

Operator

We have another question from Mick Pickup from Barclays. Please go ahead, sir.

Mick Pickup - *Barclays - Analyst*

Good morning, everybody. A nice set of results. A couple of questions, if I may. Firstly, Julian, you seem to be pointing to utilization with Kaombo and [Yan Creek] offshore next year and the reason towards that utilization is going to be pretty useful. Have you got any indications of where you think it's going to be for the year and what that would do for the resilience of your margin?

And secondly, on your chart of the longer-term opportunities, I notice you talk about Eastern Europe and Middle Eastern downstream resilience. Can you just talk about your restructuring you're doing on your Middle Eastern businesses on the onshore and how you're thinking that's affecting your competitive position out there?

Julian Waldron - *Technip SA - Group CFO*

Mick, thanks. Shall I leave the onshore one to you, Thierry?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Yes, I'll do the onshore.

Julian Waldron - *Technip SA - Group CFO*

Mick, I wanted to point out, for example, Kaombo and subsea next year, because we did have one or two questions during May and June as to the maturity of the current projects under execution. I think we just wanted to clarify that, for example, Kaombo currently is still very much in engineering and procurement and is not in offshore phases. I think that's important for us as we look forward. Equally, some of the other bigger West African projects, although we finished most of the offshore campaigns on some of them during the course of this year, the full handover to clients is still ahead of us and beyond.

And on Bahr Essalam, that's a 2017, 2018 utilization, so again, we're not done for the year yet, by any means, and I'm not going to give you numbers, but I think we just wanted to comment that there was still opportunities out there to bring utilization for our people and for our assets in 2017.

Building a year is a relatively long process at the moment in the current market. It's slow, but certainly we've made, I think, very good progress over the first six months of the year in both segments. Beyond that, I think I won't comment and pass over to Thierry.

Mick Pickup - *Barclays - Analyst*

Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Mick, good question about the onshore business and the type of opportunities that we see. As you know, our markets onshore is pretty cyclical. We have periods during which we win, in terms of nature of the business, we win a lot of, for example, LNG projects. I would like to say that winning those energy projects, for example, Prelude, FLNG Satu for Petronas, and of course the Yamal project, that was one wave of projects which is going to last, for Yamal in particular, for quite some time.

Generally, what we've seen in the past, that there is a wave of LNG, followed by a wave of refining. And we've been able to move refining of petrochemicals and we've been able to move from one business segment to another business segment, if you want more nature, which is LNG business to the refining business. That's what's happening at the moment.

As I said before, LNG is going to be probably slow, except for a very, very few strategic projects in the next few years, but we see the refining and petrochemical business picking up. And that's through -- in the Middle East. So as you know the Middle East has been a territory for some time, where there was extremely intense competition, with a pricing level that was not understandable and certainly not sustainable. I think the market has become much more reasonable, so we did not participate to that during that period because the prices were very low.

Now there are a few projects on which technology is important, so we position ourselves at an early stage with the technology. We engage with the customer, for example on refineries where Technip was involved many years ago and we have been able to position ourselves, whether it is in Egypt or in the Gulf countries, with this type of opportunity.

So it is not really a comeback, because we have always been in the Middle East. But it is just that now we see the Middle East moving with more refining capacity. And I think Technip will play a role there.

Now going to Eastern Europe and Russia in particular, I would make a difference between the two. Eastern Europe has always been a traditional market for Technip, such as what we did with Grupa Lotos in Poland or with Burgas in Bulgaria. But the market that we see developing in the next few years is actually the Russian market. And Technip came back to the Russian market with one project several years ago in the [PDC] business for (inaudible), which was a joint venture between Solvay and Sibur.

And the project was a success, and since then our reputation has been back in Russia. Of course, we won the Yamal project and you've seen that recently we announced the award of the Omsk Refinery, with a joint venture in Russia. So it's early stage again, but because it's early stage we will be able to deliver all the projects.

So I think the market is actually picking up in Russia. And provided you can have the right ability to engage early and to work with the client very, very closely, particularly in the construction phase, I think it's a very promising market for us.

Mick Pickup - *Barclays - Analyst*

Thank you, Thierry.

Julian Waldron - *Technip SA - Group CFO*

Thank you, Mick.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thanks, Mick.

Operator

So we have another question from Phillip Lindsay from Credit Suisse. Please go ahead, sir.

Phillip Lindsay - *Credit Suisse - Analyst*

Yes. Good morning, gentlemen. I've got two questions, please. The first one, I just want to quiz you somewhat on the volume of tie-back and brownfield opportunities that you now see and maybe how that's developed year to date. Are there any numbers that you can put around this to help us understand the potential size of the prize?

And then second question, a broader question around future strategy really, and I know you touched on it after the first question, but when I look back at the strategies of Technip and FTI, pre merger, there was a clear strategic difference of opinion in relation to reservoir and sub-surface capability. Thierry, you were obviously all for bringing it in-house, whereas I think John and the team at FTI were less keen. Can you explain where the combined entity stands on this, please?

Thierry Pilenko - *Technip SA - Chairman & CEO*

All right. I'll take both questions. First, I'm not going to give you a number on the volume of tie-backs. I'm going to give you some color about where we see these things happening. We have seen renewed interest in the North Sea particularly and on the Norwegian sector, so it's not in (inaudible) [quarter], but it's north -- the number of feeds on the Norwegian side of the North Sea has increased in the past few months, so I think that's a good sign.

Gulf of Mexico. Gulf of Mexico has been extremely slow in 2015 and beginning of 2016, but we see quite a few opportunities now, because people, again, are moving away from maybe the last developments and more into lease tie-backs.

West Africa. West Africa, the big elephants in West Africa offshore have basically all been developed and now we are going to get into a market, which is going to look like a little bit more like the North Sea after the peak, or Gulf of Mexico, where there are existing platforms or FPSOs and clients will want to tie-back -- so marginal fields to this platform. So these are the three main areas.

Then there is another area which is picking up, which is Australia. Again, in Australia you've seen this massive wave of investment, whether it is onshore LNG or the offshore development, with very large platforms. In the next period, our field will deplete, clients will start building those long tie-backs. Actually, some of those requirements of tie-backs of 70, 80 kilometers are coming from Australia. The infrastructure in terms of LNG is huge in Australia now and they're already preparing the future, but without having to build this 38,000-tonne type of platforms for the development. So it's going to be more on tie-backs.

So too early to tell you what volumes we're expecting, but one thing is sure is that in some of these projects, it is not just laying the pipe. We will also have to lay subsea production systems to be able to the energy into that site. So that's one.

Now in terms of strategy, what I want to say is that, first and foremost, our focus will be on integrating FMC Technologies and Technip. We are well advanced with this integration. We are well advanced with the transaction itself. And the main focus will be on bringing everyone under one roof, proposing a broad solution for our client -- broad solutions for our clients, and starting to think about, very quickly, about what technology do we need to develop from now onwards in terms of -- to reduce cost, reduce the footprint on platforms, even maybe get rid of certain types of platforms, and put as much gear as we can on the sea floor, with the right installation procedure.

So this is really the focus that we're going to have over the next couple of years. I think it's not about who shares what vision. I can tell you this vision is completely shared by the FMC Technologies and Technip management. We started with Forsys Subsea. We saw the opportunities through Forsys Subsea. We saw the type of technologies we could develop together if we were a single company. And here I can tell you we are absolutely aligned on this.

Phillip Lindsay - *Credit Suisse - Analyst*

Okay. That's great. Just one follow-up on Forsys, if I could. The step change or the step up in the volume of studies that Forsys is now working on, I suppose what I'd like to understand better is what was really the trigger for that. So perhaps you can talk about the nature of your conversations and negotiations before you'd announced the merger and what experiences you've had since?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Well it's -- every time we engage with a customer at a very early stage to look at projects, some of these projects were already marginal projects, where customers thought they couldn't let them move forward. Every time we've been able to propose solutions where the savings were between 25% to 30%. And these were projects that went from very fairly complex projects to some of them which were much more simple.

So you've heard Doug and John Graham last week talk about 30 studies. But I don't think it's the amount -- the interest is there and whether they see certainly before the end of this year first integrated EPCI award. It's quite amazing, after we announced the merger, the number of customers -- customers generally don't like consolidation because they think that it may reduce their optionality. In that case we receive congratulations from a very broad base of customers, saying this is going in the right direction because you're going to be able to build the solutions we need for the future.

So -- and I Forsys Subsea, of course, is still active -- is very active today. And we will be fully integrated in our operations once we merge the two companies. And the approach of early engagement is key for the success of reducing cost, and this is what we have said all along. This is why we created Forsys Subsea in the first place and this is why we have developed Genesis as Technip standalone.

Phillip Lindsay - *Credit Suisse - Analyst*

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

Operator

So we have another question from Robert Pulleyn from Morgan Stanley. Please go ahead, sir.

Robert Pulleyn - *Morgan Stanley - Analyst*

Yes. Good morning, gentlemen. A few questions, if I may. So firstly just a follow-up on the question around the downstream in the Middle East, I totally take your point that you never left. But could you clarify, going forward, whether you would focus on engineering, project management and technology or whether you would still look to win lump-sum construction constructions in the Middle East?

The second question is regarding the non-backlog, that's quite a jump from EUR1.7 billion at the end of last quarter to EUR2.2 billion. Could you just provide a little bit more color as to why that's moved so much higher?

And finally, one for Julian. Could you give us an update on how you expect working capital to move in the second half? Thank you very much.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay. I'll take the first question. So our strategy in the Middle East is no different from what we are doing anywhere else in terms of our onshore/offshore business. We want to continue to have a mix of projects, which could be FEEDs or engineering and procurement or PMC projects, as well as, when it makes sense and where we can position ourselves with the right technologies and the right knowhow, as well as lump sum projects.

So some of the opportunities are PMC projects and we won, for example, projects in Kuwait a couple of years ago which were pure PMC. But we didn't participate to the EPC lump sum projects because we felt the risk profile was not appropriate for Technip. We did win the PMC.

In other cases, we are involved in FEEDs or engineering and procurement. In some cases, and particularly for upgrade of refineries and so forth, we are very selective and we choose the projects where we believe we can deliver on a lump sum basis. So it's going to continue to be a mix.

Julian, would you like to answer the other?

Julian Waldron - *Technip SA - Group CFO*

Rob, good morning. For the non-backlog you have in there a mix of new PMC and EPCm work, so Omsk, for example. You have -- and included in that you also have extensions and additional work on Yamal. So I think those two things -- both of those are the most significant contributors.

If I may just add a small anecdote on the Middle East, since I've been at the Company, the most successful project that I've seen started and finished was the Jubail Refinery in the Middle East on a lump sum basis. The team is still within Technip and is still and will continue to be busy. So that's a market that we look at and find very exciting.

Working capital, we start -- we had 117/118 days of positive working capital year end 2015. Normalized is about 108/110 days if you look over the last five or six years. At the beginning of 2016 I said I expected working capital days to normalize. I expected us to apply our cash advances to projects. I still expect that.

At the end of the second quarter we have performed in cash terms better than I expected. That reflects the project progress, probably good order intake as well, and the milestone payments that we've received. I still expect over the year to consume working capital.

Robert Pulleyn - *Morgan Stanley - Analyst*

That's very helpful. Thank you.

Operator

We have another question from Bertrand Hodee from Kepler Cheuvreux. Please go ahead, sir.

Bertrand Hodee - *Kepler Cheuvreux - Analyst*

Yes. Two very quick questions on your pre-backlog, as a follow-up, and then a more broader question. Could you give us an update on the two refineries that you won in Egypt last year? Do you still expect one of those to be -- to enter the backlog during the summer? Also can you give us when do you expect this EUR2.2 billion backlog or what portion do you expect to be -- to enter the backlog during the course of 2016?

Then a more broader question. There is still a big backlog of projects that have been recycled over the last three years. Do you see some of them coming forward in the next 12 months? What do you see or what do you believe would be the trigger for those projects to be launched? Is it affordability or is it because the cost now for the project outright?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay. Well let me try to answer the question. First of all, on the Egypt refineries, we are involved in the MIDOR refinery at the very early stage now. And this is something that could happen maybe by year end or early 2017.

So on the second one, at [Siltra] refinery, we have early work that should start in Q3 2016. But here you need to have the financing in place, and that could take more time.

Bertrand Hodee - *Kepler Cheuvreux - Analyst*

Okay.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay? Now on the recycle projects, it's very hard to give you a global answer because clients are recycling projects for different reasons. But what I can say is that today, as the price of oil is around $45/$50, clients are a little bit more confident. One element which seems to become more and more involved, and beyond the amount itself and the cost itself, is the schedule, the focus on schedule.

Our clients have looked back at many of the projects that they have undertaken in the past few years. And one of the big disappointments for them is that many of these projects have not been delivered on schedule. And that means that clients today are not just looking at costs; they want to make sure that they have an execution plan and relationship with the contractors and subcontractors that ensures that the project is on schedule, because this is how they blow away their net present value is when projects are one or two years late. So I can't go -- I can't be much more specific than that.

Bertrand Hodee - *Kepler Cheuvreux - Analyst*

Okay. Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you.

Operator

We have a question from [Michael Ray]. Please go ahead sir.

Michael Ray - - *Analyst*

Yes. Hi there. Thanks for taking my two questions. I was just wondering if I could have some guidance on the guidance which, at the revenue level, still looks fairly conservative to my eye. Can you give any color on your confidence levels of being able to exceed this in the operating income guidance through good cost control and execution in the second half?

Then the second question just relates to the merger. So it looks to me as though your share price is trading up about an 11% premium to the deal terms and to the level implied by FMC share price. I understand that over time you've tried to smooth out differences in the valuation in the deal terms. But given the valuation the market is now according to Technip, do you see a strong argument that the terms should be revised? Thanks.

Julian Waldron - *Technip SA - Group CFO*

Michael, thanks. I'll take the first one. We have an important six months of project execution ahead of us. Thierry mentioned the module shipments on Yamal. We've got campaigns across the projects, for example, in West Africa. We had a very good first quarter, if you remember, but three months doesn't make a year so we didn't change the guidance for that point. At the end of six months we're really well underpinning, I think, the full year. And at that point it was appropriate for us to up guidance. We'll see how the next three months goes and then look again when we get to Q3, as we always do.

In terms of revenue, I think leaving it unchanged I think for me anyway reflects, at this point, maybe more than anything that you've got a lot of movements around currency and translation always hits your top line in some way. I don't quite know how that will go over the next three months. I wouldn't read much into that, to be quite honest. I think we've just got to the half year. The projects are performing well. The teams are doing an excellent job across the project and also on cost reduction. That gives us an opportunity to firm up. We'll look again at Q3.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Now going to the merger and the exchange ratio, this exchange ratio has been defined. It's there. It's communicated. And we are not looking at the spot variations in one month, two months, one quarter or one day, as you mentioned today. But we are looking at creating shareholder value for the long term. And I believe that this merger is in the best interests of our shareholders and of FMC Technologies' shareholders because we are going to create a truly unique company through that merger.

The Technip shareholders will have access to broader technology, more equipment, a business which we have built over the years towards more technology, equipment and consulting, a broader base, things that clients want and the FMC Technologies company will have access to a company that has experience with project management and a very broad geographical base and client base. I think we are creating value for both our shareholders.

So the ratio is what has been negotiated. And what's important is the long-term value creation. And this is the right time to do this merger because, when the market picks up, we will be in a good position to win those projects that clients will sanction.

Michael Ray - - *Analyst*

Okay. Thanks very much.

Operator

We have another question from Fiona McLean from Bank of America-Merrill Lynch. Please go ahead.

Fiona McLean - *BofA Merrill Lynch - Analyst*

Hi. It's Fiona McLean from Merrill Lynch here. You've talked a lot about just how many structural changes you're expecting to see across the industry in the coming few years, but I haven't heard you talk very much about any structural change you're expecting in the way you win contracts, the pricing structure and the margins in those contracts, and also whether we're going to see any change in the risk profile of these projects and how they're going to be executed and how the oil companies are going to be potentially trying to push more risk onto you and the other service companies. So I'd just like to get some more color on those areas, please.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay. Well thank you very much, Fiona. That's a good but broad question. The risk sharing between clients and the supply chain is varying through the cycles. Of course, when the demand is very high you have the ability to push some risk -- more risk to the clients. When there is lower demand the clients are taking advantage to push risk on the supply chain. So I don't expect that this will change significantly because when there are fewer projects, you can see some of competitive dynamics where some competitors may not have the same strengths of backlog or balance sheet are ready to take more risk.

I don't think this is fundamentally going to change. But what's going to change, and we have started to see that happening, is that our customers are rationalizing the number of suppliers they are dealing with. They are making choices and they are deciding which contractor they want to use. They still want to have a competitive environment, but -- and I think that the key here for Technip, obviously for Technip and FMC in the near future, is to make sure that you are part of those key suppliers and in a key relationship.

Because that means, in this case, that because you are part of the list of key suppliers, you have the ability to talk about longer-term relationship and not of a project-by-project relationship, but several projects in a row. And therefore, here, that's probably the best way to together mitigate the risk with the clients and have an open dialogue with it.

That's all I would say, yes.

Aurelia Baudey-Vignaud - *Technip SA - Investor Relations Director*

One last question?

Thierry Pilenko - *Technip SA - Chairman & CEO*

One last question, yes.

Operator

So last question with Mark Wilson from Jefferies. Please go ahead, sir.

Mark Wilson - *Jefferies - Analyst*

Hi. Good morning, gentlemen. You talked before about petrochemical potential in the Middle East and so my question would be if FMC combination is a necessary strategic step for the subsea offshore market, does Technip's downstream or petrochemical offering require any strategic additions to be fit for purpose in the future?

And then a second more specific question. There is a five-year frame agreement for Brazilian flex pipe supply that I think comes up for renewal early in 2017. Is that correct? And should we expect some kind of news on such an award? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

I'll take the first question. Our strategy for the downstream remains the same. If we have an opportunity to strengthen our technology portfolio, which we have done through the acquisition of Stone & Webster several years ago, and we have done additional acquisitions since. We bought Zimmer in 2014. We bought recently the Hummingbird technology from BP, which is a technology to transform ethanol to ethylene. Every time we have an opportunity to strengthen the portfolio of technologies, we will take it.

That's very clear. That helps us position ourselves at a very early stage. And sometimes we get the technology contract. Sometimes we get the technology plus equipment. Sometimes we get technology equipment and a full realization of the project, the full fabrication of the equipment and then the full [plan]. We'll continue and we'll continue to look for opportunities to strengthen that portfolio of technologies. I think this is what makes Technip different from many other EPC contractors is this portfolio of technologies.

Julian, would you like to take the question on Brazil?

Julian Waldron - *Technip SA - Group CFO*

Mark, thanks for that. I think it's fair to say that the contracting specifics in Brazil change more regularly than once every five years. That enables the client to increase his flexibility on the planning for his flex pipe orders and the speed with which those can be placed. I think that's advantageous both for the client. It's also advantageous for us.

So I don't know what will happen around something structural like that. What I do know is that in the context of that and the other agreements we have with our customer, we expect a continued flow of awards for flexible pipes in Brazil, as we had last year and this year. We'll continue with that and that will continue, we think, into 2017. It continues to be a market which does offer us good visibility.

Mark Wilson - *Jefferies - Analyst*

Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you. Well, thank you very much, ladies and gentlemen, and have a good day. Thank you.
