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PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's second 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 Chairman & 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, and with me are Julian Waldron, our CFO; Arnaud Real, 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 operational and financial highlights of the quarter.

Kimberly Stewart - *Technip SA - VP, 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 meanings 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 will 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*

Thank you very much, Thierry and Kimberly. So good morning, everybody. I will start on a slide on order intake, slide 5.

So second quarter revenue and profit were fully in line with our objectives. In Subsea activity, we're strong across the regions, and in Onshore/Offshore our major projects continue to move well through their construction phases.

Order intake was at a high level, just over EUR2.5 billion, and that reflects good geographic spread and some good positions in technology, and our backlog therefore ended at EUR12.7 billion for the half.

So on slide 5 you can see that our Subsea segment order intake in this quarter is similar to the last quarter, if you strip out Quad. That contract in Q1 was around EUR600 million in the North Sea. So in the second quarter we continued to have a good volume of medium-sized contracts, some larger, like Boyla, and smaller contracts. And that amounted to a solid EUR1.3 billion order intake.

Looking more closely geographically for Subsea, we've been in a position to expand into some new markets, thanks to -- in part to the acquisitions over the last 12 months, such as the Middle East and Mexico, where in particular we're using our newly-acquired S-Lay and heavy-lift assets, and the know-how that goes with them.

These contracts are relatively small. At the moment they're not always of the level of pricing that we see in other markets, but it's another good early indication of what we can do to attract synergies from the acquisition made last year.

In the North Sea we were awarded, as in previous quarters, a large number of contracts, small- and medium-sized ones, as well as a larger EPCI contract, the pipe-in-pipe using our Reel-lay method for the boiler fuel development in Norway.

Asia Pacific has been strong throughout the half, and this I think is a positive development year on year. And we saw various awards during the quarter, such as Panyu in China, and we took the Prelude FLNG subsea installation contract offshore Australia, and that of course is tied in to the FLNG contract for Prelude, which we're also executing.

So overall, we look at Asia Pacific as one of the areas with the strongest growth potential for Technip.

Our backlog in Subsea therefore ended the half at just shy of EUR6 billion.

On slide 6, for Onshore/Offshore, the order intake was EUR1.2 billion. We took a second FLNG project for Petronas in Malaysia, that's FLNG 1. This is the second such technology to be FID'd in the industry, and I think this reinforces our leading position in the FLNG market. It also demonstrates our ability to capitalize on the internal know-how and skills developed around FLNG, and to spread those into different operating centers around the world.

Project is a services agreement contract, and this is in line with what we want to do, in terms of managing our risk profile; and it gives us an opportunity to continue to take FLNG contracts over the next year or so.

In the Middle East, our backlog is moving in the right direction across both of our segments, Onshore/Offshore and Subsea. Noteworthy though this quarter is for our Onshore teams to have taken a large EPC project for an elastoma development. This is a high technology petrochemical project in Saudi Arabia, and I think it underlies the success of the investments we make in technology, and in focusing on projects where we can add particular value to our customers.

The flow of FEEDs continues to be good. We've taken FEEDs for example, for the Mad Dog Phase II Spar in the Gulf of Mexico, and the Tobolsk polyethylene project in Russia.

I'd note that there are some projects which we've announced in July, which are in the second quarter, but some projects, such as, for example, the Luva spar are not in our quarter 2 backlog.

Overall, I think we would characterize July as being a good month, both for order intake, LOIs and for continued activity in terms of tendering.

On slide 7 if I can turn to the P&L and start with Subsea; busy on a lot of projects across different phases in different parts of the world. I'll comment on three projects. We delivered the Deep Capixaba export pipeline project in Brazil ahead of schedule, in fact quite significantly ahead of schedule. In the Gulf of Mexico, we've now completed the pipelay works for the Line 56-57 project. And the 1201 started her first S-Lay project for Liwan in China.

Overall, Group vessel utilization was 74% in the second quarter. As you would expect, this is a better performance that quarter 1. As I think you might also expect underlying that 74% is a very good utilization for the flexible pipe and the Reel-lay vessels and our construction fleet, and the S-Lay and heavy-lift vessels, the acquired vessels if you will, were working well, but with a lower level of utilization. I think that's in line with our expectations at the beginning of the year.

The first quarter profit and revenue; revenue rose almost 50%, and the operating profit from EUR112 million to EUR146 million. The margin is bang in line, I think, with what we expected to be at this stage, and enables us to confirm the full-year guidance.

Slide 8 Onshore/Offshore, a couple of projects to comment on. The Jubail refinery continues to advance well. Engineering and procurement activities are nearly completed and construction works continue. In Malaysia, we've begun the sea works on the RAPID refinery and petrochemical complex. This has driven revenue up by around 7% year on year, and the operating margin at 7.1%. So again, overall, we're where we expected to be, I think, at this stage of the year.

So summing that up on slide 9 and looking at the Group overall. With strong revenue growth, we have a substantial increase in EBITDA and in operating profit year on year. Underneath operating profit there was a swing in the ForEx impact, the mark-to-market impacts of hedging contracts. This has always been a volatile part of our P&L. It was positive last year; this quarter it's negative. There's no particular underlying trend that I'd note there. It will continue to be volatile.

The tax rate was impacted by the geographic mix of our project in this quarter, impacted positively, and came in just above 26%.

Looking at the balance sheet and cash flow on slide 10. The process of purchase price accounting for Global Industries is nearly completed. There are a few things which will remain to be adjusted in the second half, but we are pretty much done. No material changes to the assumptions and expectations that we had at the time of acquisition and that we outlined at the start of the year. There are no amortizable intangibles and, therefore, all differences related to purchase price is therefore credited to goodwill.

The goodwill mainly corresponds to the synergies that we expected to see in the acquisition. And I think the order intake, and the way that the cost synergies are being developed, are bang in line with what we expected to do.

Lastly, I'd note that we raised EUR325 million in very long-term debt in the month of June; 10, 15 and 20-year private placements.

Cash flow on slide 11. The second quarter is traditionally one in which our cash declines and this year was no different. Compared to the second quarter last year, we had EUR88 million in additional CapEx, which I want to come back to; and EUR54 million in dividends and in share repurchases to meet employee compensation plans.

Working capital movements were more negative than last year. The principal reason for that was increased cash tax payments in the quarter, notably in France.

So a final word on CapEx. We're putting in a sustained effort this year to move our CapEx along as fast as possible. If we can get the assets in place earlier, we have the business for them as you will understand. And so we're accelerating cash payments where we can to secure better terms, either financial terms, or delivery terms, or other terms. We're also adding some CapEx programs.

The main programs that we planned during the course of 2012, they're listed on that slide 12. I'd note that we've secured the main equipment for the Acu facility in Brazil. We've done the same, and are moving well through the construction phases in Newcastle for the expansion of the umbilical facility. And we are on schedule for the CapEx expansion, particularly around logistics and carrousels in Angola.

You'll have seen that we have expanded the fleet during the quarter, and over the last 12 months, in fact, with some charters. The charter of the North Sea Giant construction vessel; we've spent some additional CapEx around an umbilical spread for that vessel. And we announced earlier this week a multi-year charter for a construction vessel to be new built in Norway. And we've kept an option to purchase that vessel in due course.

Overall, I think our CapEx, which we expected to be between EUR350 million and EUR400 million at the beginning of the year, will exceed EUR400 million, and we'll give a further view on that with our Q3. And with that, I'll hand back to Thierry.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Julian. So moving to our priorities and outlook, I'll start with the backlog on slide 14. This quarter, our backlog grew for the fifth consecutive quarter, reaching a record of EUR12.7 billion. And our Subsea segment continues to be very dynamic across the board; while Onshore/Offshore technology was essential to win new projects.

Visibility for next year is similar to what we had at the same time one year ago but this visibility is strengthening for 2014. We have now more than EUR4.4 billion of contracts for execution in 2014 and beyond versus EUR1.8 billion at the end of the second quarter 2011 for 2013 and beyond, which provides us very good visibility for our teams and our shareholders.

This backlog remains well diversified, reflecting our strategy and the market trends. Subsea continues to strengthen, in particular in the North Sea, with larger and more complex projects. While the growth in Asia Pacific starts to materialize in our backlog both for our Subsea and Onshore/Offshore. Technology and geographical diversification have been essential to renew our Onshore/Offshore backlog. I'd like to highlight the Halliburton project that Julian was talking about in Saudi Arabia.

And also, two new fairly large engineering and procurement services contracts, for the Ichthys FPSO and Petronas FLNG, which provide revenue flow with limited risk exposure.

On slide 16, looking ahead we continue to see strong bidding activity in nearly all our markets, with no impact so far from either the lower market price of oil, or the economic issues affecting Europe. Our customers remain extremely focused on their operations and their CapEx programs, particularly upstream.

Onshore US; petrochemical conceptual studies and FEEDS are being awarded, and we could see some significant investment decisions in petrochemicals in the next 12 to 18 months.

In general, we continue to see a very high level of interest in downstream projects, particularly in fast-growing countries, but the timing of the awards is often uncertain, and we'll come back on that. But on the other hand, Offshore developments are more predictable, with particularly good visibility in the North Sea, Gulf of Mexico, Middle East, Asia Pacific and Brazil.

Now moving to Offshore Africa, both East and West Africa; a number of large projects are being discussed now, and are currently expected to be awarded in the next 18 months.

To accompany our clients, and to support this positive market environment, we're investing to enhance our position, continuously recruiting talents and ramping up our CapEx program as Julian described.

Our second flexible manufacturing plant in Brazil is advancing and will address the needs of the pre-sold developments. We continue to reinforce and [marginalize] our fleet, increasing our installation capacity, securing support vessels through opportunistic charters, and renewing our older assets.

As Julian said, we took long-term charters on two construction vessels, the North Sea Giant, which is already in operation, and on a new build which will be delivered in the first half of 2014. In parallel we have retired two older vessels, the Asiaflex Installer and the (inaudible).

Moving to Onshore on slide 18, in May we have announced the acquisition of Stone & Webster Process Technologies, which is a division of the Shaw Group, with the objective to broaden and strengthen our technological content and our talent pool in the Onshore business, grow Technip revenues from technologies, and strengthen our capacity to be involved in projects at a very early stage.

This is going to be particularly important and timely to address the US shale gas market with the development of new petrochemical (inaudible). But also to develop the project management consulting business of Technip worldwide. We should close this acquisition in the next few months.

On slide 19, and in line with our backlog and activity growth, we have steadily invested in new talents, both quantitatively and qualitatively. It's very important that we build the workforce that is in line with the growth of our backlog. So in fact, over the period since 2007, we have added more than 9,000 employees to our permanent workforce, and we have recently crossed the 30,000 employees milestone this quarter. Recruiting in regions and markets with strong growth, continuing reinforcing our national content, as illustrated in the pie on slide 11.

So with this, moving to slide 20, we reiterate our 2012 financial objectives, and confirm our full-year outlook for both our Subsea and Onshore/Offshore segments will grow. And the Group revenue we confirm should be between EUR7.65 billion and EUR8 billion. We continue to target operating margins of around 15% for Subsea, including Global Industries of course, and between 6% to 7% for Onshore/Offshore.

Before I conclude this statement, I would encourage you to look at the slide, which is a very nice picture actually, of two of our flagship vessels, the G1200 and the Deep Blue, working together in the Gulf of Mexico around the spar which is the Red Hawk spar, so two key assets of Technip, and one spar that was built by Technip several years ago. And as you can see, we have been mixing and integrating the two types of assets to better execute large projects.

So this concludes our comments, and we are now ready to take the questions you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Alexandre Marie, Exane BNP Paribas.

Alexandre Marie - *Exane BNP Paribas - Analyst*

Three questions from me please. First of all, it seems that in Q2, you guys have been a lot more successful than your competitors at grabbing new orders. So what do you think has made you more successful than your peers?

Second question is, last quarter you mentioned in your press release client concerns on resource availability, and tightening of the supply chain. Are you still seeing this trend continuing, and are you seeing some clients trying to address the issue of resource availability, even in the current economic environment?

And finally, a question on spars. You got the Luva and Lucius EPC contracts for the [spars]. You're doing the FEED for Mad Dog as well. If BP was going ahead with the Mad Dog spar, would you have the capacity at the Pori yard to build this Mad Dog hull on top of Lucius and Luva? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, well three very good questions, Alexandre. I'll start with the first one; being more successful than our competitors. I'm not sure we need to compare ourselves on a quarterly basis to our competitors, but what I would say is that in general, there are several things that are helping us grabbing those contracts, and building a book-to-bill ratio which is greater than 1.

The first element I think is we are present in very diverse markets, whether it's the North Sea, Gulf of Mexico, Latin America, both Onshore and Offshore; Africa, Asia Pacific, Middle East. All the regions have contributed to the order intake.

The second element is that many of the projects that we have won actually were technology driven, and technology made a difference, whether on the Subsea side it was S-Lay, Reel-lay, flexile pipe technologies. Or in the Onshore side, as we said, this was technological projects like the one won in Saudi Arabia.

For Offshore, as you've seen, we have built over the years a strong position on FLNG, and we have won the second project going into FID which is the Malaysian project, which is very good news for this technology. So again this is a technology win.

And we recently announced the Luva spar, which is again a technology that Technip masters very well for many, many years now. So before I talk about the clients, I'll answer your questions about the spars in general.

Yes, finally, our shipyard in Pori is working on a spar, which is the Lucius spar, and currently fabricating this spar; this spar is on time and on budget. We have announced the Luva spar; Luva will be built in Korea. So the fabrication will be done by Hyundai in Korea. And the reason for which we have done that is because we want to make sure, given the visibility that we have on the spars that are coming on the horizon, that we have more options than just the Pori yard to deliver those spars.

So should BP or any other customer, because there is more than BP looking at spars, decide to do another spar, say by the end of this year or more likely some time during the first half of next year, we will have the capacity in Pori. And in the future then, as we develop Luva, we will have two shipyards that will be able to deliver those spars; our own shipyard in Pori and the Hyundai shipyard in Korea. So we don't see any bottleneck because we implemented this strategy of diversifying our spar fabrication.

Going back to your questions about the client concerns on resource availability. I think this is pretty much the case, and this is why we reacted and not this quarter, but we started to react many, many quarters ago, and I would say even many years ago, building up our workforce around the world. You can see that our workforce is much more diversified, even if we have continued to grow in our European centers. The greatest growth that we have seen was actually in Asia Pacific, and in places like Brazil. But we will continue to grow the workforce, and in parallel, we have to grow our assets, which is exactly what we are doing with the investment in our CapEx, but also these are long-term charters that we are taking.

So I have seen absolutely no change so far in the plans that it should regarding building up either internally, or through the supply chain, a stronger capacity, because the outlook seems to be still pretty robust.

Alexandre Marie - *Exane BNP Paribas - Analyst*

Thank you very much.

Operator

Tahira Afzal, KeyBank.

Tahira Afzal - *KeyBank - Analyst*

First of all, many congratulations on a strong quarter.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you.

Tahira Afzal - *KeyBank - Analyst*

The first question I had was really in regards to the shale opportunities, and really the trickle down you talked about in regards to petrochemical opportunities and chemical opportunities in North America. We've talked about sponsors for project continuing to really indicate that they were not really pushing the projects out on a very broad level.

Could you talk a bit about whether really the slight slowdown we're seeing now in North America is really impacting any of those opportunities? Or whether these are long-term opportunities in terms of their outlook, and hence are less sensitive to near-term fluctuations.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay. Well I think the slowdown that you may be referring to in North America relates probably mostly to the drilling activities, because it is clear today that because of the high drilling and fracking activities over the past few years, that we are now in a situation of over-production for gas, and particularly shale gas in North America. This is actually what is creating the opportunity for the downstream activities.

Now the opportunities I would classify into three different categories. One is the North American market is seriously evaluating the construction of LNG plants to export gas. Although I think there are some discussions at government level, particularly in the US, whether this gas should be exported or kept in America. The second element is I think we're going to see a pretty strong interest in gas to liquid, which is in that case transforming gas into gasoline so that it can be used in cars for transportation.

The third element which I mentioned pretty strongly was about petrochemicals, where you're using the gas as a feedstock in that case to build ethylene plants, and then the whole petrochemical chain, including fertilizer in some cases. So we should not take the slowdown of activity in the upstream part, in the production part, as an indication that there is a slowdown in America; it is just linked to the production.

Now this production has two advantages. The first one is that in addition to the methane production, which is the gas that we use mostly for energy, you are producing ethane, which is the feedstock for ethylene plants. On top of it, in many cases, this shale gas also do contain a certain proportion of liquids, which makes those shale gas formations do also present a potential for oil production. So all these things are actually creating an environment with low cost of energy, good feedstock, cheap feedstock for all the activities that I was talking about before.

So when we look at the current opportunities, we see several opportunities for ethylene crackers in North America, and opportunities for GTM, LNG, and probably for fertilizer further down the road. This is why it was so important for us to reinforce not only our technological content, with the Stone & Webster planned acquisition, but also our teams in North America, so that we can operate those projects in a very, very early stage providing the right technologies. So our perspective on these activities are actually pretty bullish.

Tahira Afzal - *KeyBank - Analyst*

Thank you ever so much, that was very helpful. I'll jump back in the queue.

Operator

Geoffroy Stern, Cheuvreux.

Geoffroy Stern - *Cheuvreux - Analyst*

I have three questions; the first one relates on the Subsea market. I was wondering when do you expect the inflection point to materialize for the Subsea margin outside of the North Sea, or let's say the pricing upturn maybe you expect to materialize in other regions?

And if I'm not mistaken you still have to take a decision for the delivery of ultra deep -- for a new build vessel to tackle the ultra deepwater market by year end. Can you update us on this, and would it make sense for you to take a long-term charter as well to tackle this market?

My third question is in the Onshore business. Would it be fair to assume that the competition from new projects is more limited outside of the Middle East? So if you look at the South Korean competition, would you say that they are less active in other regions? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you very much. Let's start with the Subsea market and the pricing in the Subsea market. We have said already several quarters ago that we started to see a pricing strengthening in the North Sea, which is where the capacity was the tightest, and we have continued to see that. In the other markets, it's still very variable. I wouldn't talk about inflection points worldwide and so forth, but I would say that we are now in a situation where we can probably be a little bit more selective about the projects that we're going to take.

So it's not so much the pricing itself, the overall pricing, it's more what are the projects that are the most attractive in terms of returns, and in terms of risk profile. Knowing that over the next 12 to 18 months we are going to see some very large projects being awarded in Brazil, in Africa, both East and West Africa, but also in Asia Pacific. In addition to that, we also see that field development, full field developments, are taking place again in the Gulf of Mexico.

So other than talking about an inflection point across the board in the market, I think we just have to make sure that we target the right projects. If we target the right projects, then we will see the trend going back project by project over time into the right direction to an improved overall margin, provided we execute well. Because I remind you that a big element of the margin is actually the quality of the execution as always.

Now ultra deepwater assets; as I said, we will probably be a little bit more open by the end of the year about what are the options that we are taking, if any. Everything is open, it's too early to tell you whether it's going to be a charter, a new build, or any type of arrangement. But this is something we are currently studying, so we'll have more news by the end of the year.

Onshore competition, is it more limited outside the Middle East? I would say no. We see pretty strong competition including Korean competition, particularly in Asia Pacific but also in Latin America.

Again, what I would say, for the Onshore business, it is important that we start very early understanding the technological choice of our customers, and participating to the field, and positioning ourselves as early as possible, so that in some cases, when it's appropriate, we could have direct discussion and direct awards on some of these projects. But I would not say that the Korean competition is just limited to the Middle East.

Geoffroy Stern - *Cheuvreux - Analyst*

And just if I may, just coming back to the Subsea. And you mentioned that very large projects are set to be awarded by the end of next year. On those projects, do you see a change to the competitive environment? Do you see new entrants chasing projects even for the biggest -- for the largest one? Or would you say that it's very comparable to the competitive situation you have had for the past few years?

Thierry Pilenko - *Technip SA - Chairman & CEO*

I think for projects that are 1 billion-plus, whether you take in dollars or euros, but $1 billion-plus, I don't see our clients taking the risk of going to second tier players.

Now what we will probably see is that this project has a very complex and comprehensive scope, including shallow water and deepwater, and FPSO installation, and so forth; a very, very (inaudible) obviously. We will probably see alliances between different players to execute those large projects. Because probably nobody has all the assets to do it on his own. And also, it's probably a good thing to improve the risk profile of these large projects. But the main contractors I think will still be the key top players.

Geoffroy Stern - *Cheuvreux - Analyst*

Okay. Thank you very much.

Operator

Ryan Kauppila, Citi.

Ryan Kauppila - *Citi - Analyst*

On West Africa, you seem confident that some large awards are relatively imminent, but yet we've seen some perpetual delays on those large awards. Is there anything that gives you any tangible sense that those awards are getting closer to being awarded? And given that there's been a lull in activity there, is the competition particularly acute on these early awards?

Thierry Pilenko - *Technip SA - Chairman & CEO*

West Africa, as you know, I didn't say that we are going to see awards which are imminent. I said 12 to 18 months. And in these 12 to 18 months, some of the African projects I think will go ahead.

The situation has not changed significantly in the sense that we still see Nigeria being pretty slow, even if from what we hear, there might be one project, the [Agena] project could be sanctioned before the end of the year or early next year.

But obviously, if you look at the type of projects that we have there, potentially on our radar screen (multiple speakers). Sorry.

So going to West Africa. The larger projects are probably -- the largest projects are probably in Angola, in particular with Block 32, but not only with Block 32, that's one of the large projects over there. We're going to see projects of small to medium size in Equatorial Guinea and medium to big in Ghana for the next phase of [gas].

Then on the other side of the Continent, in Mozambique, probably more towards the end of that 12 to 18-months period, for a very good reason. I think in Mozambique, we're going to probably see a different group of operators within the next 12 to 18 months. The discoveries are very big.

And, as you all know, there are discussions between the companies that have made this discovery and potentially newcomers. And it's unclear today what type of solutions is going to be implemented for Mozambique. It could be a mix between standard LNG and floating LNG. In any case, there's a very significant amount of subsea work.

So I wouldn't say there is more delays in Africa than there was before, but definitely now some of the operators are very keen to make decisions on the larger projects and I would say particularly in Angola, and at least for one project in Nigeria.

Operator

Jean Luc Romain, CM-CIC Securities.

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

You went through our contracts using Global Industries' assets which are starting to be exited in the second half of this year. Could this have a positive impact on your Subsea margins enough to move (inaudible) around 50% from slightly below to slightly above in the second half?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Julian?

Julian Waldron - *Technip SA - CFO*

Jean Luc, thank you for the question. I think the most important thing for us to say is that the performance of the acquired assets and teams in terms of winning projects, in terms of executing them is as we expected. In terms of extracting the cost synergies, the same is true. So I don't think there is anything new to say for example compared to the beginning of the year. And what we said at the beginning of the year around Global at this stage.

So our guidance for Subsea margins this year is around 15% and we indicated that clearly we went into the year with almost no utilization for the assets. There is more utilization as you move through the year. So that around 15% is reiterated today and I think everything we've seen in the first half in terms of performance and order intake is what supports that for the fleet as a whole, both ex-Global and ex-Technip.

So I think what we said at the beginning of the year is what we'd reiterate now.

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

Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

If I may add something, is that the Global Industries' assets and particularly the 1200 and 1201 are definitely allowing us to participate into larger contracts that I was referring to before, which not only have in field development but also deep-to-shore development. And obviously the jury is still out about who's is going to win what, but within the next 12 to 18 months we should see in tangible terms the translation of this strategy into order intake. And we can participate to these tenders.

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

Thank you very much.

Operator

Tom Ackermans, Barclays.

Tom Ackermans - *Barclays - Analyst*

First of all, my compliments on that picture; it looks great indeed.

I'm going to try and ask Jean Luc's question in a slightly different way, and I have one other question. You previously said that Global was expected to make an operating loss of around EUR30 million to EUR40 million in 2012. If we look at the numbers, it seems that a lot of that has been made in the first half of this year. Is that a fair assumption? Or is there any comments you want to give around that?

And then secondly, on the Onshore and Offshore margin. I was wondering if you could give us some thoughts about how you expect that to evolve going forward. You've now signed the second floating LNG contract so I guess you're getting a bit better idea of what profitability levels could be on that. And I guess Stone & Webster should push margins up at least a little bit. Any thoughts there would be helpful.

Julian Waldron - *Technip SA - CFO*

Thanks for those questions. On the first one, forgive me, I don't think I have a lot to add to my previous answer. I think we've given the full-year guidance for Subsea. In the first half, you've seen the margins a little bit below 15% and we think margins for the full year will be around 15%. And I think the performance in terms of our ability to utilize the vessels and our ability to extract the cost synergies is pretty much what we expect it to be. So I think the picture that we said at the beginning of the year is pretty much unchanged in the middle of the year.

Tom Ackermans - *Barclays - Analyst*

Okay, sounds good.

Thierry Pilenko - *Technip SA - Chairman & CEO*

On the Onshore/Offshore margins, I can't say that we see anything different on what we have said so far, which is about 6% to 7%. Obviously when we move into more technologically rich projects like the ones that we already do, but that we'll do even more with Stone & Webster on these projects which are small contributors to the revenue but they may attract a slightly higher margin.

But you know, although the mix of our projects is always going to be projects that are at a very early stage and in which we don't recognize margins, projects that are well advanced in which we recognize the margins when we can and as appropriate when -- according to our rules. So no, at this stage, I would not forecast something meaningfully different in the way we see the margins on the Onshore/Offshore.

Now obviously, over time, maybe in several years as we move up into more technologically rich projects, maybe things could change, but not in the short to medium term.

Tom Ackermans - *Barclays - Analyst*

Okay. And in terms of your expectations around floating LNG, where we should classify the margins you're targeting in that part of the business?

Thierry Pilenko - *Technip SA - Chairman & CEO*

It's around this type of margins that we are talking about.

Tom Ackermans - *Barclays - Analyst*

Okay, thanks.

Operator

Guillaume Delaby, Societe Generale.

Guillaume Delaby - *Societe Generale - Analyst*

I think it will be another question on your Subsea margin. So you just released 14.8% in Q2. I've been a little bit surprised because honestly I was expecting a little bit higher as I understand that the North Sea market is ahead of the others. But clearly, when you talk to ENPs management who are working in the North Sea, they are clearly telling you that the subsea market here and especially in Q2 has really significantly tightened. But really, really, really significantly.

So I just would like to have your opinion on when do you believe that this tightening is really going to impact your North Sea margin.

And also, if you can be more a little bit more specific regarding when we could have an increase in Subsea margin in the other regions. Thank you.

Julian Waldron - *Technip SA - CFO*

Guillaume, thanks for the question. I think you focus in on some key aspects of the Subsea business at the moment.

And forgive me for going a little bit back in time, but during the downturn in the market, I think Technip was able to demonstrate resilient margins in Subsea and I think we would look at two elements to explain that, over and above good project execution.

The first was the geographic diversification. We were present in markets that were still growing in Subsea during 2008, 2010 for example like Brazil. And the second is because the pricing in the North Sea, which declined very fast, started to move back in the right direction, probably around 18 to 24 months ago. And we've been talking since Q2, Q3 2010 of an increase in tendering, leading for us to an increase in business.

So I think the impact of positive pricing in the North Sea is already present in the industry to an extent and is present in Technip to an extent in the resilience of the margins and in the fact that 2011 over 2010, there was a slight tick up.

And I think when we started this year, we said that were you to be able to strip out Global, the Subsea margins 2012 on '11 would be flat or slightly up on 2011. So I think we see pricing in the industry moving in the right direction, and the place where it's moving most with most momentum has been for some while in the North Sea and we don't see any change to that.

Where I think we may differ from some of the other companies to whom you talk is the type of projects that we take and the execution schedule for those projects. If you look at the way our backlog has evolved in Subsea, and Thierry mentioned it, it's evolved over the last couple of years from a very short-term backlog to a backlog which has quite long visibility out to 2014, '15, '16.

And at the moment, our customers are looking to secure resources, are looking to secure resources for long-term field developments. And a large proportion of the projects we're taking are for long-term execution. I think that's very good for the long-term capacity utilization of the industry. It's good for the long-term visibility of our industry too.

Now the spot market in the North Sea remains buoyant. We play that less than other companies in Subsea because that hasn't been a market in which traditionally we've played. Some of the aspects in the North Sea are affected last year by weather; that continues to be the case this year.

But I think maybe some of the difference between the question you asked of the perception underlying that question and the way we see it is around the spot against the long-term market.

I think, just to add to Thierry's answer on other geographic regions, we highlighted that we see activity in Asia Pacific moving in the right direction and I think it's early days for that market. But to the extent that awards are coming through at a faster rate than say a year ago for the industry as a whole and for Technip, you would have to say that that would eventually drive capacity utilization in that market.

West Africa, and it was raised by Ryan Kauppila on his previous question, I think we agree that, although the overall potential in West Africa is excellent, the timing of individual project awards is difficult to foresee and is probably one of the more back-end loaded regions that we have around the world. And it's probably there, in my judgment, that pricing will take longest to pick up.

Operator

Henry Tarr, Goldman Sachs.

Henry Tarr - *Goldman Sachs - Analyst*

I think you've mentioned that there are significant large contracts coming up for award. Could you put a figure on what you're bidding today versus a year ago for Subsea and then for Onshore/Offshore?

And then I just had a couple of other quick questions. Firstly, your CapEx for this year is going up above EUR400 billion. Do you have a figure at this point for 2013?

And then just lastly, if you could make a quick comment on flexibles. Are you now at full utilization globally, and where do you see pricing in that market? Thanks.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, well I'm not going to give you hard numbers for where we are now in terms of bidding versus last year. Definitely we have seen more and larger projects coming on the radar screen. So the actual numbers are much higher than a year ago and this is particularly true for the Subsea business and the Offshore business.

On the flexible utilization, we have very good utilization at the moment and very good visibility in all our plants and the utilization is good. It's not full capacity, but it is good so there is some potential upside, particularly as we look at improving productivity in places like Asia Pacific in our Asiaflex plant.

And the prospects that we have for some of these larger projects that I'm talking about, they are not just installation projects and rigid pipes and anchoring and [plats] and so forth, there's also always almost systematically a pretty significant amount of flexible pipes and umbilicals in these large projects.

So whichever way we look at these projects, we're going to play a role at minimum with an important share of the supply. But the plants are working at good capacity now and have good visibility.

Julian Waldron - *Technip SA - CFO*

Henry, on CapEx, we'll come back in Q3 to give a more precise forecast for '12. We've said in the past I think that the EUR350 million to EUR400 million run rate number holds good. It probably holds good for a longer period than we would otherwise have expected. And I think at this stage, that's still what I would maintain. I would expect us to be continuing to spend if the market carries on as it is at a relatively high level for longer than we expected.

If we can accelerate some of that, as I've mentioned, I think we'd look to do it. If you enter into a new build, it's difficult to accelerate a new build vessel substantially. So I think it's not a step change in one year in CapEx spending. I think it is probably spending a little more for a little longer.

Some of the things that we'll look to do are, for example, around flexible utilization. One of the things that we're looking at, at the moment is could we invest a little more in Asiaflex to de-bottleneck some areas of the plant to give us additional capacity.

Those are projects which are in front of us, which are quite compelling in terms of returns and quite compelling in terms of what they do for our capacity in that region. And it's those sorts of things I think which, in the near term, we're very focused on.

Henry Tarr - *Goldman Sachs - Analyst*

Excellent. Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

If I may add something about CapEx, they are the CapEx on which we decide, based on our view of the market and for assets that we own or that we charter for long-term leases. Then there is the CapEx related to contracts on which would be for long-term charters like the PLSVs in Brazil.

And obviously, those CapEx depend upon our capacity or capability to win those projects. So there's a little bit of an uncertainty here, depending on how many vessels we win. I want to remind you that at the end of last year, we won two 550-ton PLSVs, pipe-lay vessels for Brazil, which are currently being built in Korea. This vessel could or could not have been in our CapEx plan. We just won them but we could have won zero as well.

So by the end of the year, we should also have maybe better visibility -- maybe not end of the year, maybe first quarter of 2013, about what is going to be our participation in the next round of tenders in Brazil.

Henry Tarr - *Goldman Sachs - Analyst*

Great, thanks.

Operator

Ian MacPherson, Simmons.

Ian MacPherson - *Simmons & Company - Analyst*

It strikes me as remarkable that your order intake in the first half of this year, if you annualize it, is -- it's up close to 50% on last year, which I believe was a record for the Company in '11.

So I wonder if you could just comment on the visibility for the second half of this year just in very broad strokes compared to the first half; if something in the range of EUR2 billion to EUR2.5 billion per quarter is a sustainable quarterly run rate for orders for the business, given what you see in front of you.

THOMSON REUTERS

Thierry Pilenko - *Technip SA - Chairman & CEO*

Yes, Julian, maybe you want to make a comment on that.

Julian Waldron - *Technip SA - CFO*

Ian, thank you for the question. I think a couple of comments on the current performance.

First, I would like to attribute some of the Subsea performance to the acquisition. I think the acquisition has given us an opportunity to compete on a broader front for broader scopes than we could before. And it's had a very good response from the customer base. So I think you see the jump in Subsea order intake for parts of it, the positive impact of the acquisition that we made.

Over and above that, we've put emphasis over the last couple of years on the geographic diversification. And we are seeing at the moment that in nearly all of our markets, there's a strong push on our customers to green light projects.

And we see also that our ability to get involved in projects at an early stage, and this is I think particularly true for the Onshore/Offshore business, has given us a pipeline of projects which, even if the final investment decision is never certain, eventually those projects come into the pipeline.

So I would, if I may, put some of the explanation around some of the effort that we've put in to planning the business and expanding the business over the last couple years.

Now we don't make forecasts on backlog and order intake. And I think neither Thierry or I want to go there. We see everywhere we operate, nearly everywhere we operate, an environment characterized by high levels of tendering, greater than a year ago, and a willingness of our customers to get to FID as quickly as they can, even if a project's farther in the future than you've seen to date.

You also see that many of those projects still have difficulty reaching FID. And that, in some ways, is pushing our customers faster where they can accelerate.

So we see, as is today, the overall backlog still a positive backdrop in which to operate, including for the second half.

Ian MacPherson - *Simmons & Company - Analyst*

Great.

Operator

Alex Brooks, Credit Suisse.

Alex Brooks - *Credit Suisse - Analyst*

I've got a couple of questions. The first one is coming back to the Subsea market outlook. You've made a number of comments on competitors coming into the market and that they can be used both as alliance partners and as subcontractors. But one of the things that strikes me, and you've already mentioned these companies, you're spreading into more areas, as you are seeing some of your traditional competitors competing more with your Subsea area; and I'm thinking of McDermott and, to a lesser extent, Heerema.

Are you seeing that? And I wonder if you could comment on how you see that market structure evolving.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Well it's probably -- it's a very dynamic market. But what is, I think, pretty clear is that, as we're going to move towards the much larger projects, we see that our clients are reluctant to slice these projects into smaller pieces, to attract maybe more competitors in the values. And that goes back to the maybe lack of project management resources. They want to make sure that the responsibility is given to a larger operator or larger contractor, sorry.

Now, if you look at what's happening with the order intake of the smaller players, with the exception I think of the Ichthys project, it has been quite difficult for the smaller players to actually play a big role in the large projects. Now it doesn't mean that they may not be able to win projects here and there. But I think for the very large projects, which are going to tie up a lot of resources, it's still a game for the bigger companies that have the assets, the project management skills and also the financial capability to take these projects.

So every time there is an upsurge in the Subsea business, the market starts to get nervous about whether newcomers are going to take share. Yes, they're going to take a share but probably of the smaller projects.

Alex Brooks - *Credit Suisse - Analyst*

That's very kind, thank you very much.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you. Thank you very much for attending our conference call and have a good day.

Kimberly Stewart - *Technip SA - VP, IR*

Ladies and gentlemen, this concludes today's conference call and we would like to thank all of you for your participation. As a reminder, a replay of this call will be available on our website in about two hours.

You are invited to contact the Investor Relations team should you have any questions or require additional information. Once again, thank you, and do have an enjoyable day.

Operator

Thank you for your participation in today's results conference call. The replay will also be available by dialing plus 33 172 00 1500 or plus 44 203 367 9460 or plus 1877 642 3018 using the confirmation code 277610#. The replay will be available for two weeks.

Thank you and goodbye. You may now disconnect.
