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CORPORATE PARTICIPANTS

Thierry Pilenko *Technip - Chairman and CEO*

Kimberly Stewart *Technip - Head, IR*

Julian Waldron *Technip - CFO*

CONFERENCE CALL PARTICIPANTS

Geoffroy Stern *Cheuvreux - Analyst*

Phillip Lindsay *HSBC - Analyst*

Guillaume Delaby *Societe Generale - Analyst*

Katherine Tonks *RBC Capital Markets - Analyst*

Alain Parent *Natixis - Analyst*

Ryan Kauppila *Citigroup - Analyst*

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

Mick Pickup *Barclays Capital - Analyst*

Andrew Dobbing *JPMorgan - Analyst*

Amy Wong *UBS - Analyst*

Rob Pulleyn *Morgan Stanley - Analyst*

PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's first quarter 2013 results conference call. As a reminder, this conference call is being recorded. At this time all participants are in a listen-only mode. Later there will be a question and answer session.

I would now like to turn the call over to your host for today's conference call Mr. Thierry Pilenko, Technip's Chairman and CEO. Please go ahead. sir.

Thierry Pilenko - *Technip - Chairman and CEO*

Good morning, ladies and gentlemen. Thank you for participating in Technip's conference call. I am Thierry Pilenko, Chairman and CEO of Technip. And with me are Julian Waldron our CFO; Arnaud Real, Deputy CFO; as well as Kimberly Stewart, Chuan Wang and the newest member of our investor relations team [David Tadbeer].

I will turn you over to Kimberly who will go over the conference call rules, and Julian who will cover the first quarter 2013 operational and financial highlights. Kimberly?

Kimberly Stewart - *Technip - Head, IR*

Thank you, Thierry. I would like to remind participants that statements made during this 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 presentation which you may find on our website along with the press release and an audio replay of today's call at technip.com.

With that, I now hand you back to Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Kimberly. Before I leave the floor to Julian, I'd like to go through the key highlights of this first quarter. First of all, our key [indicators] the revenues of around EUR2b, an increase of 14% compared to last year, an operating margin of 8.6%, net income of EUR116m. And we reached another record backlog at EUR14.8b with EUR2.9b order intake in the quarter.

Key achievements for the quarter were first the delivery of our new pipelay vessel the Deep Orient. We'll come back to that in a minute. Our portfolio diversification was maintained with a strong focus on technology and expertise which has driven order intake across all our segments. And I highlight the first in this order intake of the quarter Moho Nord, which is the largest subsea EPCI contract to be awarded to Technip in the Congo.

We also continue to provide solution for pre-salt developments in Brazil with the award of flowlines and jumpers for the Sapinohoa and Lula Nordeste fields.

And last but not least, we had an award of, in North America in the US, of the Mosaic fertilizer FEED which confirms the leverage of our enhanced downstream technology portfolio, notably in North America.

With that, I'll turn you over to Julian, Julian.

Julian Waldron - *Technip - CFO*

Thierry, thank you very much. Good morning. everybody. So I will start if I may on slide five with some review of the order intake for the first quarter. I'll start with Subsea. The intake was just short of EUR2b of new orders with the backlog therefore ending the period at EUR6.8m.

As Thierry mentioned, the largest contract in the quarter was the Moho Nord contract. If you strip this out we are running I think pretty much in line with the last few quarters in terms of order intake, made up of smaller- and medium-sized contracts in all of the jurisdictions we have in all of the subsea markets. And I think this highlights the strength of the subsea markets in a broader sense.

Moho is a positive sign that the group of West African projects that we have all been following together over the last couple of years is moving towards sanctioning. And it's also a flagship project for the G1200 vessel and it's the sort of project for which the Global Industries acquisition was made by Technip. And it provides good visibility for the workload of that vessel next year and beyond.

In onshore/offshore no very large contracts but I would note that within the EUR1b of order intake in the quarter two contracts in India where the management team there is steadily growing an exciting and growing business for Technip. As we always seek to do each quarter there was some good FEEDs taken across the business.

On slide six for the Subsea highlights, Subsea was active both in the early phases of projects in procurement and engineering as well as offshore operations on smaller projects in a number of areas. We noted in the press release that some operations, for example in Brazil and Mexico, were slowed down during the quarter for weather reasons amongst others.

In the North Sea our offshore operations progressed on several projects, for example Golden Eagle and Brynhild. And the projects for execution later in the year such as Stella and Goliat are also moving forward.

In the Americas, the Deep Blue and the Deep Pioneer were in Brazil for the BC-10 phase 2 operations. And the Deep Blue has just completed her operations there and is now back in the Gulf of Mexico.

In Asia Pacific, just to note that what happened with the G1201, she started operations in the Middle East late last year and finished those early this year. She moved back to Asia and after mobilization in Singapore she has now started to work on the large bore pipe installation for the Liwan gas platform. We are also in Asia working on the Wheatstone and the Panyu developments.

Overall Group vessel utilization in the first quarter was 72% and that compares with 62% a year ago. Utilization of the vessels was more balanced with good utilization, or much better utilization, of the 1200 in the first quarter of this year compared to last year. The 1201 was not in service in the first quarter 2012 but there was, as I've mentioned earlier, a solid utilization of that vessel.

We had a little more in the way of dry docks this quarter compared to a year ago. Lastly, I'd note that our flexible plants are running strongly, and that's a point I'll come back to and discuss in cash flow and working capital later on.

Overall, therefore, revenue in subsea grew strongly at 17%. The operating margin decreased as we indicated that it probably would. As you've seen, we've maintained our full year guidance. And we expect margins to normalize progressively through the year. But I will if I may make the same comment that I made at the full year results that quarterly margins will be volatile this year. And the speed of normalization will depend on the project execution over the coming quarters.

Turning to slide seven on Onshore/Offshore, progress was steady across all of our projects in the quarter. The main operations included, for example, in the Middle East, the continuation of construction and pre-commissioning work on the Jubail refinery both our packages. And engineering progress allows a good move into procurement on the KEMYA Halobutyl project.

In Asia Pacific, we continued engineering and procurement of long lead items on the Malikai Tension Leg Platform and during the quarter we cut the first steel on that project. Both FLNGs progress as well.

For the Americas, Spar construction continued in Pori. The first of the two Spars currently in construction, the Lucius 1 for Anadarko, we had the sail away ceremony last week and she will physically do that over the next couple of days after a successful and safe construction campaign.

And in the North Sea, we began the procurement activities for Aasta Hansteen and continued to mobilize for the Martin Linge project. Overall revenues grew by 12%. And the margin at 6.8% was right in line with our objectives.

Looking at the Group overall on slide eight, a few points to note. There was a small negative impact on revenue and profit, EUR45m on revenue and EUR6m on profit from the translation effects of currency. Including these effects, Group revenue was up 14%. And given the factors I mentioned earlier on Subsea projects and the CapEx costs that we noted, profitability rose on an absolute basis but the Group margins fell as you can see.

Underneath operating profit there are no particular comments to make around financial results. The result is accounted for almost entirely by interest on our gross borrowings. There are no particular IAS32, 39 impacts this quarter.

Income tax was in line with where we've been over the last few quarters, and we seem to be trending at around 29% or thereabouts at the moment. I note that the share count rose quite modestly this quarter compared to a year ago. And the share count growth, which has been significant over the last 12, 24 months, is likely to continue to slow over the next few quarters which I think is good news for EPS.

Slide nine on net cash. I am not going to go through the left-hand side of slide nine but I did want to spend a moment to talk about the working capital movements which at minus EUR350m are significant this quarter.

Working capital has been and I think will continue to be volatile up and down for Technip and I think for other companies in the industry. If you look at the first and second quarter last year we also had an outflow of working capital. But within the change in the first quarter I think I'd note the following three points.

First, we are moving quite well through the later phases of a number of substantial contracts particularly in Onshore/Offshore. And the payments we received against those projects in 2012 including in the last quarter are being applied to progress those projects as you would expect. And for example, if you take two it's particularly the case of Jubail and Prelude.

Secondly, we've got good work load in our flexible and in our umbilical plants and there is a fair amount of work in progress in those plants at the moment. And that has consumed a substantial amount of working capital this quarter. And you can see perhaps here the impact of the modest evolution towards more flexible supply, more umbilical supply within our subsea business.

Third, although the overall order intake was good in the quarter, we have not yet received cash advances on some of the larger projects we took. They will come in later quarters. And aside from timing I would just I think like to say that there was nothing unusual good or bad about the overall profile of the cash advances around the quarter one order intake.

Moving to slide 10 on asset delivery, the Deep Orient was delivered and completed her sea trials in quarter one and she is now in Norwegian waters and mobilized and working well on the Asgard project.

The Deep Energy, in the middle of the page, is in the middle of her sea trials. Teams have successfully completed the class sea trials and have now begun to trial the laying of pipe. And I believe everyone involved in that is very proud of the way she is shaping up.

And lastly, we're progressing on the manufacturing assets. Acu progresses well and we maintain the plant start up of test production at year end. We are also in the middle of training. And the costs for that are coming into the P&L this quarter. And we are also advancing well in Newcastle on the Duco umbilical's line and the logistic assets that go with it.

With that, I'll now hand back to Thierry for a discussion on the outlook.

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, thank you, Julian. Before I go into the outlook and the general business environment, I'd like to come back on three key projects that we won this quarter.

The first one is Moho Nord in the Congo which is a multi-disciplinary and a fast-track subsea development. So as we say this is the largest subsea EPCI project for Technip. It actually represents the full spectrum of Technip's technologies and unique vertical integration. And this allows us to provide a very fast-track solution for our clients. So we will be able to not only obviously do the infill development but also the deep to shore from about 1,100 meters of water to shallow water with the substantial use of the G1200.

This is typically the projects that we targeted when we actually did the Global Industries acquisition, projects that encompass everything from the infill with all the technologies flexible, rigid, umbilicals. And then from a deep to shore export lines where we have to focus on national content and we are working with our client to develop partnerships and -- with other contractors. And the main installation phases will be in 2015 even if the offshore campaign [matched] up as early as 2014.

So that's a very important project for us and it shows that West Africa is picking up again. And I think we are going to see over the next 12 to 18 months other projects from West Africa being awarded either to us or to our competition.

The next project is in Brazil where there has been much talk about flexible pipes utilization. And we always say that flexible pipes would be used for flowlines and for jumpers and so forth. Well, for the pre-salt development of Sapinhoa and Lula Nordeste, which are formerly Guara and Tupi, so it's a little bit difficult to follow, but I think now that the names are pretty firm. So for Sapinhoa and Lula we will provide flexible flowlines and jumpers.

So this does not include any risers at this stage. Risers will be coming probably for the next developments which we may talk about later on. So these are ultra-deep fields, we are talking about flowlines installed between 2,250 meters to 2,500 meters of water. And we are going to provide

12km of flowlines, 5km of dynamic jumpers for first delivery of some of these elements in 2014. So we will have to mobilize both the resources from our plant in Le Trait to start with and then obviously the newly built Acu plant in Brazil.

Next project is actually something which we had on our radar screen for quite some time, and which is gaining momentum which is the Yamal LNG project in Northern Siberia. We have been involved at a very early stage in that frontier project, so the customer is a joint venture between Novatek and Total. And the scope of the work will be to procure -- design, procure, build three trains to start with of about 5m to 5.5m tonnes per annum for each train.

So the way we have approached this project is that we will start very soon the detailed engineering after we reanalyze the feed. And we are launching the early procurement as well for long lead items. But we are going to have what we call an open book estimate process where we will be working hand in hand with our clients before they make the final investment decisions.

So the next few quarters will be focused on the detailed designs, securing the long lead items, working together. Our intent is to have at some stage some lump summing of the engineering and then procurement and the modules that will have to be built outside of Russia. And construction will be taken care of by our client with our collaboration on construction. So this is how we have approached this project which obviously is a very important way for Technip.

Now looking at the overall market on page 15 I am not going to cover all the areas of the world, I just want to highlight that we see a fairly big level of tendering across the board in all our regions. And fairly good momentum, the momentum continues.

Good news as I said before that we see projects in West Africa, I start with West Africa because this is really where we see the momentum most in Congo where we won Moho Nord but also Nigeria where I think [Egina] has finally been sanctioned. So we should see the awards soon even though our participation to Egina will be -- should be relatively small. But then several, also several projects in Angola that should be awarded this year or early next year, so momentum started has again in West Africa.

Then going back across the Atlantic to North America, North America, very buoyant market particularly downstream. Lots of projects for petrochemicals, (inaudible), GTL and fertilizers. As you saw we have won the Mosaic project which is a fertilizer project in North America. And we are positioning our team, particularly the newly acquired Stone & Webster process technology team at a very early stage on several of these projects.

Another element in North America is that we could definitely see some momentum in the LNG projects, particularly in Canada. There are also several LNG projects in the US, but those are probably going to be slower to get all the permitting but Canada is having good momentum. And we expect to participate to some of these projects at least in the FEED and maybe early phases of the projects and as they start to materialize.

So in Asia Pacific you've probably seen that the one large project, the Brass project, the client is trying to investigate different solutions for the LNG, it's again an LNG project, different solutions. And as we alerted in the past onshore LNG is becoming challenging in Australia. And that gives even more hopes for more floating LNGs in the future as a safer and a cheaper solution for clients.

Brazil continues to be strong. And as we alerted in our last conference call, the decision to move at least some of the next projects to flexible risers is a very good decision which supports completely our strategy of expanding our capacity and our capabilities in Brazil.

So this being said, the market stays robust and we are therefore in a position to confirm our guidance for the full year which is Group revenue growing between 11% to 16%, so our revenue should be between EUR9.1b to EUR9.5b with Subsea representing EUR4.3b to EUR4.6b with operating margin around 15%. As far as Onshore/Offshore is concerned the revenue should be between EUR4.7b and EUR5.1b growing as well with operating margin between 6% and 7%.

And we will stop here and turn over for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We have a first question from Geoffroy Stern from Cheuvreux. Please sir, go ahead.

Geoffroy Stern - *Cheuvreux - Analyst*

Yes, good morning. Geoffroy Stern from Cheuvreux speaking. I have a couple of questions. First of all, we've seen West Africa picking up again. If such a pickup is confirmed in the upcoming quarters, do you expect that this could lead to a tightening of the sub market enabling subcontractors to improve margin on a contract to be awarded. That's my first question.

And a related one is if the current macro conditions prevail do you see any reason not to see Technip's Subsea business coming back to the previous peak margin? So not asking for a timing but at least just to understand to get a bit more color on this would be helpful.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, well, two good questions. West Africa market is picking up, there were a couple of years of very slow decisions and it's picking up. And I would say that the LNG projects are coming back to Africa which is good news.

I think the tightening that you are talking about here would probably be on some key assets in particular like the ultra-deep assets or the deep to shore assets and so forth. I am not sure that this will represent or that will be enough to represent a major tightening across the board for all types of assets, but definitely for the specialized assets we could start to see this. And this is why it is so important for us to have the capability to go from very ultra-deep water with our Heerema alliance to the deep to shore because these are the key enablers.

On your second question, I would not comment about peak margins or going back to a previous peak and so forth, and particularly not when. But the trend for '14, '15 and beyond looking at what we are winning today is going in the right direction provided we execute those projects according to what we have put in the execution plan when we won those projects. So the trend is positive.

Geoffroy Stern - *Cheuvreux - Analyst*

And just a follow up if I may, we've seen lately between the Gulf of Mexico, let's say, a delaying or freezing its Mad Dog 2 development project. And obviously you were -- you made the FEED on the spar. Any comment there? And do you think -- it was a bit surprising to see such a decision given that the economics in the Gulf of Mexico usually are seen pretty attractive on deepwater project.

Thierry Pilenko - *Technip - Chairman and CEO*

I believe the economics -- most deepwater projects in the Gulf of Mexico are very good. And many of our clients are talking about developing some of these projects such as what you just saw with Anadarko and Lucius for example, and I'll come back to that in a minute.

But coming back to BP the first thing I'd like to say is that we have been working on the FEED for the spar, which was very, very advanced this FEED was very advanced. We have a 10-year agreement with BP. And the spar is still a very efficient and cost effective technology for the development in the Gulf of Mexico.

So the project is being delayed. I think the client typically here is looking for solutions to reduce the overall CapEx on this project which probably requires rethinking about maybe the drilling pattern. We should never forget that in a project like that drilling represents more than 50% of the total cost.

And so looking at drilling, looking at well construction as well as subsea construction platforms and so forth we still continue to have a very open dialogue with BP. Certainly this is typically of projects where the client thinks there may be better technical solutions which could lead to a lower cost of CapEx.

But I don't see any change in the strategic relationship between BP and Technip. Now BP are probably in a much better position than us to answer about the economics of the field in particular.

Geoffroy Stern - *Cheuvreux - Analyst*

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

Operator

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

Phillip Lindsay - *HSBC - Analyst*

Yes, morning, everyone. Two questions for me please. First of all on Prelude, can you just explain further the progressive move to lump sum on this contract? Is this effectively a series of lump sum contracts now rather than one larger lump sum job? It looks quite unusual in its structure. Just perhaps you can just explain how it works and also how you recognize profit on this basis please. That's question number one.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. So, Julian, would you like to take the question on Prelude?

Julian Waldron - *Technip - CFO*

Sure. So good morning, Phil. In terms of recognition of revenue and profit on Prelude, the contractual scheme and the order intake is -- and the conversion to lump sum elements is not particularly important. You should view it as a standard Technip accounted lump sum turnkey construction project over a significant period of time with engineering procurement construction phases, with the revenue coming through in a normal S-curve as cost is incurred and with the profitability recognized according to the risk phases therefore backend loaded.

As far as order intake is concerned, the way that the consortium, and by consortium I mean our clients and Samsung and Technip, agreed to work at the beginning, was to take some elements on a fixed price basis from the outset and then to work together to refine design and cost, work on procurement through the execution phases of the project. And as those -- as that work was completed convert them to a fixed price basis.

And that's for both sites if you will Technip and Samsung and for Shell was the right way to ensure good execution, ensure the right quality of procurement, ensure the right cost and the right risk profile for all of us. So as that work is completed we go into lump sum mode. And at that point we take additional elements into order intake.

Now the bulk of that probably took place in the first 18 months after project award. There are still some elements coming through this year. But I think the bulk of it is behind us in terms of order intake.

Phillip Lindsay - *HSBC - Analyst*

Okay, understood. And then question number two, we were offered an insight into the new and improved risk management processes of one of your peers yesterday. Perhaps you could just remind us all of your own internal approach to risk management, your commercial approach to securing work and perhaps how this has changed in recent years and then the kind of things that you are doing to evolve the system. Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

I'll take this question. Phil, I think all companies obviously including Technip has a risk management process in place. And with elements which are generally very similar from one company to another. But I'd like to highlight one thing. Risk management you need to have the processes in place, you need to understand what are the gates, you need to understand how the risk is built and how it is mitigated project by project.

But at the end it's like safety, you need to have the safety procedures you have to have safety systems in place and so forth. But first and foremost you need to have, once these systems are in place, you need to have people with the right behavior.

And this is really what we are pushing which is ensuring that those systems are used and that the people have the right behavior. When they see a risk that they identify it, they see the ways to mitigate it and to escalate the issues at the very early stage so that when we make the decision to go for this project or that project we have a good understanding of the risk. So, we had to improve the processes over the years. I would say the most important thing is really to improve the behavior of the people.

Now one thing which we also do at Technip is that we have our own systems obviously, we have built a portfolio of projects of different sizes, different geographies, different segments, different types of customers, different types of contracts. That is one way but a very important way to mitigate the risk as well, to have a portfolio approach. I think this is important.

The other thing which I think makes us different is that we don't hesitate to share actually we encourage the sharing, about the risks and about the mitigation. And for example we are part of a fairly important group that regroups many contractors which is called ECRI and where risk sharing is, or risk mitigation is being discussed. And so we participate to these brainstorming ceremonies, well, not ceremonies sorry brainstorming events with several of our peers in our business but also people who manage projects outside of our oil and gas business.

And our permanent representative, several people at Technip participate to this, to these brainstorming of course, but our permanent representative and senior manager representing Technip on that group of senior executive managing risk is Julian Waldron, our CFO. So Julian has the perspective not only of the operations but as well the larger risk of the company.

So it's a long answer but basically what I am saying is it's about behavior and it's about making sure that we have the right approach to mitigating risk.

Phillip Lindsay - *HSBC - Analyst*

Okay, very useful. Thanks very much.

Operator

We have the next question from Mr. Guillaume Delaby from Societe Generale. Please sir, go ahead.

Guillaume Delaby - *Societe Generale - Analyst*

Good morning, gentlemen. Just a question for me, at the end of the 2012 results to be honest I had a slight worry which was increase of SG&A as a proportion of total revenues which if I'm correct went from 7.5% of revenues in 2011 to 8.1% in 2012. In Q1 2013 SG&A as a percentage of revenue continues also to increase because I think we are roughly 8.5%.

I am sorry, Julian, the content question. Given the fact that my impression is that pricing globally is probably as not good as you hoped it could have been a few months ago, I just need I would say some kind of formal reassurance that you are not going to be complacent with your fixed cost base. So please do reassure me on that point.

Julian Waldron - *Technip - CFO*

Guillaume, good morning.

Guillaume Delaby - *Societe Generale - Analyst*

Good morning, Julian.

Julian Waldron - *Technip - CFO*

Thank you very much for that, that's a very helpful question because it will help Thierry and I go back and make sure there isn't complacency to the extent there is. So thank you for the question.

I don't think by the way that we necessarily -- and you made an assumption about halfway through your question, which is pricing is not as good as we think it is. I would refer you back to what Thierry said earlier. I think in a number of parts of the business we see pricing moving more in the right direction than anything else. So I'd just make that as a side comment.

Now, two or three points on SG&A I'll get some of the technical things out with to begin with. We do have the ramp-up costs which you can see come through in SG&A, so that's the line of the P&L where for example some of the Acu costs come through. Now I'm not going to excuse that but that's just a fact.

Now, I think more structurally I think you see two things in our business. We have, over the last five years, made a sustained effort to implant ourselves locally, because that's what our customers want from us. And that, we believe, is a consistent and long-term strategic differentiator for Technip against its competitors, all types of competitors.

It's not a low-cost option, so you need to recover the additional cost of doing business that that represents in your projects. And I think you see in the way that the margins have evolved over the last few years that we are there or thereabouts in recovering that cost.

Secondly, we've for a while now been saying that it is quite difficult to predict the timing of individual projects. The projects that we bid on, particularly the large ones, the projects that we bid on, if they are large, cost a lot of money to bid on, take place over a very long period of time. And that's an incremental cost. Five years or so ago IFRS enabled you to capitalize some of that cost. We don't do that now; we write that cost off as we bid.

So the cost of selling and tendering has been structurally increasing over the last few years, but those two things, the national content, the local implantation and the cost of selling and tendering, are two costs of doing business that I think, for better or worse, are -- continue to structurally increase.

What we need to do is to make sure that we recover that cost in a margin that the Group records in its two segments. I think up to now we are confident that we are able to do that and think we've demonstrated that.

This year you'll see those one-off costs come through the P&L. Sorry, a long answer to a straightforward question. I hope we are not complacent, but your question will enable us to go back and tighten again. So thank you.

Guillaume Delaby - *Societe Generale - Analyst*

Thank you, Julian, very helpful.

Operator

We have a question from Katherine Tonks from RBC. Please, madam, go ahead.

Katherine Tonks - *RBC Capital Markets - Analyst*

Good morning. I wondered if you could give us a bit more color on margins. So firstly, on Subsea, at the full-year presentation you gave quite a useful breakdown of the one-offs that would impact Subsea margins in the full year, and I wondered if you could give that for the first quarter, and talk about their phasing during the year.

And then secondly, on Onshore margins at the high end of your guidance range, should we assume that they stay at this kind of level for the rest of the year?

Julian Waldron - *Technip - CFO*

Katherine, thanks very much for the question. I don't think, if I may, I have a lot to add on Onshore/Offshore. I think it was within the target range. In one quarter, when you are looking at between 6% and 7%, EUR1m can make a bit of difference here or there. So I don't think I want to narrow things down any further than the guidance we gave at the full year.

As far as Subsea is concerned, the Deep Energy is not yet in service, so we don't have non-absorption cost for the Deep Energy. That will start in the second half of the year.

So what you are getting coming through in the first quarter is the ramp-up cost for Acu. That is going to be fairly constant quarter by quarter through the year, and you've probably got EUR5m, EUR6m, EUR7m, I think, in the first quarter, something of that range coming through in the P&L. And that's going to be fairly flat across the four quarters.

Katherine Tonks - *RBC Capital Markets - Analyst*

So -- but in order to get to your full-year target of 15%, do we assume that we take a step up in Q2 and then a flat, or we could be seeing margins this low at some point in Q2, Q3, Q4 again?

Julian Waldron - *Technip - CFO*

I'm not going to give quarter-by-quarter margin guidance either for Onshore/Offshore or Subsea. It will continue to be volatile. What happens in Q2 is going to depend, to some extent, in Subsea, for example, how we execute as we move into the key execution phases on the projects we mentioned in the press release.

There will be more volatility, I think, than in Onshore/Offshore. Because you don't have the same ramp up in revenue in Onshore/Offshore this year as you have in Subsea, you are not -- you don't have so much revenue coming through in early phases of projects. But I would expect more volatility quarter by quarter in Subsea than you do in Onshore/Offshore.

Katherine Tonks - *RBC Capital Markets - Analyst*

Okay, thank you very much.

Julian Waldron - *Technip - CFO*

Thank you.

Operator

We have the next question from Mr. Alain Parent, from Natixis. Please sir, go ahead.

Alain Parent - *Natixis - Analyst*

Good morning. My first question is actually a follow up on Mad Dog in the Gulf of Mexico. What impact could the delay have on your workload in the Pori yard, or at least when would this delay start to be critical for the yard?

The second question would be about the alliance with Heerema. I was wondering if you could give us some update on that and if you could possibly give us some indicative timing for potential awards. Thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, well I'll start with the Pori yard question. You know the BP announcement was last week.

Alain Parent - *Natixis - Analyst*

Yes.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay? So we are actually meeting with BP this week to try to see what are the impacts, how do we demobilize the teams, what we keep as a core team, to make sure that we can restart should they decide to restart again. So it is way too early to say what is the potential impact on Pori. I'd like to remind you that at Pori we just had the sail away ceremony last week actually. I was there last week.

The Spar -- the Lucius Spar is leaving Pori in the next couple of days and we are working on the replicate of Lucius, which is called the Heidelberg, for Anadarko, where basically the yard is fully busy at the moment. So it's too soon to tell you. We need to have more details about what BP are going to do, and what is the rundown that is planned. So we will probably -- well, we will be able to give you more color in our next call, I would say.

Alain Parent - *Natixis - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman and CEO*

When it comes to the alliance with Heerema, we are working extremely closely with them on several potentially very interesting projects. But again, these projects are very large projects, generally, because these are projects which encompass ultra-deepwater, relatively deepwater and sometimes also deep-to-shore, a little bit similar to what we had with Moho. But in the case of Moho we could do everything ourselves. These projects take up a long time to be awarded and, as we said, it's always difficult to know when those projects will be awarded.

The only thing I can say is that the customers we are working with are very happy to see Technip and Heerema together. And they are keen to get these projects going. But I'm not going to go into the guessing of whether it is going to be Q3, Q4 or early next year. But the alliance is on the right foot and is going in the right direction, and we have clear, very clear targets for this alliance.

Alain Parent - *Natixis - Analyst*

Okay. One quick follow up, if I may, on the depreciation in Subsea. There is a steep increase in Q1. I guess something like 38% increase versus last year. So could you tell us what drives this increase of depreciation and amortization this quarter? Thank you.

Julian Waldron - *Technip - CFO*

A couple of one-offs I think a year ago, from memory, but also in the first quarter this year you've got the 1201, which you didn't have a year ago. And you've got the beginning of depreciation of the Deep Orient as well. So I think those are the two -- those are the perimeter changes year on year, Alain.

Alain Parent - *Natixis - Analyst*

Okay. So we can assume a steady -- the D&A to repeat like that throughout the year? That's a fair assumption?

Julian Waldron - *Technip - CFO*

Yes, currency aside and --

Alain Parent - *Natixis - Analyst*

Okay.

Julian Waldron - *Technip - CFO*

Yes, I don't think it's going -- you will have in quarter two-- in quarter two, in H2 you will start to see some depreciation coming through on the Deep Energy.

Alain Parent - *Natixis - Analyst*

Okay.

Julian Waldron - *Technip - CFO*

Don't forget that.

Alain Parent - *Natixis - Analyst*

Okay, thanks.

Operator

-- from Ryan Kauppila, from Citigroup. Please sir, go ahead.

Ryan Kauppila - *Citigroup - Analyst*

Thanks. Good morning. West Africa, we are finally seeing some long-delayed projects get sanctioned. Your confidence around the region looks to have certainly improved since the full-year results. What do you think over the last few months has changed that seems to be driving activity in West Africa?

And then secondly, in Brazil, as you are ramping up for your Acu plant and ramping up employment there, generally how have you found labor markets and wage-rate inflation?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, two good questions. West Africa first. I don't think we have seen any major change in the last few months. Those projects that have been awarded have been there for quite some time.

Well, we just heard that Egina should go ahead. I think our clients and even the Nigerian authorities have been talking about Egina and I think everybody was ready to go and act, probably for the past two years.

If the changes in the last few months that you refer to are linked to anything linked to the price of oil, or something like that, what I'd like to say is that it takes so much time for these projects to actually get sanctioned because you need the alignment of the international partners, the national companies, the local potential suppliers, as local content is playing always an important part and a growing part. Once these projects are moving they have to go ahead, at some stage. So I don't think we have seen anything different.

If they are happening in different countries and they were stuck for different reasons, we cannot consider that -- we always think West Africa but actually the dynamics in Ghana are different from Congo, Nigeria or Angola. These are different countries with different drivers and so forth. Take Ghana, for example, where there could be in the next few quarters an award on the contract called TEN, TEN.

For this contract to go ahead, the clients need to make sure that the smaller fields that they want to develop, as part of the greater jubilee, if you want, development, these smaller fields make sense. So here it's more a geological issue. In Nigeria this was more -- probably relationship issue and risk issue for our international customers. In Angola is more a question of local content versus international content. So -- and in Congo we've been able to move fast, but Congo has not seen a project of this magnitude for many, many, many years.

So different dynamics and it just happens that fortunately, over the next 12 to 18 months, we should see all these countries moving forward.

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Julian Waldron - *Technip - CFO*

But I think, Ryan, over the last several quarters we have never seen the will of our customers to move ahead with these projects waver. We've seen frustration on many parts, but we've seen slowness and we've seen change and we've seen volatility. But we've see a will and a drive on the customer base, which has been very consistent. It's made it very difficult to be able to predict the timing of individual projects, but it's not dampened our confidence that West Africa would, sooner or later, become a big driver of work for the industry, and Technip as well.

So I agree with Thierry. I don't think anything has changed over the last three months, except finally the hard work of everybody involved, on the clients, on the IOC side, on the partner side and on the contractor side, finally has led to something which has been sanctionable.

Ryan Kauppila - *Citigroup - Analyst*

Very helpful.

Thierry Pilenko - *Technip - Chairman and CEO*

Yes, Brazil now. Going back to Brazil, the people we are recruiting in Brazil for the Acu plant are people we are recruiting in the Acu area, where the labor market is actually pretty good to be able to recruit. What we are doing we are recruiting people from the Acu area, bringing them to Victoria, training them in Victoria, so that they can be ready to return home and be working in a plant which is close to home. As opposed to what some people have done, sometimes in Brazil, not necessarily in our industry, which is to send people from their existing plant to their new plant and uprooting the people.

And so for us this has had two advantages. First of all, we are accessing -- we are tapping into a group of people in an area where there was availability. And secondly, those people will be working in their home town or home area.

So this hasn't been a problem but, of course, we had to spend a lot of time and efforts to do the right recruiting. And we do it ahead of time and the starting cost that Julian was talking about. We had to anticipate long in advance to make sure that the plant can ramp up flawlessly, as soon as we can put it in action.

So now the overall labor market in Brazil, I think it's getting a little bit better. We have seen that the Brazilian growth is not as good as it used to be. Therefore, the overheated environment is getting slightly better and so far we haven't had any problems to recruit the people we need, and to retain them.

Our industry remains very buoyant in Brazil and you've probably seen the latest presentations from the CEO of Petrobras, talking about doubling the production by 2020. That requires a massive production from the pre-salt, and we know that the FPSOs are coming. We have actually recently announced a win for an FPSO. So the market stays strong but the overheated element of the market is probably less than it used to be, say six months or a year ago.

Ryan Kauppila - *Citigroup - Analyst*

That's very helpful, thank you.

Operator

We have the next question from Mr. Jean-Luc Romain, from CM-CIC Securities. Please, sir, go ahead.

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

Good morning. Another two questions on Brazil. You just mentioned the contract for one FPSO recently. Usually you have won FPSO contract in pairs, so what could we expect in this area?

Second question is about flexibles. Petrobras recently reaffirmed its preference for flexible riser systems in terms of installation facility. When do you believe the large contracts for flexible riser systems for the FPSOs which are planned to start in 2014 or '15 and beyond might be awarded by Petrobras?

Thierry Pilenko - *Technip - Chairman and CEO*

I'll start with the second question because I'm not sure I understood the first one.

Julian Waldron - *Technip - CFO*

I can do the first one.

Thierry Pilenko - *Technip - Chairman and CEO*

So Julian will do the first one. Flexible riser systems, well, basically, Petrobras are confident that it is a very viable situation, which is very good news. We had no doubt about it because a lot of investment over the past few years, and we also, in terms of R&D to prove the technology, and also obviously in terms of CapEx with the Acu plant.

So I would expect that, given the timing of the FPSO and everything, we should have the order of the flexible risers before the end of the year, on at least one project.

Julian Waldron - *Technip - CFO*

Jean, thanks for the first question. I don't think that on pairs you should necessarily use the past as a guide to the future. For one, in this particular case, because this is an integration contract, it's yard work, whereas before it was much more engineering and procurement. So I don't think you should necessarily make that assumption. I think we want to continue to manage our risk in terms of the types and the volume of contract we take in Brazil, and I know our customer wants to as well. So I wouldn't extrapolate.

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

Okay, thank you.

Operator

We have the next question from Mr. Nick Pickup, from Barclays. Please sir, go ahead.

Mick Pickup - *Barclays Capital - Analyst*

Morning, all, it's Mick, not Nick. Just a quick follow up firstly from Jean-Luc there. The riser systems, if you were to be awarded those, can I just assume that you start getting to work on those very, very quickly, and you start booking profits on those almost pretty instantly? Just for my understanding that's the first question.

Thierry Pilenko - *Technip - Chairman and CEO*

Yes. Julian, do you want to answer -- it's profits related?

Julian Waldron - *Technip - CFO*

You'll start working on them pretty quickly. We do account for riser, or for flexible supply profit, generally in the same way as any other project. In other words, it's not -- just because it's production, it's not necessarily linear, if you will. And I suspect that because we would want at least to produce some of these risers on the first project in Acu, we might take a relatively prudent view of the way in which we look at the risks on those projects.

Now, I don't know for sure, Mick, because we don't have a contract in hand, but I'm -- giving you the internal brainstorming on the subject.

Mick Pickup - *Barclays Capital - Analyst*

Okay. And the second question, there's been a lot of focus on this call on pricing the margins. Yet we've been through a quarter where there's worries about the cash availability in big oil and, yourselves, you've just had to give a very thorough explanation of your working capital movements. Can you just talk about terms and conditions on the contracts you are bidding, because it just seems that reducing terms and conditions a risk towards you is an easy way which prices can come down if you have less contingencies in there and you can actually generate a better margin on probability of success?

Julian Waldron - *Technip - CFO*

So I don't think -- I think anyone who says that our customers don't try to put more risk on their contractor base -- I think anyone who tries to argue that our customers don't do that is -- underestimates the drive of our customers to negotiate.

However, I think the industry does understand, and that's both for the contractors and the customers, the risks which the contractors are capable of managing. And not always, but I think where it counts we continue to see our customers understand the types of risks that they should take, because we can't hedge them, because we can't manage them because we can't cover them. And I don't think we have seen a material change in that over the last few years. Again, I'm not saying that they don't try, but I don't think we see, when you come to put your pen to paper on the contract, material evolution.

Mick Pickup - *Barclays Capital - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman and CEO*

But in fact what we see at the moment, on the larger projects, I would say, on the larger projects where our clients need to make sure that the entire CapEx fits the economic equation, they are ready to have a very detailed discussion. And not just take the bid and then evaluate the bid in their corner without talking to us. Really a very detailed discussion about is there anything you can do to reduce the overall cost, and tell us where you had to take extra contingencies because you think there is a [trial] risk.

So this dialogue is happening, and then it can translate, for example, into qualification in projects. Or it can translate into what we saw with the open-book estimate approach, for example, where the client says we don't want you to put our unnecessary contingencies on a lump-sum project, because you don't fully understand the risk. So let's sit down, go through a phase of open-book estimate, look at the risk together, and then we see what can be done. We see this happening, I would say, on the larger projects.

Julian Waldron - *Technip - CFO*

Yes.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay? On the more bread-and-butter projects, terms and conditions is more like back and forth, back and forth. But we haven't seen a material change there.

Julian Waldron - *Technip - CFO*

And you are right that a lot of this discussion today has been around pricing and margins. What does an open-book estimate process do for you? It doesn't necessarily give you better pricing and margins; it doesn't necessarily give you worse pricing and margins either. But what it does do is increase the probability that the number you have at the bottom of your price sheet is the number that you will eventually deliver, that the schedule that your customer has in his mind, and you have in your mind, is the schedule that you'll eventually deliver.

So I think that the way that we try to contract is as much driven by driving certainty into the portfolio, because you are taking the risk on a more transparent basis, and occasionally on a later basis. And it is simply to see how we can push up pricing and margins. Volatility is one of the things that we try to drive out of the backlog, and we don't always succeed. And I think it's wrong to suggest that you always do succeed.

So on the bigger projects, in particular the more frontier projects, we had the question on the contractor scheme on Prelude earlier on. Prelude, Yamal, they both move in that direction of working more closely with your customer before. They take the risk on giving the contract and you take the risk on the price.

Mick Pickup - *Barclays Capital - Analyst*

Magic. That's exactly what I wanted to hear.

Thierry Pilenko - *Technip - Chairman and CEO*

Yes. I give you another anecdotal information, because it is only one project. I'm not going to name the customer, but there is a recent subsea project where the terms and conditions were clearly unacceptable for most of the serious subsea companies, and none of us bid. Okay? So the customer has decided to come back and say, what do you we need to have in our terms and conditions to ensure that we will have enough bidders on this project? So --

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Mick Pickup - *Barclays Capital - Analyst*

Okay, thank you very much.

Julian Waldron - *Technip - CFO*

Thank you. We are just --

Operator

We have --

Julian Waldron - *Technip - CFO*

We are going to carry on taking a couple more questions. We do have a General Assembly to deal with today. I think we've probably got about another five or six minutes. I apologize for those who miss out, but I think that's probably what we've got; maybe time for two more.

Operator

Okay. The next question is from Andrew Dobbing, from JPMorgan. Please sir, go ahead.

Andrew Dobbing - *JPMorgan - Analyst*

Yes, good morning. Two questions, please. First, you've guided for an incremental 7% to 8% of Subsea revenue in 2013 to have no profit associated with it. Maybe it's too early to say, but it's -- are you expecting this to reverse in 2014?

And my second question relates to Yamal LNG. Could there be some significant procurement of long-lead items on that project? I guess if that's the case we could see some pretty big revenue contribution in 2013. Or is that unlikely before this project is fully FIDed? Thank you.

Julian Waldron - *Technip - CFO*

So, just to deal with the first one, Acu will start to do production, probably test production, at the end of this year. As we've said previously, you can't expect a plant like that to ramp up. I would hope that we have good utilization for the Deep Energy in '14. As far as the projects with revenue but no margin, they will start to move into execution phases next year, but some of them have execution, or offshore execution phases in '14 and '15. So it will be progressive.

So I think that's as far as, at this point in April '13, we can go, looking at '14. Some of those effects will, of course, wind off. If we take three projects in West Africa, we'll all be very, very happy with the backlog and there'll be a big growth in revenue. But you might have the similar problem in '14 that you've got in '13, if you will. And I just think it's too early to tell, but I think all the points I've just mentioned are consistent with how we started the year.

Yamal.

Thierry Pilenko - *Technip - Chairman and CEO*

Going back to your question on Yamal, by definition, long-lead items will take a long time to be delivered. So we order them as quickly as we can, but don't expect any significant additional revenue from this project in 2013. 2013 will be very much focused on identifying those long-lead items, going into the detailed design and, therefore, there is nothing exceptional in terms of revenue coming to us.

Julian Waldron - *Technip - CFO*

We have, and you've seen if you look at the backlog visibility for the last nine months, Yamal is the sort of project that will contribute quite a significant number of man-hours for us, between now and the end of the year and, therefore, quite significant revenue for engineering. So it is one of those projects which will bridge the gap, because it is not in backlog at the end of quarter one; it's one of those projects which will not really show up in backlog very much this year, but will drive revenue from what you have committed in backlog to the full-year revenue guidance.

Other similar projects are things like Petronas FLNG, for example. Again, not very big in backlog, but will drive revenue on a services basis for us, to bridge the gap between what we've got in backlog now and the full-year expectations.

Andrew Dobbing - *JPMorgan - Analyst*

Many thanks. Thank you.

Julian Waldron - *Technip - CFO*

We've got time for two more quick ones.

Operator

We have the next question from Miss Amy Wong, from UBS. Please go ahead.

Amy Wong - *UBS - Analyst*

Hello. I just had one question, please. And it's about your strategy on portfolio mix. In the past you've always said, especially in the Subsea, that you prefer to have one big, epic project and then dot around it a good mix of small/medium-sized projects. Now that you've won Moho Nord, what does that mean for -- should we -- but you also have a large asset base. Do we expect you to increase the number of larger projects you can undertake, and how is that portfolio mix going to -- strategy going to be going forward? Thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

Well, you are absolutely right. We have a big asset base and we are just launching, in second half of the year, the Deep Energy, and we bought Global Industries, and so forth.

So you also need to look at -- in the portfolio it's not just how many large projects you have; it's when these projects are going to be in offshore execution phase. So we could be in a situation where we win more than one in a given year, but actually the installation phase is over two or three years. So it's not just how we win it; it's when we stagger the execution phase with the required key assets.

Julian Waldron - *Technip - CFO*

And, if I may, just looking back to -- so let's just take 2010 as a snapshot, in 2010 if we look at large projects, we had Pazflor, Block 31 --

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Thierry Pilenko - *Technip - Chairman and CEO*

Jubilee.

Julian Waldron - *Technip - CFO*

Jubilee and MA-D6, all going on at the same time. Now, going on at the same time means very different execution phases. But -- and all of those four projects, looking back, were executed superbly. So we have the ability to take more than one into backlog. It's around the execution scheme, terms and conditions, where it is a potential conflict with other things.

I would say that the fact, for example, that the Brazilian pre-salt development appeared to be moving away from epic towards supply and charter installation. That's probably helpful, in the way that we look at our risk profile in Subsea over the next couple of years.

Amy Wong - *UBS - Analyst*

All right, thanks. That's very clear.

Julian Waldron - *Technip - CFO*

Last one?

Operator

Our last question is form Rob Pulleyn, from Morgan Stanley. Please sir, go ahead.

Rob Pulleyn - *Morgan Stanley - Analyst*

Hi, good morning, gentlemen. Most of my questions have been answered, but just two quick ones to finish one. On Yamal, and there was a comment that the Russian government would no longer finance all of the ice breakers, which may affect the economics of the project. Given that that's pre-FID, is this something we should be, or you should be worried about in terms of that project actually proceeding all the way through?

And secondly, and apologies if I missed this reaffirmation, but on the last conference call you said that working capital on a full-year basis would be largely unchanged. I know it's going to be volatile on a quarterly basis, but is that still the case for the full year? Thank you very much.

Thierry Pilenko - *Technip - Chairman and CEO*

Obviously we are -- in Yamal, we are looking all the moving parts, including the financing, not only for the vessels, but for the plant and, of course, the offtaker. So during this open-book estimate phase, the client will do some early works, which they have actually started -- site preparation. And they are even building an airport, then commitment to long-lead items.

We are following very closely the financing and also the ultimate clients, when the contracts are going to be signed. This is why I can't give you a firm date for the final investment decision. The clients, either Total or Novatek, may be in a better position to say that. But what we have seen is we have seen shareholders, the operators, being very, very keen to get this project moving. So now the timing, we will see at the end of the year when the exercise is done.

Working capital?

Julian Waldron - *Technip - CFO*

Rob, on your second question, yes, we expect it to be volatile quarterly, yes, we expect it to be largely unchanged at the end of the year.

Rob Pulleyn - *Morgan Stanley - Analyst*

Thank you very much.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay? Well, ladies and gentlemen, thank you very much for attending our conference call today, and have a good day.

Kimberly Stewart - *Technip - Head, 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 today's call will be available on our website in about two hours. You are invited to contact a member of the IR team, should you have any questions or require additional information.

Once again, thank you and, for those of you attending the AGM, we will see you later today. And to the rest of you, we wish you a very good day. Thank you.

Operator

Thank you for your participation in today's results conference call. The replay will also be available by dialing +33 0172 001500, or +44 0203 3679460, or +1 877 6423018, using the confirmation code 280924 with the hash key.

The replay will be available for two weeks. Thank you and goodbye. You may now disconnect.