THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

TEC.PA - Q3 2013 Technip Earnings Conference Call

EVENT DATE/TIME: OCTOBER 31, 2013 / 9:00AM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Thierry Pilenko *Technip - Chairman & CEO*

Kimberly Stewart *Technip - Head of IR*

Julian Waldron *Technip - CFO*

CONFERENCE CALL PARTICIPANTS

Geoffroy Stern *Kepler Cheuvreux - Analyst*

Guillaume Delaby *Societe Generale - Analyst*

Mick Pickup *Barclays - Analyst*

Alex Brooks *Canaccord - Analyst*

Henry Tarr *Goldman Sachs - Analyst*

Jean-Francois Granjon *Oddo - Analyst*

Fiona Maclean *BofA Merrill Lynch - Analyst*

Bertrand Hodee *Raymond James - Analyst*

Amy Wong *UBS - Analyst*

Phillip Lindsay *HSBC - Analyst*

PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's third-quarter 2013 results conference call. As a reminder, this conference call is being recorded. (Operator Instructions). I would like now to turn the call over to your host for today's conference call, Mr. Thierry Pilenko, Technip Chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip - 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, our Deputy CFO, as well as Kimberly Stewart and David Tadbir of the Investor Relations team.

I will turn you over to Kimberley, who will go over the conference call rules.

Kimberly Stewart - *Technip - Head of IR*

Thank you, Thierry.

I would like to remind participants that statements made during the conference call which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Readers and listeners are strongly encouraged to refer to the disclaimers which are an integral part of today's slide presentation, which you may find on our website along with the press release and an audio replay of today's call at technip.com.

I now turn you over to Thierry, who will go over the third-quarter 2013 highlights.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you, Kimberley.

So our team generated a revenue of EUR2.4b, which grew by nearly 16% over a year ago. And this quarter our Group operating margin is at 9.2% and our net income grew 1.9%, reaching EUR150m. So our earnings per share rose by 1.6% to EUR1.24 per share.

During the third quarter our order intake was EUR3.1b, putting our backlog at close to EUR16b. And we have maintained our policy to diversify our portfolio, as illustrated by the recent awards in the quarter; four new PLSVs on charter for Petrobras for a Brazilian deepwater installation; the Stones project in the US Gulf of Mexico, which will be the deepest rigid pipe project to date; a polyethylene plant in Texas, in only at this stage the engineering and procurement scope in Q3; and Umm Lulu in Abu Dhabi, which is a major offshore development with EPCI scope.

Moving to full-year 2013 objectives and the elements of the revision of the objectives, I'd like to explain why we have revised our 2013 guidance.

Firstly, we have delivered and we forecast a good performance in our onshore/offshore segment; hence the upward revision in that segment. Secondly, we have ForEx translation impacts on both revenues and profitability, weighing particularly on the subsea segment. Thirdly, our subsea operations have been successful and efficient in the third quarter in North Sea, Brazil and Asia Pacific, but several Gulf of Mexico projects have been pushed out in the fourth quarter.

Project progress was actually slower than what we would have liked in September in the Gulf of Mexico, and consequently we have now a bunching of projects to execute in that part of the world in the last three months of the year.

So we were planning to be able to execute a significant amount of this work with the Deep Energy, which as you know is a brand new vessel, and despite arriving in the Gulf of Mexico in early October, we still need to complete the final commissioning before she can work on her first project in November, which is later than what we had anticipated. Hence the schedule risk that we have mentioned in the press release this morning.

So we're going to give you more details during this call but, in a nutshell, our changing guidance is linked to a slightly better performance in onshore/offshore and a very specific situation in the Gulf of Mexico, which we will be glad to explain further.

Julian?

Julian Waldron - *Technip - CFO*

So, Thierry, thank you very much.

I'm going to go into a fair amount of detail on the third and fourth quarters, so please bear with me as I do that. On slide 6, I'm going to start with order intake and the backlog for the third quarter and then as we stand now.

Subsea order intake, as Thierry mentioned, was particularly strong at around EUR1.75b. Just over EUR1b of that was accounted for by the PLSV charter from Petrobras, as was mentioned, and the rest of the order intake was for much smaller projects for execution in 2014/2015, such as the Norway riser replacement and, for example, the first parts of the Delta House order. This is an important one for us because it will require the intervention of both the Deep Blue and the G1200, and this is therefore another order which highlights the importance for us of having both types of vessel available.

In onshore/offshore, there is one significant order for the Umm Lulu EPC in the Middle East, which we won jointly with NPCC. Our collaboration with NPCC has been there for a couple of years now, and has really enabled the two of us to bring a new competitiveness to our operations in the region. So that has been a very successful collaboration now for a while.

As you can see, we also continued to build our business downstream in the US after the Stone & Webster acquisition. We had the initial parts of the CP Chem award, although I confirm that most of that will only fall, in fact, into the fourth-quarter order intake. So book-to-bill was about EUR1.5b in the quarter.

On slide 7, you have the backlog split by geography and split by market type. Geographically, our onshore business is growing in North America; our subsea business in Brazil, helped by the PLSV charter contract. Our Africa business, which is subsea deepwater, is also showing very good momentum. The TEN contract was announced this morning, and is not in our order intake for quarter three nor in our backlog, but we feel this confirms the positive trend in this large and important subsea region.

By market type, I'd stress again that we're seeing good momentum in deepwater. This is thanks to West Africa in particular, as I mentioned. And between the TEN award, Moho and the Egina flexibles and umbilicals, we've substantially increased our backlog in this critical area for subsea, and we believe that the industry as a whole has benefited from the expectation of the increased activity that these awards will bring in tightening capacity.

So I'll move now to P&L, and I would like to cover the Group P&L first, as I think it sets the scene for a detailed discussion on the segment performance, so that's on slide 8.

Group revenue was up 15.6%. Now, to analyze the moving parts, I think I would like to start on currency.

Currency impacts taken to revenue and to operating profit are translation impacts; they are not transactional exposure. Transactional exposure we hedge as a matter of policy whenever we have such exposure, and we hedge that quite efficiently. So this is a matter of translation exposure.

And I'll try and explain the impacts both compared to the third quarter 2012, so that's year on year, but also compared to our expectations in the summer, so that's quarter on quarter.

The impact was around EUR150m of revenue in the quarter year on year, and about half that amount quarter on quarter. The euro rose against pretty much all of our main operating currencies, the US dollar, the Norwegian krone, sterling and the real, and this appreciation took some momentum over the last couple of months. I'll come back to the split of currencies in a later slide, but over 70% of our operations are in non-euro currencies.

This quarter, the impact is particularly in subsea revenue and profitability. And of the numbers I've just given for revenue and the numbers that I'll give for profit, it's roughly a two-thirds subsea, one-third onshore/offshore split.

The profit impact year on year was about EUR30m in the quarter, and about half that amount compared to where we expected to be a few months back. This is a high percentage margin, but that's not surprising as it's the subsea areas where we've had successful operations in quarter three, such as the US, Norway and Brazil, where the currency translation impact was most significant.

Other than currency, there are some one-off impacts that I'd like to note. Firstly, we took a EUR10m additional depreciation charge against vessels in the quarter in subsea.

Secondly, in onshore/offshore we finalized the purchase accounting for Stone & Webster this quarter. We've capitalized some know-how as part of that process, and we took a cost of EUR5m in the segment to catch up on the purchase price amortization. That will not recur next year.

And lastly, in corp. there's around a EUR6m additional charge compared to a year ago for additional costs of employee incentive plans and some additional social charges based on the French Finance Act. We'd expect a further EUR4m to EUR5m of such social costs in the fourth quarter, based on the latest vote of the French Finance Act.

Below operating profit, there was volatility in the IAS 32/39 costs. Last year, in quarter three there was a positive EUR9.5m impact. That was negative EUR12m this year. This remains something that is difficult to predict.

I can give two data points, though. The average net cost of this line item over the past five or six years has been about EUR1m. The quarterly swings have been more important, but if you take the average positive or negative it's about EUR8m. That gives you an idea of the potential swing.

I've got nothing specific to comment on the tax rate. It's lower for geographic reasons in the quarter, but the rate year to date is around 27%.

With that, I'll go to slide 9 and comment a little bit on subsea in the quarter.

Revenues were up 2% but, as I mentioned earlier, we estimate about EUR100m of currency impact year on year and about EUR50m quarter on quarter compared to previous expectations. We were ahead in terms of project progress and therefore revenue in regions such as the UK, Norway and Brazil, and behind, as Thierry mentioned, in the US.

We've had some projects which have moved execution phases at the request of the customer. There's a couple of them in Asia Pacific and Venezuela. As I stress again, that's the customer request.

Profitability, at 14.7%, was maybe a touch better than we expected at the end of quarter two. Currency impacts were probably around EUR15m year on year and about half that quarter on quarter. We had a EUR10m one-off for additional depreciation.

We had good profitability in the regions UK, Norway, Brazil and APAC, where project execution was successful, and that offset the push-out of project execution in the Gulf of Mexico.

Vessel utilization was 75%. Underneath that headline number, there was quite a strong contrast between vessels. For example, the Deep Blue, the 1200, the Deep Pioneer and vessels in the North Sea were well utilized. As I mentioned, one project in APAC has been pushed out by the customers. The 1201 is less occupied.

But I think most of all the headline 75% number is most affected by low utilization of some of the older vessels in our fleet, particularly those operating in shallow water. And we suspect that the time has come to call time on some of these older vessels, and we expect to start disposing of them. I don't expect any material P&L impact from these disposals, but over time it should reduce our costs and improve our profitability in the deepwater business.

Slide 10, onshore/offshore. There's less to say, but nonetheless it was a good performance so I'd like to comment on a few aspects.

There was an impact of currency translation, but even taking this into account revenues were up 30% year on year. And our margin, at 6.6%, was in the middle of the guidance range. As I noted, we had a EUR5m charge for the Stone & Webster purchase price adjustment in the quarter, which is not recurring.

Other than that, there was no particular project or geographic region to mention, which I think is a good thing. And accordingly, given that revenues are trending well, project execution is overall satisfactory and our margins year to date are trending in line with our expectations. We've raised our guidance on onshore/offshore this morning.

Slide 11, on cash flow. Cash flow from operations is up 8.5% this year, and that's in line with net income and operating profit. And working capital, which was negative in the first quarter, was on an improving trend, less negative in the second quarter, was a positive contributor to cash in this quarter.

We said in quarter two that we expected that improving trend and we're pleased to see it confirmed. We expect it to continue. It was EUR165m positive in the quarter. We expect a further positive impact from working capital in quarter four, and indeed we're tracking in that direction in October.

CapEx was EUR175m in the quarter, was EUR465m year to date. Inside that's about EUR15m of payments for the new PLSVs in Brazil, to kick off construction activity. We'll have a slightly higher additional amount for that in quarter four, and so I'd expect CapEx this year to be just in excess of EUR570m.

We've not yet decided on the financing structure for the new PLSVs. The remaining cash out is largely at the end of construction, so we have time to work this through.

Looking forward, on slide 12 I've just set out where we were over the last couple of quarters in terms of currency split for the projects. As you can see, for the Group as a whole we're 70% outside the Eurozone. I would stress again that transaction exposure, the mismatches between revenues and costs, is hedged, so the impact on revenue and profit in the quarter that we've talked about is translation.

Finally, on slide 13, backlog visibility. We have about EUR2.4b of revenue to execute in quarter four, just about EUR1b in subsea and EUR1.4b in onshore/offshore. This morning we've arrived at the revenue estimates for the full year, down for subsea and higher for onshore/offshore, and the backlog that we currently have covers nearly all of that expected revenue.

Before handing back to Thierry, I'll just summarize the reasons for the change in the subsea margin expectations in quarter four.

The key elements are we assume the same or a similar sort of impact in quarter four on revenue and profit that we had in quarter three. It may be a touch higher on profit, given the mix of currencies in quarter four, and we've taken this into account in our revised guidance.

We've finished most of our projects and offshore campaigns successfully. For example, in the North Sea this year the weather was good. So we have less offshore activity in the North Sea than we've had in previous years, and indeed the same is true in other regions.

And although this is not so much important in itself, it does mean that we're particularly dependent in the quarter four on the volume of revenue and activity that comes from the US Gulf of Mexico. And as Thierry mentioned earlier, it's there that we expect to have lower profitability on those projects as we go into Q4.

So US Gulf of Mexico, plus the currency impact, the fact we have lower revenues therefore a little bit lower fixed cost absorption, those are the three considerations which explain together the need to reduce margin expectations in subsea.

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

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you, Julian. Let me take you first through some of the strategic progress that we are making with partners around the world, and to illustrate that I'd like to talk about three projects, starting with the Umm Lulu project in Abu Dhabi which we won with NPCC, our partner for the construction of six platforms in the Umm Lulu field.

We have had this partnership with NPCC for many years now, and in fact most recently we have been winning with them the Satah Full field development, the Upper Zakum 750 EPC1, and of course now the Umm Lulu platform. This is extremely successful, because we have a partner here with a strong presence in Abu Dhabi, like us, for fabrication, when we have a strong presence for engineering. So it's a particularly fruitful partnership over the years.

The second partnership I'd like to highlight is a new one that we have signed with a Chinese company called Huanqiu, which is an affiliate of CNPC. And, in fact, the agreement that we have with Huanqiu is particularly in procurement, where we're going to be able, thanks to this agreement, to have access to Chinese procurement and the Chinese market, as they have a very good experience in the Chinese market, and they will have access in particular to European or international procurement goods.

So we think this is something that is going to help us become even more competitive in our procurement but also in our construction activities, as we may be moving with them on a case-by-case basis in construction in EPC phases.

The last project I'd like to cover is SK316 for Petrobras in Malaysia, a project that we're going to do with MMHE. As you know, we have an investment in MHB, the mother company of MMHE the shipyard. And this project is particularly interesting because it's two jackets. We're going to do the engineering and the project management. MHB are going to do the fabrication of the jackets.

But what's also very important, it is a project that combines both offshore facilities and subsea, as we are going to be installing about 75 kilometers of pipeline with the Global 1201. Again, a project that has been won thanks to the synergies between offshore and subsea and thanks to the G1201.

Going to the general business environment, I'm not going to do the full tour of the world, but I would say the business continues to be very positive. And I would like to highlight the fact that in North America we clearly see the first wave of the downstream awards, linked to petrochemicals in particular. In the North Sea we see larger and more complex projects being discussed and tendered, and we think these projects should materialize in 2014.

And I'll finish with a highlight on Africa, where we see -- as we said now for about a year or so, we have seen the materialization of projects particularly in West Africa in subsea, as illustrated by the TEN project that we just announced today.

So, in general, moving to slide 19, we continue to see momentum in major developments. I mentioned US downstream. You've seen that we were awarded the CP Chem polyethylene project in West Africa subsea with the award of TEN just announced today, which is following the large award of Moho in Congo about six months ago.

Yamal LNG is progressing, and we should expect FID sometime in 2014. Floating LNG, we see still a lot of demand for floating LNG and we are involved in many FEEDs at a very early stage.

And I'll finish with something which is maybe a little bit further down the road, which is the momentum in East Africa, and of course also the large projects that I was talking about in the North Sea, particularly in the West of Shetlands.

A few words about the investment momentum in the US shale activities. About a year ago, we completed the Stone & Webster acquisition, which gave us access to about 50% of the already installed ethylene capacity, but more importantly that gave us access to a lot of very skilled resources.

And as you can see, we've been awarded over the past few months a number of projects where both the Stone & Webster and the Technip technologies have been offered to our clients, and which translates into a much stronger momentum, particularly in North and Central America, such as the ethane cracker for Sasol, the polyethylene plant for CP Chem, the upgrade of an ethylene plant for Westlake and the Freeport ethylene FEED, and of course the large EPC project in Mexico, Eteleno XXI, for Braskem.

So we can definitely see that we have real momentum in this part of the world with petrochemicals, and in fact we are organizing next week a Technology Day with what we can an Inaugural Ethylene Forum in Los Angeles on November 5. And I know that many of you investors and analysts have decided to attend that forum, which is very important for our customers.

Moving on to the outlook, well, I'm not going to come back in detail on the 2013 full-year objectives. Revenue, now we should be landing between EUR9.3b to EUR9.4b for Group revenue. Our subsea revenue has been lowered to about EUR4.1b, with an operating margin around 14%. And onshore/offshore revenue is raised to around EUR5.2b, with an operating margin which is raised to the upper end of the bracket, therefore between 6.5% and 7%.

Now, looking ahead to 2014, we will start the year with a strong and diversified book of business, which will fuel growth in 2014, and I'd like to clarify a few of the elements for the outlook of 2014.

First of all, in the onshore/offshore segment, the 2014 margin should be in line with what we have always declared as our long-term objective.

Now, in subsea, there will be much less startup cost, and we should start to see the positive contribution of subsea installation work on large multi-year projects as the year progresses, projects that are in the North Sea as well as some in West Africa.

Now, a lot will happen in subsea between now, between October and the end of the year, both in terms of operations and order intake. So this is why, in particular, in the next few weeks we will have clarity on four important elements which are going to drive the 2014 visibility.

First, the schedule of large, multi-year subsea awards, such as the TEN project in Ghana that we have just announced this morning. The scheduling of this project is very important.

Second, the timing and scope of the first orders of the pre-salt flexible pipes for our Acuflex plant in Brazil. We are currently bidding for this pre-salt technology development in Brazil, and we should have more visibility by yearend on the extent of the scope.

Third, the extent of the acceleration of the maintenance plan of our fleet, because we want to ensure that we will be maximizing utilization in the large project installation campaigns in 2015 and 2016, for the projects that we have won this year in particular. So we want to make sure that our vessels are in top shape for these offshore campaigns, particularly in West Africa.

And fourth, the operational performance and the close-out of our Gulf of Mexico projects that I discussed previously. Many of these projects are ongoing, and as I said, we have a bunch of projects in Gulf of Mexico at the moment. So we'll have more clarity on the performance in the next few weeks.

So, with these elements in hand, we will be able to finalize our views on 2014 by December. So, normally we would wait until mid-February to communicate those views and our guidance. However, we can see that there is strong interest from analysts, shareholders, to understand 2014, not just how Technip is going to perform in 2014, but also how the industry is going to perform in 2014 and how our clients are going to move on in 2014.

So, accordingly, since we don't need to wait as we expect to have good visibility early, we will want to communicate on that by the end of December.

Now, moving to slide 23rd, which is really my conclusion, what I'd like to say is that our strategic framework remains absolutely unchanged. We are pretty sure that the key elements of that framework will be continued to be worked on and reinforced.

Now, whether we look at this framework as a better way to manage quarterly volatility through, in particular, diversified backlog, or as a means to take advantage of exciting opportunities that our industry has in front of it, we remain confident that our strategic framework will position Technip in the best possible way to drive profitable growth. So there is absolutely no change in our strategy.

We will now turn the call over for your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Stern Geoffroy, Cheuvreux.

Geoffroy Stern - *Kepler Cheuvreux - Analyst*

Actually, it's Geoffroy Stern from Kepler Cheuvreux. I have a couple of questions. First of all, starting with the subsea business, I understand that there are lots of moving parts when looking at 2014. That being said, when you look at the margin embedded in your backlog for subsea projects now, how does it compare to what you have been executing, let's say for the past 12 months?

And more generally, could you make some comments about the underlying trends in terms of margin for the subsea industry overall?

And also, it would be helpful if we could -- if you could give some indication, when you look at the large projects that you have in your backlog, if you could give us, let's say, the expected timing for offshore installation on (inaudible) on Norne or Egina and so on and so forth, it would be helpful to understand exactly how things will evolve.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Julian, would you like to answer the question on margin?

Julian Waldron - *Technip - CFO*

So, Geoffroy, thanks for the question. I think we've said for a little while now that we see the pricing on projects in subsea move in the right direction for the industry, and I think we confirm that trend. For example, and I mentioned it earlier, I think when we look at the way the industry has been bidding in West Africa, there is an expectation that capacity will be tighter to execute those projects. And we think the industry has, to some extent anyway, reflected that in the way that it's been looking at those projects. So I think we look at subsea and take that view.

If you wanted to find something which -- or an area where things continue to not move in that direction, I think I'd point out Asia Pacific, which continues to be a tough market, but I don't think that's any different from a few months ago. The reason for there is we've still to see a good volume of larger, complex projects come to market in the region. Again, I think if you look out over the next two or three years, you can see a good volume of those sorts of projects.

As far as the execution on the projects that you mentioned, there's probably seven, eight Gulf of Mexico projects going on in quarter three, quarter four and quarter one. Those are the projects that Thierry mentioned, that I mentioned are in front of us to be worked on.

We are nearly through the North Sea campaign for this year. We have vessels still deployed in Canada, which has got about another month's work, I think, to do, and then we're pretty much done. In Asia Pacific, we had a customer move execution on a project from this year to next year, so we don't have a lot of work for the 1201. We had the same thing happen to us in Venezuela, but we have managed to get additional work for the 1200.

So there are some moving parts on offshore execution at the moment, but I think in quarter four we are unusually dependent on the volume of business in the Gulf of Mexico.

For execution phases on the large, multi-year projects, I think Thierry mentioned the good progress we're making on the projects that we took in 2012. I would say for projects like TEN and Moho and the other West African projects, I suspect that our customers will continue to firm up their own schedules for these projects, which may have some impact on when we do our work.

Now that, at the end of the day, is not our decision and is therefore not necessarily our cost either, but I suspect that some of those things will continue to be moving parts. And although we've taken TEN this morning, I think, as Thierry mentioned, it will be at the end of the year when I think we will see very clearly or much more clearly than we do today the timing of the offshore phases for projects like that.

Thierry Pilenko - *Technip - Chairman & CEO*

And you mentioned Egina. We are not going to participate to the offshore phases of Egina, because the bulk of the work is actually done by one of our competitors. We are providing umbilicals and some flexible on Egina. But those large projects in West Africa, the offshore phase is more into early 2015 to 2016.

Geoffroy Stern - *Kepler Cheuvreux - Analyst*

All right. And just a final one, if I may, on CapEx. Can you give us some indication for next year, taking into account the large PLSV award in Brazil?

Julian Waldron - *Technip - CFO*

I think the way that we finance those is something we're going to spend a few months thinking about, and I don't believe that there's going to be a significant cash-out next year. So I think some of the moving parts next year would be how much we want to spend on the maintenance in the first half, as Thierry mentioned.

I think, given that we have vessels about to embark on a very busy two, three years of offshore operations, probably with minimal opportunities to do major work through that, then I think we feel that we should get a good head start on that work, on that maintenance work, early next year.

I think it's too early to give a number. I think absent anything new, we'd probably look and aim to try and bring it down somewhat next year, but to be honest I think it's too early for us to judge at this point.

We have, over the next 18 months to 2 years, two decisions to take. One is a replacement for the Deep Pioneer, which will reach the end of its life over the next two, three years. And secondly is the replacement of at least one of our diving support vessels, which again reaches the end of its life. We are not looking to increase our capacity. We will need to look to replace some of our older existing capacity.

So those are the only things, I think, on the horizon which make up the moving parts.

Geoffroy Stern - *Kepler Cheuvreux - Analyst*

All right. Thanks.

Operator

Guillaume Delaby, Societe Generale.

Guillaume Delaby - *Societe Generale - Analyst*

Yes. Good morning. Two questions, if I may. First, I would like to -- if we could have some, let's say, qualitative flavor regarding Brazil in 2014. As you know, Vallourec, Schlumberger, Halliburton gave a pretty bleak outlook for Brazil for 2014. So it's an important year, given the Acu plant, so if you can elaborate a little bit.

And more generally, there is a big debate on the market today. If you take the European angle, you more or less believe that E&P investment in 2014 will go between, let's say, plus 2% to 4%. If you take, I would say, the US angle view of worldwide E&P investment, we are more between plus 5% or plus 7%. So are you more European or more American? Which angle would you choose for 2014?

Thierry Pilenko - *Technip - Chairman & CEO*

Okay, Guillaume. Very good questions. A few words on Brazil. I know there has been a lot of communication about Brazil recently. I would remind you that we are not in the wells. We are in building the infrastructure and building the facilities.

And therefore, what we see in Brazil is that there is, as you could see, strong demand for subsea equipment and subsea installation capabilities, as illustrated by the award of the PLSVs. You know we got 4 PLSVs out of 10 that were awarded in that last batch. Initially, Petrobras had planned to order only seven, and they decided to accelerate and order an additional three. So that means that they definitely see the need for these high-tension PLSVs, in particular for the development of the pre-salt.

The pre-salt development requires some, as you know, some very sophisticated technologies in terms of the flexible pipes, and we are currently negotiating a pretty significant order. Well, negotiating, bidding, a pretty significant order that will give us visibility on how quickly we're going to be able to wrap up the activity of Acu.

We should not forget that Petrobras is currently building 22 FPSOs. Those FPSOs may not be progressing as per the original plan, but they will be put in operation over the next 24 to 36 months. So we remain very positive about the business environment in Brazil. We understand there might be fewer wells drilled in the pre-salt, because the productivity of those wells is actually much better than anticipated, productivity being the production per well.

So I will give you at the end of the year a better visibility on how quickly we can wrap up Acu, but we certainly would not use the term bleak for the outcome -- for the market in Brazil in 2014.

Going back to your question on our clients' investments in 2014 and beyond, I don't think we should take a European or US angle. You need to know that, first of all, Technip is operating in many, many different regions and quite successfully, whether it is North America, North Sea, Brazil, Africa, Middle East, and of course Asia Pacific.

So it's not about taking one side or the other. What is important is whether we believe that we can target some very good projects on which we have technical or technological differentiation.

And we see momentum in floating LNG. We see momentum in downstream petrochemicals. We continue to see momentum in exploration and production, and the compounded numbers for exploration and production growth are still showing something more like 8% worldwide, according to certain studies.

So what is important for us is really to actually target the things that will continue or the projects that will help us continue to grow. And I think in the review of those targets, we believe that the momentum is there.

Guillaume Delaby - *Societe Generale - Analyst*

Thank you very much.

Operator

Mick Pickup, Barclays.

Mick Pickup - *Barclays - Analyst*

Good morning, everybody. Thanks for being quite clear on the uncertainties around 2014. Sorry, it's not going to avoid me asking a question about it.

Can I just ask, on the Gulf of Mexico, do you have a figure in mind for the proportion of work in Q4 that's likely to come from there, and following on, what is going to carry on into Q1 2014 or Q2 2014? Just trying to work out what the base load margin I should be using for 2014 is, from which to use my swings and roundabouts.

And secondly, can you just tell me exactly what's going on with the Deep Energy, just a bit more color around that and when you expect it to be up and working?

Julian Waldron - *Technip - CFO*

For the first question, Mick, I'd begin with a number of about 25%. Might be a little higher than that.

Mick Pickup - *Barclays - Analyst*

25%?

Julian Waldron - *Technip - CFO*

Yes.

Mick Pickup - *Barclays - Analyst*

Of the subsea business in Q4?

Julian Waldron - *Technip - CFO*

Correct.

Mick Pickup - *Barclays - Analyst*

Okay.

Julian Waldron - *Technip - CFO*

Q1, I'm hoping it will be less than that, because that's the way I think that we will drive to do the installation operations. So I think it will diminish in quarter one. I don't think at this point it is prudent for you to assume that it's zero in quarter one. I think we will still be operating on some of these projects in quarter one, but it will be less than that number.

Mick Pickup - *Barclays - Analyst*

Okay. And I'm assuming the associated margin on that then is de minimus.

Julian Waldron - *Technip - CFO*

You know our margin recognition policy. If we don't have a reliable view of the profit we can make on a project, we don't record anything. I think we have a reliable view that these projects are going to take us a lot of effort to work through, so you're correct in that assumption.

Mick Pickup - *Barclays - Analyst*

Okay. And then, the assumption off that then is actually Q4 would be better than Q3 if it wasn't for Gulf of Mexico in terms of margin.

Julian Waldron - *Technip - CFO*

I think I'm not going to go there. I think that's your job, if I may, rather than mine. I do believe that we have --- I hesitate to use the word contained, but I think it's a problem which is limited in scope. And given that these projects are individually --- I will never say a project is not challenging, but they're not particularly unusual projects for us to execute.

The issue for us is the number of projects to execute in a very short time and the fact that our two vessels available to do them, one of them is not currently operating. It is not the issue, if you will, around the nature of the projects themselves; it's just the amount of time it takes for us to complete what is work that we know very well how to do.

Mick Pickup - *Barclays - Analyst*

Okay.

Thierry Pilenko - *Technip - Chairman & CEO*

Yes. So I'll answer the question on the Deep Energy. So the Deep Energy was completed in Norway, as far as the construction was concerned, and the first sea trials were executed in Norway, including pipe lay trials.

Then we decided to move the Deep Energy to the Gulf of Mexico, because we were expecting those summer projects and autumn projects to come at the same time for Deep Blue and Deep Energy. So Deep Energy reached the Gulf of Mexico, as planned, early October, but we were still fine-tuning the pipe lay system, in particular the software. And it has taken this commissioning of the latest or the last elements, and the punch list has taken much longer than anticipated.

It's a very sophisticated vessel, and we want to make sure that when we get on our first project we deliver that project flawlessly. So we have done additional trials of pipe lay. We have installed, actually, and retrieved a 2-kilometer 10-inch pipeline in the Gulf of Mexico successfully. We're still working on the punch list, and over the next couple of weeks we should be loading our first reel on that vessel.

But until I know that everything is absolutely safe and correctly operating, I cannot put an exact date on when the vessel is going to start. But we are really at the end of the final commissioning here. So the project is identified. The pipe is ready. It's a matter of the last fine-tuning, as we always do with a new asset. I know that it's a little bit frustrating for our teams to be waiting, but we want to make sure that the vessel is fully operational for the first job.

So we have now, as Julian was saying, two of our flagship vessels, the Deep Blue and the Deep Energy, in the Gulf of Mexico. And their efficiency in Q4 is critical to delivering the projects in that region. But those projects, as Julian said, are fairly standard, bread-and-butter projects for Gulf of Mexico.

Mick Pickup - *Barclays - Analyst*

Okay. Thank you. And while I have you, can I just ask one clarification on what you said? On the North Sea in Q4, did you say that Q4 won't be as good as last year because you had a very good Q3? I'm just a bit confused there.

Julian Waldron - *Technip - CFO*

All I'm saying on quarter four in the North Sea is because project execution has been good, because the weather has been favorable to project execution, we've just finished pretty much all of what we've got to do in terms of offshore operations. And the winter is generally a closed period for us. It's just closed a little earlier than maybe we expected it to do.

Normally, I'd be sitting here saying that's a great thing. It leaves us a little bit more exposed to the Gulf of Mexico in quarter four. But there's nothing sinister about -- in any way, about the way that we performed in the North Sea. Knut and his team have really done a super job.

Mick Pickup - *Barclays - Analyst*

Okay. Thank you. Cheers.

Operator

Alex Brooks, Canaccord.

Alex Brooks - *Canaccord - Analyst*

Good morning, everybody. I've got a couple of questions. First one is, Julian, you glossed over the drop in the tax rate, and it would be most kind to give a little bit of flavor of to what extent any of that might be repeatable.

And the second question is on how much of the PLSV job -- PLSV contract in Brazil has actually been booked in the third-quarter backlog?

Julian Waldron - *Technip - CFO*

So, just on the second question quickly, we've booked all of the eight years -- the value of the eight-year charter for Technip in the backlog. We have not, because we do not, booked the extension option. But it's an eight-year charter for the four vessels, and we've booked our share of that in quarter three in the backlog. And that is just over -- I think it's around about EUR1.1b.

Alex Brooks - *Canaccord - Analyst*

Okay. Thank you.

Julian Waldron - *Technip - CFO*

On the tax rate, I apologize if I glossed over it. I didn't think -- I didn't do it except because it doesn't seem to me to be a particularly material number in a quarter. We're at 27% for the year.

The tax rate that we have in each quarter depends to some extent on where the business and the profit that we have in the quarter is done. So, for example, if you have profit in an area, for example, such as the UK, which relative to your standard French corporate tax rate is quite low, then that will have an impact. And if you're operating, for example, in Asia Pacific, where again some of the tax rates are quite different from what we have as our mainstream corporate tax rate, then again you will have lower elements.

I think the only thing that I would confirm is that there's no particular deferred tax aspect in the quarter. There's no particular one-off aspect. I think it is most of all the geographic differences.

We have guided for a couple of years to be around about 30%. I think if you look back over the last half a dozen quarters, we have actually generally probably been 28%, 29%. So we're at 27% for the first nine months. I still expect us to be closer to 30% by the end of the year, but that will depend a little bit on how things turn out in quarter four geographically.

Alex Brooks - *Canaccord - Analyst*

Okay. Thanks. And then just a follow-up to follow Mick's questions on the Gulf of Mexico. I'm a little bit unclear as to what extent the -- what is going on in the Gulf of Mexico is the operator's change of plans and to what extent this is your own execution availability challenges.

(Technical difficulty).

Operator

Ladies and gentlemen, thank you for holding. The conference starts again. Henry Tarr, Goldman Sachs.

Henry Tarr - *Goldman Sachs - Analyst*

Hi. Yes. It's Henry Tarr from Goldman. So, just to come back on the Gulf of Mexico, this may have been a similar question to the one that was being asked when we got cut off, but effectively, I guess, looking at the revenue guidance for this year for subsea, from the midpoint of the range maybe it's come down EUR350m. It would be great to get a sense of if there's any way of quantifying this between FX, I guess some of the project postponements and the Deep Energy delay.

Thierry Pilenko - *Technip - Chairman & CEO*

Julian?

Julian Waldron - *Technip - CFO*

So, Henry, thanks for the question. If I may, Henry, I would just like to finish off on Alex Brooks' question, because I believe, unless you tell me otherwise, that we were cut off as I started to address the tax rate.

Henry Tarr - *Goldman Sachs - Analyst*

I think that's absolutely right, yes. So finish on that one and we can come back.

Julian Waldron - *Technip - CFO*

In that case, forgive me. Alex, let me deal with your tax rate question. So, to make it short, I don't believe that the quarterly number is particularly important in any particular quarter. And there certainly isn't anything in this quarter, for example deferred tax, that I would call out.

We're at 27% year to date. We generally say we'll be 30%-ish. For the last probably half a dozen quarters, I think we've been 28%, 29% quite regularly. And all of that most of all reflects the geographic basis of the business.

So, for example, if you're making a lot of your revenue and profit in countries which have a lower tax base to France, then you're going to have a lower tax rate. So if you do a lot of business in the UK, for example, that will be the case. If you do a fair amount of business and profit in Asia, that will also be the case.

THOMSON REUTERS

So in quarter three you have geographic impact, as you've had for the last few quarters. It's a little more marked in this quarter, but year to date we're at about 27%. So there's nothing in particular that I would highlight, because there's nothing unusual in the quarter other than that geographic mix.

Henry, thank you for your question, if I can turn to that. So, in quarter three, we had about EUR150m of currency impact, and I think two-thirds of that we can estimate being inside subsea. In quarter four, we expect a similar sort of number, again about another EUR150m year on year; slightly different mix, probably a little more dollars and a little less of some of the other currencies and, again, about two-thirds of that in subsea.

So, out of the number that you mentioned or whichever number relative to previous guidance you wish to take, then I think you start off by taking year on year about a couple of hundred million euros off. The remainder I would suggest is the volume impact.

Thierry Pilenko - *Technip - Chairman & CEO*

And before we go to the next question or comment, I'd like to come back to the answer to Alex about the Gulf of Mexico. And the question was about whether the difficulties in the Gulf of Mexico were linked to our clients reshuffling the projects or to Technip.

And here I would like to be very clear. Our clients have been very helpful to accommodate the schedules that we are now proposing to them, and we have been very transparent with the delays that we have had, in particular with the Deep Energy. The issues are Technip issues and we are fixing them.

Operator

Jean-Francois Granjon, Oddo.

Jean-Francois Granjon - *Oddo - Analyst*

Yes. Jean-Francois Granjon from Oddo Securities. My first question, confirm the margin for the subsea for the fourth quarter. I expect some 12% EBIT margin for the third quarter, so could you explain the reason for the strong drop coming from ForEx, I suppose, from Gulf of Mexico? Could you give some more details regarding these two drops for the next quarter?

The second question concerns the financial costs. Do you expect the same level of ForEx impact on the financial costs for the fourth quarter? It was 12% for the third quarter. Do you expect the same amount for the fourth quarter?

And the last question concerns the evolution for next year, 2014. You mentioned some maintenance operation at the beginning of next year. So should we integrate some lower margin for subsea division in first half compared to second half next year? Thank you.

Julian Waldron - *Technip - CFO*

Thank you very much for the questions. I'll take the one on margin in quarter four and the financial costs and, Thierry, will you take the maintenance?

So the first question was to go through the reasons for the lower subsea margin in quarter four. And in quarter four I'd call out three things, compared to where we would have expected a few months ago. The first is an impact on currency, on operating profit, and that was probably around EUR10m in quarter three in subsea, and we would expect it, based on where we are today, to be EUR10m or more in quarter four.

Second, we will have lower revenue than we would have expected in quarter four, so we will have lower fixed cost absorption.

And thirdly and most importantly, we'll have revenue coming from those projects to be completed in the Gulf of Mexico, and on those I don't expect to recognize margin.

We were asked a question a little earlier on about the volume of revenue coming from the Gulf of Mexico projects in quarter four, and I gave an estimate of around 25% and I'd repeat that number. I think it may be a little lower or a little higher than that, but it's roughly speaking about a quarter of our revenue in quarter four.

So those are the three factors which explain where we expected and hoped to be, three or four months ago, in quarter four in subsea margin and where we now expect to be.

Jean-Francois Granjon - *Oddo - Analyst*

Okay.

Julian Waldron - *Technip - CFO*

Financial costs in the financial line; first of all, there are two parts here. There is the interest cost and there is then the impact of mark-to-market on our transaction hedges.

The transaction hedges are not something that we can forecast. They are IAS 32/39 impacts. They're marked to market, and that's not something that we've ever pretended to be able to forecast. It's quite volatile quarter by quarter. You'll see a year ago it was plus 9. In this quarter three, it was minus 12.

On average, the average of the positive and the negative movements in any given quarter has been plus 8 on average or minus 8 on average, if you go back five or six years. And over those five or six years, it's roughly equaled itself out. In other words, the positive and the negative impacts over that time have been pretty neutral in the P&L, but there is quarterly volatility.

I don't have a number for you for quarter four. If you wish to bake in what we did in quarter three, I don't have a better number for you. But that's not a forecast or a guidance from me, because it's a very difficult thing to predict.

Maintenance?

Thierry Pilenko - *Technip - Chairman & CEO*

Yes. I'll take the question on the 2014 maintenance. And what we have observed in the Gulf of Mexico at the end of the third quarter is that we had lower uptime with some of our vessels, and therefore lower efficiency. So what, of course, now we are doing is delivering and focusing on the delivery of the projects.

But it is clear that we will have to take, in particular, the Deep Blue into a maintenance phase in the first half of 2014. And we want to prepare those vessels and have them properly maintained in 2014, because of the important campaigns that we're going to have in 2015, 2016 in West Africa in particular.

So it's a bit early to talk about when are we exactly going to have the maintenance, because this is something that we know we have to accelerate, this maintenance program. But we will finalize this program by the end of the year, once we see the progress on the Gulf of Mexico projects.

So it's a little bit chicken-and-egg, but definitely by the end of the year we will have a clear picture of the maintenance schedule and the slots for 2014. But I would expect that a good chunk of this maintenance is going to happen in the first half.

Jean-Francois Granjon - *Oddo - Analyst*

Okay. Thank you very much.

Operator

Fiona Maclean, Merrill Lynch.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Hi. It's Fiona Maclean at Merrill Lynch. I have a couple of questions. Firstly, I was wanting you to walk me through what changes you're anticipating to make to the Deep Blue vessel next year and how long you expect that vessel to be in the yard.

And then, secondly, I wanted to get a bit of clarification on your accounting policy in relation to how you recognize profit in your subsea business. Thank you.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Julian will take the second question. I'll take the first one.

Next year, we don't expect a major upgrade or change to the Deep Blue, but they will -- the Deep Blue will require maintenance. But as I just said before, we just have first to finish the projects that we are currently carrying with -- or executing with the Deep Blue, and then we will have better visibility of what we do in 2014. So, by the end of the year we can give you a much more precise schedule, but there is no major modification to the Deep Blue in 2014.

Julian Waldron - *Technip - CFO*

I think also, Fiona, just to be complete, we'll put the Deep Pioneer as well into maintenance in the first half. We may have some upgrades as well to do on the 1200 and 1201. That'll be their first dry dock, really, after they were constructed. So it'll be more than just the Deep Blue, because those vessels are all going to be very, very active over the next two, three years.

I think it's worth just looking at the other -- a couple of comments on the other new vessels that have come into action over the last couple of years. The flex-flow vessels in Brazil, the introduction of those vessels has really been very seamless, and that bodes well for the two 550-tonne vessels which will come on stream towards the end of 2014. We've had really a very good experience of introducing the flex-flow vessels into the market.

And lastly, I'd just comment that the Deep Orient, which entered service in the middle of the year, she was operating in the North Sea during the course of quarter three. And as we stressed earlier on, the operating performance in that region was very strong. She did two projects in Norway, and her introduction has also really been very seamless. She's now in transit on her way to Asia, where she's got a busy schedule for next year. That's just a further update on vessels.

Subsea profit recognition; there are commonalities between subsea and onshore/offshore. The first is we recognize profit only when we think we can reliably estimate what the profit will be over the life of the project. And in onshore/offshore projects and in subsea projects, that is when you're a significant way through the engineering phase, when you're some way through the procurement phase, and generally when you've started doing construction or installation operations. So we don't start recognizing profit in onshore/offshore or subsea projects from the get-go.

In subsea, we tend to link the majority of profit recognition to when we start going offshore. As is evident from what we're talking about today, until you go offshore it's quite difficult to reliably estimate exactly how much money you'll make on a project. And it's those offshore installation activities that tend to trigger the beginning of profit recognition for us in subsea.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Okay. Thank you very much.

Julian Waldron - *Technip - CFO*

Thank you, Fiona.

Operator

Bertrand Hodee, Raymond James.

Bertrand Hodee - *Raymond James - Analyst*

Yes. Hello. I wanted to come back on your plan for accelerated vessel maintenance and on the Deep Blue and the Deep Orient and the general philosophy behind it. Do you believe that now you have, I would say, a very active campaign that is going to take place in terms of offshore installation 2015/2016, and that given the vessel workload you really need all your vessels being in good shape to have better -- to give a good execution and that you have still room in 2014 to do those maintenance? But I would just also want to ask what kind of impact in terms of revenues this could have on your 2014 activities.

Thierry Pilenko - *Technip - Chairman & CEO*

As we just said, the campaigns in 2015/2016 are going to be important campaigns, particularly in West Africa, where you need to have assets that work perfectly because you don't have the same capabilities to repair or maintain in West Africa that you would have in the North Sea or in the Gulf of Mexico.

So this is why, as I said earlier, we are planning to accelerate some of the maintenance on our vessels in 2014, but it is too early to say when and how. I think some of it is certainly going to -- a big part of it is going to happen in the first half of 2014, and the scheduling will depend on the completion of the projects, particularly the projects in the Gulf of Mexico.

Julian Waldron - *Technip - CFO*

Bertrand, just to be clear, we'll fit the maintenance around where we have fairly normal gaps in the schedule. We never start the year with all of our vessels completely occupied. We have -- generally, we start the year with gaps in the schedule. So we'll work around the installation operations that are already there. It may mean that we have less ability to take on spot work. I don't think that in itself is a particularly material thing in terms of revenue, as you asked.

Bertrand Hodee - *Raymond James - Analyst*

Okay. And just one follow-up on the Gulf of Mexico. Do you expect at this stage that those, I would say, unprofitable projects will be closed by end Q1 and that in Q2 we should have no more impact on those projects, or is it too early to say?

Julian Waldron - *Technip - CFO*

No, I think -- as I mentioned earlier, I think we will do a lot of work on those projects in quarter four. I suspect we will still be doing work on them in quarter one. I think the impact as we go through, let's say, April, will be pretty small.

Bertrand Hodee - *Raymond James - Analyst*

Okay. Thank you.

Operator

Amy Wong, UBS.

Amy Wong - *UBS - Analyst*

Hi. Good morning. I have two questions, please. The first one is in your offshore/onshore division, where this morning you have moved the 2013 margin up to 6.5% to 7%. But I'm more interested in structurally where you see this offshore/onshore margin moving, especially since you're starting to win some of this work in the North American region as well. So, longer term, where do you see this structurally margin -- where that margin's moving to?

My second question is on CapEx. It's been running ahead of -- quite a bit ahead of depreciation for the last few years, and looks like it's going to continue that way. You've had to take a little bit of catch-up today -- in the quarter, on depreciation, so just wondering if there's any risk that we've been too conservative in the depreciation rates, but also, looking ahead, when you see some of those CapEx running ahead of depreciation trends reversing. Thanks.

Thierry Pilenko - *Technip - Chairman & CEO*

Thank you very much, Amy, for asking an onshore/offshore question, because for a while I thought we had become just a subsea company. So I'm glad that you asked this question about the longer term of the onshore/offshore.

I would say that we have always guided on margins that were structurally around 6% or 7%. I don't think there is a major change in our portfolio that would justify very different types of margins longer term.

But what I'd like to say is that the technological content of some of the projects that we are doing, which are sometimes smaller scope in terms of revenue, because of that technological content we can attract sometimes margins which are slightly above that 6% to 7%. So it still represents a relatively modest part of our revenue.

I think the acquisition of Stone & Webster and the creation of Technip-Stone & Webster process technology division, which is several hundreds of millions of dollars of revenue, is showing that the technological content in FEEDs and conceptual studies is actually attracting potential margins above that 6% to 7%. So that's for the onshore/offshore.

Depreciation, Julian?

Julian Waldron - *Technip - CFO*

Amy, thank you very much. I think we've suggested that 200 is the current run rate penciled in. And other than the additional depreciation in the quarter, that seems to hold for the moment.

I think, looking forward, I don't have a better number for you at this point. I think there are three moving parts that we think about, and these are all to be thought about in the context of a wish on our part, I think, not to increase the capacity we have, at least significantly, in vessels, also to oblige the teams within Technip to use the significant amount of investment we've made in the subsea business over the last few years, not just in vessels but also in acquisitions and in the flexible plants. So I think those are where we wish to push the business.

Now, to get there, we will still wish to do some CapEx on vessels which are critical to Technip. I mentioned earlier, and I'll repeat it, I think it's important for us to take a fresh look at the older vessels in the Group. There's CapEx spent on those vessels. There's time and effort spent on those vessels. And I think it isn't clear to us that certainly, for example, in shallow water areas we're getting returns commensurate with those that we get in deeper water.

So I suspect that there will be an effort over the next few years to slim down the size of the fleet by looking at the vessels which are less differentiating. And we continue through other means to get access to capacity, either, for example, through the Heerema joint venture or through chartering vessels. Some of those vessels we charter with a purchase option or with a part purchase option.

So I think through a mix of own CapEx, the alliances and the long-term charter-in options, we'll look to manage the CapEx over the next few years. And those, I think, are the things that we're working on at the moment that we have in our minds.

Amy Wong - *UBS - Analyst*

All right. Thank you.

Operator

Phillip Lindsay, HSBC.

Phillip Lindsay - *HSBC - Analyst*

Yes. Morning, everyone. Really just a question -- I want to stay on the scheduling theme. So I note the scheduling issues in the Gulf of Mexico, but perhaps we can talk about it elsewhere and provide a similar discussion to your scheduling in the North Sea for 2014.

I know it looks like certain projects look fairly vessel-intensive, I would say, for next year. So perhaps you could provide a comparison with 2013 in terms of flexibility or tightness you may have, or I suppose put another way, are you more exposed to weather risks in 2014 or less exposed?

Julian Waldron - *Technip - CFO*

Phil, I think the answer to that lies in not so much the vessels that you see on our slides, but the vessels that we charter in, as I mentioned in response to Amy's question. The fleet that we have operating in the North Sea not only includes, for example, the Apache, the Wellservicer, the Orelia, but also vessels that we've chartered in from third parties which are working this year and which will continue to work next year. They're chartered in on a one-year, a two-year, a three-year basis. They're vessels that therefore we can operate almost as Technip vessels, if you will.

We also have a longer-term charter that will help us towards the back end of next year, the ST 261, which was a vessel that we -- which is a new-build vessel that we took on charter I think about 12, 18 months ago. That vessel will come into the fleet towards the end of next year. It'll be on charter. We have a purchase option for that vessel in later years.

So I think, through chartering, the fleet in the North Sea has been kept in line with the amount of business we have to execute. And as you've heard earlier in this call, there was a positive surprise on how quickly we finished the operations in the North Sea, thanks to the good weather. So you can understand by that that we don't plan for the weather to be perfect.

Phillip Lindsay - *HSBC - Analyst*

Yes. Okay. That's fine. And I think, if I heard this right, you mentioned several projects in Africa were not locked down in terms of timing and scheduling of the offshore work. Is that concerning to you?

Thierry Pilenko - *Technip - Chairman & CEO*

No. It's the final schedule, but it's not a concern. The projects that have been sanctioned are moving ahead and -- then you know there is -- on some of the large projects, you have local fabrication and so forth. But no, there is no particular concern about the scheduling of this project, no.

Phillip Lindsay - *HSBC - Analyst*

That's good to know. Thank you.

Thierry Pilenko - *Technip - Chairman & CEO*

Okay. Well, thank you very much for the call. And sorry for the technical glitch that we had, which seemed this time completely independent of Technip. So thank you for joining us. And we will be available to answer your questions, either Julian, myself or Investor Relations team.

Thank you. Have a good day.

Kimberly Stewart - *Technip - Head of IR*

Ladies and gentlemen, this concludes today's conference call and we would like to thank all of you for your participation. As a reminder, a replay of this call will be available on our website in about two hours. You are invited to contact Technip's Investor Relations team, should you have any questions or require additional information.

Once again, thank you for your participation and we look forward to seeing many of you in LA.

Operator

Thank you for your participation in today's results conference call. The replay will be also available by dialing, for France, 01-72-00-15-00, or for UK 02-033-67-94-60, or for USA 877-64-230-18, using the confirmation code 283440 followed by the hash key. The replay will be available for two weeks. Thank you and goodbye. You may now disconnect.
