

FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to Technip's third quarter results conference call for the financial community. 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 SA - Chairman and CEO*

Good morning, ladies and gentlemen. Thank you for participating in Technip's conference call. I'm Thierry Pilenko, Chairman and CEO of Technip; and with me are Julian Waldron, our CFO; Arnaud Real, Deputy CFO; as well as our IR team, Apollinaire Vandier and Chaun Wang.

Kimberly is off this week, so I will turnover to Apollinaire, who will go over the conference call rules.

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Apollinaire Vandier - *Technip SA - IR*

Thank you, Thierry. I would like to remind participants that you can download the third quarter results press release and presentation on our website, technip.com.

I must remind you that statements made during this 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 download from our website, technip.com.

Also, an audio replay of today's call will be available on our website approximately two hours after the call ends. I now hand you back to Thierry.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Thank you, Apollinaire. The third quarter was very active for Technip and our growing order intake reflected the positive trends in our industry that we already highlighted in the first half of 2011. We also maintained our focus on current operations and project delivery and the performance of our team translates into a good quarter both for revenue and profit.

Also, on September 12th, we announced the proposed acquisition of Global Industries, and the reaction from clients and internal teams to the prospect of the two companies working together was very, very encouraging.

Looking ahead, our clients continued to invest in projects through both FEED works and larger projects, and we therefore continue to see opportunities to expand in nearly all our markets.

Obviously, the risk to this outlook remain the same. The strength of competition should not be underestimated, and general economic and political uncertainties will continue to impact the time table for some projects, notably those which require financing. But as noted in this morning's press release, activity in October remains robust.

I now hand you to Julian to go over Technip's third quarter 2011 operational and financial highlights. Julian?

Julian Waldron - *Technip SA - CFO*

Thierry, thank you very much. Good morning, everybody. Our highlights beginning on slide 5. A few of the major projects that contributed to our third quarter revenue and profit. There's some more extensive details in the press release.

Beginning with subsea. During the third quarter we completed most of the operations on Pazflor in Angola, and that is the largest subsea [epic] project ever managed by Technip. And in particular, the installation of the IPBs, which is a proprietary Technip riser technology. And as a result, as you've probably seen, the [operation at Qatar] was able to start production several weeks ahead of schedule.

We will complete the remaining operations on Pazflor over the next two quarters and then we'll go into the warranty period.

In the North Sea, the Apache II completed the installation of around 33 kilometers of pipe on the Devenick project, and turning to another area of proprietary technology, we completed the spooling of the electrically trace heated pipe-in-pipe lines for the Islay project at our Evanton Spoolbase.

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Our flexible pipe plants throughout the world continued to have a good level of work and so did our vessels. In Brazil, our second Brazilian flagged vessel was Skandi Niteroi, began a long-term charter and started to operate in early October. And overall, as you've seen, our vessel utilization rate was very high this quarter at 93%.

In previous quarters, we've commented on the good utilization for pipelay and construction, but this utilization rate reflects improved utilization of light construction and diving support vessels, notably in the North Sea.

On the other hand, the North Sea season has been characterized by bad weather conditions -- exceptionally bad weather conditions in the second and the third quarters, and so there's not so much of an impact on the profitability of operations from that high utilization for that reason.

On slide 6, onshore/offshore. Our main projects in the Middle East continued to ramp up well. Construction work started on PMP in Qatar, we moved ahead on Asab in Abu Dhabi as well as on the Jubail refinery in Saudi Arabia, where we now we have around 11,500 workers mobilized on the sites.

Following the investment decision made by Shell in the second quarter of 2011, engineering activities started and progressed on Prelude FLNG and we began a procurement campaign. In terms of older projects, we completed the biodiesel plant for Neste Oil in Rotterdam. In Turkmenistan, the second train of the Block 1 Gas Development project is now ready for startup, and we started early detailed engineering works on the Lucius Spar in the Gulf of Mexico.

On slide 7 for order intake. It was an active quarter for new orders. We took just over EUR2.3 billion in the quarter and these orders were well spread across our subsea and our onshore/offshore segments, driving our backlog just above EUR10 billion.

The mix of projects contained as in previous quarters. A good range of smaller and medium size projects, but there were also some larger contributions.

Looking at subsea, order intake was at EUR1.13 billion, included a number of [epic] contracts but also the subsea portion of the fast track Mariscal Sucre Field development in Venezuela, as well as Flex-Lay vessel long-term charter contracts in Brazil, the Deep Constructor and the Skandi Niteroi, as I mentioned.

I would note that the new 550-ton Brazilian pipelay support vessels are not included in the order intake in quarter three.

Onshore/offshore order intake included an additional contribution for Prelude FLNG following the achievement of milestones on that project and a number of medium sized projects, as well as the onshore/offshore portion of Mariscal Sucre. There was also a small amount of early work for Lucius Spar, as noted.

In the Middle East, we took an offshore order for the Satah brownfield development in Abu Dhabi, as well as a number of strategic FEEDS, notably in fertilizer in Gabon and Brazil.

Turning to slide 8, and the financial aspects of the results. Revenue and profit for subsea. Revenues were 8% higher than a year ago, which reflects the improved vessel utilization rate as well as the good workload in the manufacturing plants, as referred to earlier. The major revenue contributors in terms of projects were Pazflor, West Delta Phase 8A in Egypt, the Tupi pilot in Brazil and Hibernia in Canada, as well as various contracts across other continents.

Solid revenue and the good short-term order intake this year have meant that we've changed and improved slightly the mix of our revenue expectations for the full year. So subsea revenue is slightly up. Overall, we're unchanged, as you've seen.

Subsea operating margin was 16.9%. There was good underlying project execution, no particular project or aspect to be singled out other than the fact that the revenue in the North Sea -- the profitability underlying that revenue was slightly impacted, as I've mentioned, by the weather.

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Concerning revenue and profit for onshore/offshore. Good growth again, 16.1% for the two segments combined; faster than that in offshore, a little slower than that in onshore, reflecting the way the backlog has evolved over the last few quarters.

Revenues were reflect the ramp up of construction on Jubail, Asab and PMP as well as the start of engineering works on Prelude, as mentioned. Profitability was strong at 7.1% compared to 6.1% a year ago, and that profit derives from a number of smaller and medium sized projects, particularly in the onshore segment.

So on slide 9 for the Group overall. Revenue increased by just over 12% year-on-year. The operating margin was slightly above a year ago at 10.6% for the Group. Underneath the recurring operating margin you have EUR4.7 million of charge, which is the first portion of transaction costs related to the acquisition of Global Industries.

We'll take the remaining transaction costs when the deal closes, which is, as we mentioned in the press release, maybe a little earlier than we expected. And then, as we move in 2012, we'll consolidate the Group as well take any restructuring costs related to the synergies.

The tax rate was stable at 30%, and accordingly, we had a good rise in net income and earnings per share.

And lastly, on slide 10, the balance. Net cash position was robust at the end of the third quarter. This reflects positive operating cash flow combined with a slight increase in net construction contract balances quarter-on-quarter. CapEx of EUR105 million, and therefore, we were able to increase the Group's net cash position by roughly EUR200 million in the quarter, which in line with what we indicated on September 12 at the time of the acquisition of Global.

With that, I hand you back to Thierry to cover recent events, and in particular, the outlook.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Thank you, Julian. And I'll be turning to slide 12, which describes the Investor Day in Brazil that we've held on October 4th and which many of you were able to attend, and we hope you found it useful. All our presentations are available on our website.

And during the event, we highlighted four main points. Firstly, Technip's solid foundation in Brazil built on 35 years of local experience. We provide in Brazil full range of services among our three segments. Our subsea segment is vertically integrated in this country from flexible pipe fabrication to logistics, installation. And as you can see, or could see, we continue to invest in assets and depot.

We also highlighted a large onshore/offshore opportunities in Latin America which could broaden Technip's portfolio in the near-future. We are notably currently working on a FEED for an ethylene complex in Mexico for a Brazilian client and other contract for the upgrade of the Cubatao refinery in Brazil.

We also presented Technip's commitment, strong commitment, to subsea R&D, where we invested over EUR250 million since 2007. And we will continue to work on innovation and continuous improvement of today's technology. And finally, we also discussed our worldwide expansion in subsea via both organic growth and acquisitions to develop our capability to tackle future projects, which in the subsea world are becoming more integrated and more complex.

On slide 13, I will update you regarding the progress of Global Industries acquisition. We have announced the proposed acquisition of Global on September 12th, and now we have started discussion on integration planning with the joint teams between Global and Technip, and within the legal constraints of this period between signing and closing.

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The necessary proxy statement was filed with the US SEC on October 7th as part of the merger process, and as expected, antitrust waiting periods have terminated. So it's quite possible that the Global shareholder meeting, and therefore the closing of the transaction, might occur earlier than expected.

Now turning to capital expenditure in 2011. We expect to be around EUR360 million to EUR380 million, which include investment both in new vessels and in facility upgrades. On the fleet side, we've made several payments for the Asian installation vessel, Flex-Lay vessel, named Deep Orient and the Deep Energy. And in September 2011, we have started, as Julian was saying, our newly built Brazilian flag vessel the Skandi Niteroi, which started operations offshore Brazil.

Concerning facilities upgrade, the Vitoria logistics base upgrade was completed in Brazil and we're progressing on Angola and UK umbilical plants.

Our new CapEx commitment comprise of the vessel related to the letter of award from Petrobras for a two -- five-year Flex-Lay vessel charters, which are by far the world's largest Flex-Lay top tension capacity vessels, and we will build and operate them in a joint venture, a 50/50 joint venture, with Odebrecht Oil and Gas.

On slide 15, you can see that we have signed over EUR2.3 billion of new orders in the quarter with a wide variety of sized projects providing good backlog visibility for the future years, which is actually better than 12 to 18 months ago.

Accordingly, based on these third quarter results and order intake, we maintain our full year expectations in terms of revenue and we increase slightly our subsea revenue expectations to above EUR2.7 billion.

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

QUESTIONS AND ANSWERS

Operator

Thank you. Ladies and gentlemen, at this time we will begin the question-and-answer session. (Operator Instructions).

Tahira Afzal, KeyBanc.

Tahira Afzal - KeyBanc - Analyst

Congratulations, gentlemen, on a very strong quarter again. I guess my first question is you've seen very good execution; your prospect pipeline looks really strong. Earlier on, this year, you had commented on costs and costs really likely remaining low in 2011 helped by the Asian supply chain. So I would love to hear any update on that as you look forward in terms of costs and any bottlenecks over there going forward.

And then the second follow-up question to that is really with Global Industries, as you talk about the integration. Could you provide any color, if possible, at this point on any divestments? Thank you.

Thierry Pilenko - Technip SA - Chairman and CEO

Okay. I'll start with the cost question. We are in an environment where we continue to see stable cost environment for procurement. And I would say in most markets the costs are under control for salary inflations and so forth. We see some pressure in the --- I would say the typical markets when there is an increase of activity. There is some pressure, inflationary pressure, on salaries in the UK and in Brazil.



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But as far as procurement is concerned, we haven't changed -- or we haven't seen a major change. We were probably a little bit more concerned at the beginning of the year that we could start to see some inflation at the end of 2011. And I think the global uncertainties and the possible recession in OECD countries have helped maintain additional capacity in the market, and therefore, we haven't seen significant inflations in our projects.

As far as Global Industries is concerned, as we said, we might be able to close earlier than expected. We have no intent to do any divestiture. We believe that the complementarities of the people and the assets are such that we will be able to use all the assets and the teams in our current markets.

Now we may have, after closing some allocation of assets, and these assets are vessels, so which is different from Global Industries' allocation today, as we see markets in which we have strong positions where these assets could be deployed. But there is no plan to divest any asset.

Tahira Afzal - KeyBanc - Analyst

Thank you very much.

Operator

Alexandre Marie, Exane BNP Paribas.

Alexandre Marie - Exane BNP Paribas - Analyst

I've got -- my first question is on your backlog, particularly the onshore part of the backlog. In your 2012 component, there seems to have been some slippage there. You had EUR2.1 billion booked for 2012 execution at the end of the last quarter, and now it's down to EUR1.9 billion. So could you explain what happened there and is there any particular delay in projects that we should be aware of?

The second question will be on Upper Zakum. The press reported recently that the FEED for the offshore part of Upper Zakum is behind schedule. Is that something you will confirm, and do you expect any particular impact on your financials?

And finally, the last question on the Gulf of Mexico. BP has been recently re-allowed to operate in the US Gulf of Mexico. Have you had any discussions with them on the development of the Mad Dog field as yet, and do you expect this project to fly next year or 2013?

Thierry Pilenko - Technip SA - Chairman and CEO

Okay. Julian will take the question on the onshore backlog and I will answer the Zakum and Gulf of Mexico questions. Julian.

Julian Waldron - Technip SA - CFO

Good morning, thanks for your question. I think a couple of comments -- we every quarter look again at the timing of backlog and pretty much every quarter there is some movement in all of our segments. It's a bit more noticeable in onshore because you have a backlog in that segment which is flat or declining. It's a whole host of projects.

And what we do when take a new project in, in order intake, is you calendarize it at that stage and then as you get through the engineering phase, particularly when you look at procurements, then you tend to reschedule. And there's nothing out of the

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ordinary in what we've done this quarter. It will reflect that sort of work on the new projects in onshore that we've taken this year.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Now, going to your question about Upper Zakum, I don't know where you got the information that the FEED was behind schedule. The FEED was, at the end, much bigger than what the plant anticipated at the beginning. We've been involved in that FEED pretty extensively for the past almost 18 months now. And I met the client, actually two days ago, and they were very happy with the results. This is a very important project for 2012. And I cannot tell you when the EPCI packages are going to be sent, but definitely both ZADCO and their partner, Exxon, are very eager to move forward with this new concept.

It's going to be a very large project in several packages, and I think it's -- the decisions will probably be taken in 2012. But we don't control the decision process of our clients, but I can confirm that the FEED quality was a high quality and that the client was happy with the performance.

As far as Gulf of Mexico is concerned, I want to talk specifically about specific clients and so forth. I think it's very good news that we see a momentum again in the Gulf of Mexico. Our clients were really in the starting blocks to restart projects. Some of them had stopped literally a few hundred feet or a few hundred meters of production, and the fact that drilling starts again and subsea construction starts again is good news.

And obviously, because BP is an important client of Technip, and because we have a strong track record in the Gulf of Mexico, we are talking to BP about Mad Dog but also about other types of development. So the good news is that activity is now picking up, and I think the Gulf of Mexico will be very much in a catch-up mode for the foreseeable future.

Alexandre Marie - *Exane BNP Paribas - Analyst*

Thanks.

Julian Waldron - *Technip SA - CFO*

Thank you.

Operator

Goran Andreassen, RS Platou Markets.

Goran Andreassen - *RS Platou Markets - Analyst*

Three questions, really. The first one, you report 21% EBITDA margin for subsea in the quarter, obviously strong. But considering you had vessel utilization of 93% versus 81% last year, where you reported a margin of 22, could you elaborate a little bit on that? I would have expected margins to be stronger considering that strong utilization.

Julian Waldron - *Technip SA - CFO*

Yes.



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Thierry Pilenko - *Technip SA - Chairman and CEO*

Julian, can you --?

Julian Waldron - *Technip SA - CFO*

Goran, thanks for the question. I think it put the majority of the explanation on the North Sea. Very good utilization of vessels throughout the summer in the North Sea, but a fair chunk of that disrupted for our customers and project execution by the very bad weather in the North Sea this summer. And as a result, although you get additional revenue from that, you don't necessarily get a strong profitability pull through. And I think that's the principal explanation behind your question.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Yes. This shows, once again, that you cannot use just one indicator like utilization to make correlation between utilization and revenue and profit. You also have to take into account efficiency. So your vessels may be utilized, like in the North Sea, but not completely efficiently because the weather is bad, and therefore you always have to take into account, not only utilization, but also efficiency of the fleet.

For example, on Pazflor, our fleet in the second and third quarter was extremely efficient, and therefore, we've been able to do better and there is slightly ahead of time the production system. So these are the type of things that you need to take into account, not just the pure utilization figure.

You had another couple of questions, I think.

Goran Andreassen - *RS Platou Markets - Analyst*

Yes, I did. You also mentioned that the light construction and dive support vessels have been more active in the North Sea in the quarter, and that's a market that has been pretty slow over the last year or more. So do you expect that market to develop strongly going forward, and how important is that for your margins within subsea?

Thierry Pilenko - *Technip SA - Chairman and CEO*

Light construction and diving in particular, DSV, has been strong in utilization, and will probably going to continue to be strong, including into Q4 and possibly in Q1. Because of the bad weather in the summer, some of the projects have extended into the fall and winter season. Now if we look at the prospects for 2012 and the pace at which we're finding projects, not just us, but also some of our competitors, the activity will be quite sustained in 2012 and North Sea utilization of DSVs in particular should be high. And in the rest of the market, as it is much more of a spot market, it is hard to predict at this stage. But North Sea should have a strong season at least for 2012.

Goran Andreassen - *RS Platou Markets - Analyst*

Okay. And then my final question. One of your peers on the equipment side, FMC Technologies, said yesterday that they expect award of -- or Wheatstone could come to award before the end of the year. They also expect [Iktis] to come to award pretty soon. Do you share their views on that, and potentially how large could the installation scope be on these projects?

Thierry Pilenko - *Technip SA - Chairman and CEO*

You mentioned Iktis? I didn't hear the first project?

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Goran Andreassen - *RS Platou Markets - Analyst*

Wheatstone.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Wheatstone?

Goran Andreassen - *RS Platou Markets - Analyst*

Yes.

Thierry Pilenko - *Technip SA - Chairman and CEO*

I would say when I look at these two projects, I think there is probably a clearer schedule and planning on Wheatstone than there is on Iktis. But, yes, I would confirm that these are the two key projects in Asia Pacific -- two of the key projects in Asia Pacific that could move forward maybe as early as the first half of 2012.

Goran Andreassen - *RS Platou Markets - Analyst*

Okay. Thank you so much.

Julian Waldron - *Technip SA - CFO*

Thank you.

Operator

Guillaume Delaby, Societe Generale.

Guillaume Delaby - *Societe Generale - Analyst*

In fact, I really appreciated your answer on the first question on the query regarding input cost, because honestly, when I had a look this morning at your page 10 in your press release, I've been slightly concerned by the fact that we've seen in Q3 2011 gross margin as a percentage of revenues was in fact down over the first six months. And also the fact that operating income in Q3 increase mainly given the fact that SG&A has been reduced quite a lot.

So could you maybe elaborate a little bit on why SG&A has been declining so much in Q3? And also can you elaborate a little bit about the slight improvement in gross margin, 3.9% in Q3? Why it is still growing by 9.7% on a nine months basis? Thank you.

Julian Waldron - *Technip SA - CFO*

So a number of comments to give you. First, I appreciate your comments and your questions are about Q3. I think we always try to caution you against looking at one quarter as indicative of any particular trend, and certainly the first nine months show, I think, a much more stable evolution of both the gross margin and SG&A costs.



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Having said that, two or three comments both on this year Q3 and last year Q3. In terms of the gross margin in Q3, again, I think if I may go back to the points raised on the North Sea earlier on, we did have good revenue but with that weather we didn't take a lot of additional profitability from that additional vessel utilization in the North Sea.

You have in some segments, including, for example, in subsea, you have the start of some of the larger projects like Goliat. You have some revenue from that, but at this stage, no profit contribution. We have a similar situation in a few areas, for example, in offshore.

Second, I think when I go back last year looking at SG&A, you had some specific costs in Q3 last year that are not recurring in this year. And you do have -- to be a little more, if you will, positive about it -- you do have an effort on our part to try and constrain in particular selling and tendering cost.

If we look over the last two to three years, this has been a source of significant cost inflation for us as we've had a more uncertain market with project timing being more difficult to assess. Our selling and tendering cost has gone up a lot.

And we are -- we continue to make efforts. And I don't think we're particularly yet reassured that we've gone as far as we should do, but we have tried to make efforts to constrain that selling and tendering cost.

So I think putting all of that together, a combination of the North Sea, some specific elements in SG&A last year, some foreign exchange as well year-on-year and some efforts to constrain SG&A cost, I think those explain the Q3 this year relative to Q3 last year. I would, if I may, go back and just stress, I think it's better to look at these things on a longer-term trend than one quarter. But I hope that's helpful.

Guillaume Delaby - Societe Generale - Analyst

Thank you very much, Julian. Does it mean that over the next quarters -- of course, nobody has a crystal ball -- that maybe gross margin as a percentage of revenue is likely to increase again?

Julian Waldron - Technip SA - CFO

Given -- as I have mentioned, the impact of one-offs, which can either impact gross margin or SG&A in that particular quarter, I don't think I'm going to gaze into my crystal ball, as you put it. I think the important thing for us is, we guide on operating profit, we upped our guidance at the end of Q2, the results that we have at the end of Q3 are in line with that guidance enabling us to confirm that to Q4.

So when we look at costs in the business, the order intake that we take in, the project execution we have, we're executing according to plan for the Group as a whole and for the subsea segment and the onshore/offshore segment. And there's no reason to -- well, we reconfirmed the guidance this morning so we feel very comfortable with that looking forward to the end of the year.

Guillaume Delaby - Societe Generale - Analyst

Thank you very much. That was very helpful.

Julian Waldron - Technip SA - CFO

Thanks.

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Operator

Fiona MacLean, Merrill Lynch.

Fiona MacLean - Merrill Lynch - Analyst

Especially, could I ask a question on the vessels for Brazil that you have announced this morning. Could you give us an indication of the value of the contracts that are attached to these two vessels?

And then, secondly, staying with the subsea business. You had very strong utilization this quarter and it's been relatively good all year. Could you give us an indication of how you see utilization through 2012? Do you think it's going to be improving over what we've had already in '11?

Thierry Pilenko - Technip SA - Chairman and CEO

Yes. Julian?

Julian Waldron - Technip SA - CFO

On vessel utilization, I think we've seen for a few quarters now the prospects for pipeline heavy construction worldwide continue to be pretty firm and that means that we have good backlog visibility for '12, and as you've seen over the last couple of quarters, increasing for 2013.

So I think that's a positive backlog as we look forward over the next 12 to 18 months. I would also say that the same goes for flexible plants as well. It doesn't always go hand-in-hand, but I think that the visibility for that over the next 12 to 18 months is also pretty good.

I think the difference that we've been waiting to see is whether the smaller or less specialized vessels in line construction or diving support were going to be more utilized. Now they certainly have been this summer, and you see that in the utilization statistics.

I think going back to a comment made earlier by Thierry, if we were to look 12 months from here or 24 months from here, we'd be satisfied with the lower utilization rate than 93 if the efficiency of the vessels was better. In other words, if we had less down time due to weather, for example.

So when we look next year or the year after, it really is going to be a mix of how utilized those vessels are but also how efficient they are. We do think that we're in agreement with some of our peers else where in the industry that in general, utilization of vessels in subsea is moving in the right direction in pretty much every market in which you look and for pretty much every class of vessel.

Going back to one of the comments that Thierry made earlier on Global Industries, one of the opportunities we see for the more conventional fleet of Global is to use those vessels on projects where today we might be chartering third-party vessels. That's an opportunity that we need to take some time to assess. But as we go into a growing market with better overall utilization, opportunities such as that are important to seize and are quite interesting for us.

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Thierry Pilenko - *Technip SA - Chairman and CEO*

Fiona, going back to your first question about the value of the contract for the 550-ton pipelay vessels in Brazil, this is -- we have so far received only a letter of intent. We are still finalizing the contract, and we generally disclose the amount of a contract once everything has been signed. So we would prefer to do that as part of our Q4 disclosures. But again, this is 50/50 joint venture with Odebrecht.

Fiona MacLean - *Merrill Lynch - Analyst*

Okay, so you will confirm it Q4?

Thierry Pilenko - *Technip SA - Chairman and CEO*

Yes, in the press release we've been saying around \$1 billion.

Fiona MacLean - *Merrill Lynch - Analyst*

Okay.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Okay.

Julian Waldron - *Technip SA - CFO*

I think the press has commented on that as being a 100% of the awards for two vessels. So we'll confirm when we press release, but that's I think the numbers you find circulating.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Yes.

Fiona MacLean - *Merrill Lynch - Analyst*

That's great. Thank you.

Operator

Philip Lindsay, HSBC.

Philip Lindsay - *HSBC - Analyst*

I have a couple of questions if I could. First of all, McDermott delivered what was called a savage profit warning for 2012, talking about substantially fewer marine barge work days, and therefore, lower utilization but also higher costs. Can you just say whether there's any read across at all for the Global fleet on this?

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And then the second question, quite difficult thing to do, but I would just be interested in your view on timing for projects in both West and East Africa; in particular, I'm interested on your view of Engina? What projects do you see coming out of Angola in the near-term from what looks like a really healthy path on the projects there? Also, Ghana must be seeing strong momentum based on recent discoveries, which could trigger fast track developments. When do you expect those to materialize?

And then, finally, I suppose recent discoveries suggest a very bright future for East Africa. What can we expect there? Thank you.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Julian, would you want to take the question on Global and utilization in 2012?

Julian Waldron - *Technip SA - CFO*

Phil, thanks for your question. It's difficult for us to comment on Global at this stage because we're not inside the company running it, and we'll do that with our 2012 guidance in mid-February with the full year results.

I think we would say a couple of things to you. First is that we do see opportunities to use the vessels in Technip projects or using the Technip commercial organization, which is an organization which is broader than Global's. And I think those two things are specific, synergistic things for Technip and Global together and amongst the key reasons why we wanted to put the two companies together. In that respect, I don't think there's a read across.

The fleet is used today in a number of different areas around the world, and as Thierry I think said earlier, we may change the geographic configuration of that fleet. So again, the read across from today to tomorrow is not an easy one to make.

Our focus in 2012 will nonetheless be on building backlog and in particular building backlog for the flagship assets. We want to do that to make sure that we get the right pricing and the right utilization of those assets on the right projects. But I don't think there's a direct read across from McDermott to Global. I think it's a slightly different business, and particularly in Technip hand, I don't think the two are particularly comparable.

Philip Lindsay - *HSBC - Analyst*

Okay.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Absolutely. Now, going back to your question about the timing for projects. You were focused mostly on Africa, and maybe I should make a broader comment, and unlike I do generally by region, I would make a comment by a type of business, upstream versus downstream.

Philip Lindsay - *HSBC - Analyst*

Okay.

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Thierry Pilenko - *Technip SA - Chairman and CEO*

And in general, I would say there's much stronger certainty on the E&P or upstream projects because they're production related. And as you know, and you've probably observed, many of the large oil companies, particularly the large integrated companies, have been challenged to reach their production target and therefore there would be a catch-up in stable areas. What I call stable areas are what I call predictable areas like North Sea, Gulf of Mexico, Brazil, some parts of West Africa. Angola is pretty predictable.

Nigeria is less predictable in terms of timing, but it looks like two projects moving forward and could be awarded in 2012. One is Engina. The other one is the Brass LNG, which seems to have found new momentum. There has been a fairly long period during which very little had been awarded in Nigeria. We have seen [Acapu], we have seen [Nusan]. And then, older projects like Agbami and so forth. But now there's a new dynamic over there, even though the timing is not very, very accurate.

East Africa will be driven mostly, I would say, by the new discoveries, the new gas discoveries, and we could see some momentum, at least in the very preliminary stage, on LNG -- Mozambique in particular, and that could create additional activities.

Now going to the downstream, the dynamic is slightly different. Because downstream and particularly in the downstream of downstream, which we see a major development of at the moment, particularly in fertilizers, certain types of projects are more depending upon financing, and therefore, are a little bit less predictable in terms of timing, even though we see a very large number of projects on the horizon. So I would say more certainty with the upstream and particularly the offshore sector and less predictability, yet a large number of projects in the downstream. Does this answer your question?

Philip Lindsay - *HSBC - Analyst*

Yes, that's fine. Thanks very much guys.

Operator

Ladies and gentlemen we have time for three more questions. Geoffroy Stern, Cheuvreux.

Geoffroy Stern - *Cheuvreux - Analyst*

I have two questions, actually. The first one relates on the onshore business. When we look at your backlog, it's very clear that you have a good visibility for the subsea business, but with regard the onshore your backlog is down 14% year-on-year. And looking at the backlog scheduling, it points to a significant drop in the top line for next year, at least at this stage, and the street is still looking at a 10% top line growth next year.

So -- I mean, do you see any major contract to be awarded in the onshore business in the upcoming six months that could enable you to boast top line growth next year in this business? This is my first question. And the second one relates to the pricing in the subsea business. So far you have mentioned that the pricing dynamics in the North Sea have been slightly supportive. What about older markets? Have you started to notice anything there? Thank you.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Julian, you want to answer the question on the backlog?



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Julian Waldron - *Technip SA - CFO*

Yes. Thanks very much. I think the answer on the next six months is, yes, absolutely. We see a lot of opportunities in the onshore market over the next six to nine months to take substantial order intake.

Geoffroy Stern - *Cheuvreux - Analyst*

Can you be -- can you give some -- by region or something --

Julian Waldron - *Technip SA - CFO*

No, they are -- they are very wide spread. And I think that's one of the good things about the market is that there are a lot of different and varied opportunities. I would say though that one of the ways in which we've managed the business over the last two or three years has been the focus on the onshore and the offshore side together.

And our focus has been to take projects in whichever one of those two segments we can which drives good risk management, which drives the profitability and which enables us to drive the utilization of our people in particular. So they're equally good opportunities over the next six to nine months in offshore.

And as we sit here today, exactly where those orders will come in between onshore and offshore, it's not necessarily easy for us to predict. And as long as they come in across the two segments combined, then I think we feel very comfortable with managing the business that way.

So we'd continue to encourage you to look at onshore/offshore as a combined operation because that's the way that we manage it. That's the way that we manage risk, resources, growth and profitability. So there are opportunities both onshore and offshore, our focus is on making sure that those two segments grow combined.

Thierry Pilenko - *Technip SA - Chairman and CEO*

Going back to your question on pricing, the view hasn't really changed compared to our last conference call. We definitely have seen pricing momentum in the North Sea. In the rest of the world, the pricing environment is pretty much the same. I would say that as we see flexible plants being fully utilized, both ours and possibly the ones of our competitors, we should start to see some movement on the pricing of the flexible products.

As far as installation is concerned, that depends very much on the market. Asia is still very competitive, but Africa and the Gulf of Mexico and Brazil still all present very good markets in terms of pricing.

Geoffroy Stern - *Cheuvreux - Analyst*

And do you believe that by next year, say, that you could start to see, let's say, a more positive opportunity for pricing?

Thierry Pilenko - *Technip SA - Chairman and CEO*

Possibly, but it's too soon to tell. Possibly, the orders that we may take maybe in the second half of 2012, therefore, orders for projects into '13, '14 and possibly beyond could have a better pricing. But it's too soon to tell.

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Geoffroy Stern - *Cheuvreux - Analyst*

Okay. Thank you very much.

Operator

Christyan Malek, Nomura.

Christyan Malek - *Nomura - Analyst*

Three questions, just very quickly. One on Saudi. What is the current status in terms of your relationships with your partners out there with regards to pushing ahead with more -- bidding on new work? Is it -- how has that developed and what's your outlook for Saudi Arabia next year?

Second is related somewhat on local content and JV. What is the strategy across the world in terms of building your local content? Is it for selectively building on the grassroots level or is it going into JV's? What's the balance of those two dynamics?

And thirdly, please, on FLNG. You know what is the outlook for [SNGB] on Prelude? Do you see more projects developing across the near-term or is it a case of "let's see how Prelude works" then the rest of the market will then make a judgment as to whether to go ahead with more projects?

Thierry Pilenko - *Technip SA - Chairman and CEO*

Okay. Well, quite a broad scope of questions. In Saudi, as you know, we are very much involved at the moment in the execution of the Jubail Refinery. There are a number of projects that are going to come particularly in more downstream in the petrochemical areas on which we will be bidding on some of them.

But as we pointed earlier, we have also been looking at diversifying our portfolio. So we will select the projects on which we are -- we bid in Saudi to make sure that we are in the right competitive dynamics because the reality is that over the past 18 months to two years, we have seen mostly Korean companies winning work over there.

Now we have to see how the dynamics evolve as they get into a construction mode. But we are not relying only on the Saudi market in the Middle East. As we said, we also have prospects in Qatar, in the Emirates and Kuwait.

Now as far as local content is concerned, we have had a fairly aggressive, and so far well-managed deployment of resources and local content. You've witnessed that in Brazil. I think, Christyan, you were there, so you've seen how deep we've been able to develop that -- not only the business understanding, but all the infrastructures that are necessary to win profitable business in Brazil. We have been developing Angola and we will probably continue to develop Angola, and we've been investing significantly in places like Malaysia.

So I don't think there is one-size-fits-all. I could describe more things like that but -- and sometimes it makes sense to have a joint venture, such as the one we are having with Odebrecht Oil and Gas for the PLSV vessels in Brazil or the joint ventures that we have with Sonangol in Angola. Sometimes it is just grassroots investment when we believe that this is the right thing to do like Asiaflex plant, for example, which was a grass root investment.

So I -- it is very important to understand your customer and understand the local environment and the real opportunity and constraints that are giving -- the governments in different places. And you cannot be dogmatic here. You have to do what makes sense. And we'll continue to do that. So we could see that a part of our future CapEx is going to be focused on this type of local opportunities.

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Now going to FLNG and beyond Prelude, I would say as you know today we are involved in to the Brazil -- the Petrobras FEED for FLNG. I mean, the FEED is basically over and I think Petrobras is in the process of selecting the solution; meaning, it could be FLNG, it could be another solution, even if FLNG seems to be pretty adapted to some of the fields in Brazil.

We are also working on FLNG for Petrobras, which is FEED again and which is moving forward pretty nicely. I mean, all the projects in the world -- Aberdeen is going to come one day, and possibly Bonaparte, GDF SUEZ. Now who is going to get those projects remains to be seen.

But as far as Shell is concerned, I think it's more a question for our client. But my understanding and based on the public disclosure of Shell, I understand that they will not wait for the completion of Prelude to start maybe another project in parallel. But this is more a question for the operator than it is for us. But we definitely see that FLNG is gaining momentum.

And even skeptics, some companies that were very skeptical about three, four years ago about the technology, are now looking at preconceptual or conceptual studies to try to see if this could be applied to their fields. So the dynamic is still very strong there.

Christyan Malek - *Nomura - Analyst*

Thank you very much.

Operator

Amy Wong, UBS.

Amy Wong - *UBS - Analyst*

Just one question please. In your press release you do talk about the strength of the competition should not be underestimated. And I don't think that's -- you've kind of been talking about that for the last couple of quarters as well. But can you put a little bit more color around it in terms of maybe regionally where you are seeing the most competition? We're seeing you winning some projects in North and South America and it seems to be a little bit moving away from the Middle East. Is that your way of dealing with the competition that you're seeing in the Middle East perhaps?

Thierry Pilenko - *Technip SA - Chairman and CEO*

Well, I think you have to look at two things. First of all, we had a strategy to have a more balanced portfolio from a segment standpoint, onshore, offshore, subsea. From a customer standpoint, different types of customers, from small to very large, national and international, and from a type of contract standpoint and from a geographical standpoint.

So geographically, four years ago, about 50% of our projects were in the Middle East and many of them were actually in one country. So it was definitely a strategy of Technip to try to have a broader portfolio and a more balanced portfolio looking at markets in which we were but maybe we're not as active as we could have been because we are very focused on projects in the Middle East.

Now this being said, we have seen very fierce competition in the Middle East, particularly onshore, and has been quite concentrated and the competition here has been mostly Korean competition. And we decided not to fight on price but to fight on technology and to select the projects on which we thought we had technology [differentiation], and we will continue to do so.

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And at the same time, we have been able to win FEEDs and new projects in different parts of the world. I mean, we are just talking about FLNG here. FLNG is an area where technology makes a difference and where the onshore experience can be applied to the largest floating object that will be built by man. So this is the type of redeployment that we have done which fitted our strategy.

Amy Wong - UBS - Analyst

Great. Thank you very much.

Thierry Pilenko - Technip SA - Chairman and CEO

Thank you very much and have a good day.

Apollinaire Vandier - Technip SA - IR

Ladies and gentlemen, this concludes the third quarter 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 should you have any question or require additional information.

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

Operator

Thank you for your participation in today's results conference call. The replay will be on our website, www.technip.com, in the Investor Relation section or by dialing +33 17200 1500 or +44 203 367 9460 or +1 877 642 3018 using the confirmation code 274606#. The replay will be available for two weeks.

Thank you and goodbye. You may now disconnect.

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