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TEC.PA - Technip SA to Acquire Stone & Webster Process Technologies and Associated Oil & Gas Engineering Capabilities from The Shaw Group

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PRESENTATION

Operator

Welcome to Technip's conference call, to discuss acquisition of Stone & Webster process technologies and associated capabilities 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 & CEO*

Good morning, ladies and gentlemen, and thank you for participating in Technip's conference call. I'm Thierry Pilenko, Technip's Chairman and CEO, and with me are Julian Waldron, our CFO; Nello Uccelletti, our Technip Onshore and Renewables Senior Vice President; Arnaud Real, our Deputy CFO; as well as our IR team, Kimberly Stewart, Apollinaire Vandier and Chaun Wang.

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

Kimberly Stewart - *Technip SA - Head of IR*

Thank you, Thierry. I would like to remind participants you can download the press release and presentation on our website, technip.com, as well as the deal sheet.

I must remind you 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, including the safe harbor statement, which are an integral part of today's slide presentation, which you may also download from our website. An audio replay of today's call will be available in approximately two hours.

With that, I hand you back to Thierry.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Kimberley. Thank you very much for joining us today, at short notice. So we are pleased to have the opportunity to present you this acquisition, which is excellent news for our Onshore/Offshore segment.

So what have we announced this morning, and why? We have entered into an agreement to acquire Stone & Webster process technologies and associated oil and gas engineering capabilities, from The Shaw Group. The acquisition of this world-class downstream technologies and high-quality engineering resources is a perfect fit to Technip's strategy to differentiate ourselves through technology.

The transaction value is about EUR225 million we will pay in cash. And at the end of March 2012, our net cash was EUR629 million, and gross cash was around EUR2.5 billion.

So with Stone & Webster process technologies, we will enhance substantially our position as a technology provider with important and widely recognized best in class proprietary technologies and alliances in refining and petrochemicals. This will make Technip a major technology provider to downstream markets, adding to our Onshore/Offshore segment.

Technip will also welcome a large group of highly skilled people, about 1,200 people, researchers, engineers and project teams, at a time of strong growth in our industry, worldwide. Technip's execution capability in US, India and the UK, including Project Management Consulting -- project management consultant activities will be particularly reinforced.

The acquisition is expected to close during the second half of 2012, excluding one-off transaction and reorganization costs of around EUR15 million, contribution of the acquired business, for Technip will not be really material in 2012. And we reiterate our full-year objectives for all our segments.

Looking forward, the acquired business can generate margins above those of the Onshore/Offshore segment, as well as having a more robust and lower risk earnings profile.

Now turning to page 4, what is the business we have agreed to acquire? Some of you might know that the Shaw ENC business has been the subject of a safe process for some time now. We were interested in only their core technology piece, of course, at an appropriate price, and with minimal risk, which we call Stone & Webster process technologies, and the related engineering and project capabilities, which is a perfect fit for our existing downstream activities.

Stone & Webster process technologies is a leading downstream technology player, with first class reputation and a strong network of alliances, with partners and customers who are also well known to Technip, and we list these customers on -- and these partners on the right.

We excluded the EPC legacy part of Shaw's business, which will remain with Shaw.

Together with the associated oil and gas engineering and project management teams, the acquired perimeter generate around EUR220 million, on a pro forma, annualized revenues, currently.

The 1,200 researchers, engineers and project team operate from five main locations, particularly strong presence in the US, with offices in Houston, Texas; Cambridge and Weymouth Massachusetts. It will be well placed to benefit from the US shale gas revolution; presence in the UK, at Milton Keynes, with an office focused on PMC and feeds; and a strong presence in India, in Mumbai, where we have highly skilled engineers to support project execution.

The revenues generation comes from technology licensing, process design engineering, early stage and front-end engineering, PMC, and the supply of some specialized equipment.

Business process -- sorry, the business possesses important and widely recognized best in class proprietary technologies and alliances. These technologies are particularly strong in refining ethylene, petrochemicals and GTL.

I will now turn over to Nello, who will describe in more detail the market opportunity we see, and the specific area of expertise of the acquired business; Nello?

Nello Uccelletti - *Technip SA - SVP, Onshore & Renewables*

Thank you, Thierry. We see downstream investment as strong market opportunity in many geographical regions. If we go to page 5, I will move from east to west. Markets are particularly strong, with different dynamics region by region.

In Asia-Pacific, growing economies, the national economic reasons, are driving investment in refining and petrochemicals to replace imports. This provides a steady pipeline of investment in upgrades, but also very large Greenfield investment, which requires new technology choices. We identified, for example, Vietnam, Malaysia and India as providing countries for downstream investment and, [hence], technologies. In addition, longer term we can expect shale gas development in countries like China, to provide feedstock for additional capacity.

We can see similar dynamics in the Middle East and Africa, where the development of a huge oil and gas reserve is gradually transforming itself into a drive to refine and transform for domestic use and export. There is a similar strong trend in Latin America.

Although there is a little activity in Western Europe, there is a strong potential for upgrades and some greenfield development in Eastern Europe and Russia. This is a market where could increase our presence.

Last, but perhaps more -- most exciting, is USA, where business is picking up significantly. The availability of a low-grade shale gas might drive export activity, but will, certainly, drive renewed strong investment in ethylene and petrochemicals. The acquisition strongly announces our US capabilities in technology supply, and in product management and execution.

Going to page 6, Technip is already present, directly or through alliances and partnership, with the portfolio of downstream technologies. This acquisition, as you can see, significantly enhances our footprint. Stone & Webster process technologies perfectly complement our existing position in ethylene, hydrogen, fertilizer, polyolefin and gas separation in terms of technology, geographical presence or client base.

Technip becomes a major technology provider to downstream market, with a broad portfolio of technologies and alliances, with top three worldwide position across the board. I will highlight just few of them.

Stone & Webster has an alliance with the SASOL to develop Fischer-Tropsch reactor. This relationship is perfectly matched with Technip long-term relationship with SASOL, built notably through the execution of the Oryx EPC project in Qatar, or on-going from 10 design activity for Uzbekistan development.

Stone & Webster's excellent position complements Technip's technology providing access to another process, and complementary geographical and client business.

Refining RSCC and DCC, [progressing the] technology alliances with some major oil and gas players adds to Technip and match the track record in the delivering and refining front-end design and EPC across the continent. As you can see -- as you can know, Technip was involved with in Turkey grass-root refinery with a capacity up to 400,000 barrels since 1958.

Going to page 7, we highlight the facts of revenue stream that we can derive, based on technology. The acquired business generates revenues from technology, licensing, process design engineering, early stage and front-end engineering, PMC and supply of equipment.

These revenues pro forma and annualized are currently around EUR220 million. The acquisition, therefore, roughly doubles the revenue Technip already generates from this type of activity to around EUR400 million on a pro forma basis.

Process technology activities provide a revenue streams via, first, the licenses sold at early stage of project generating up to $5 million per license. Second step engineering and [set-up] services, which support the license generated up to [$50 million] per assignment. Third, we are generally responsible for supplying the critical equipment modules, based on our proprietary technology, such as (inaudible) and these packages are upwards of $50 million in size.

These revenue streams will add fatter robustness, and diversity to Onshore/Offshore segment earnings, with the risk exposure limited given their characteristics; notably that there is a high barrier to entry from licensed ownership, technology expertise, and high-skilled engineering capabilities. And the ability to fabricate the proprietary equipment manufactured by our own [attracted] world class suppliers, with our design under our supervision.

Going to page 8, I will make some remarks on how we can leverage this new technology within Technip. We have a critical mass in technology and through Technip, Stone & Webster and some other specific brands or alliances, and partnership a strong portfolio of brands and position. We covered most of the key basis in downstream technologies.

All technology domains together, we have over 300 references for plants built worldwide. Although it is not easy to assess in details, this is probably the broadest range of references for an engineering contractor active in the downstream offshore.

In many cases our client bases or market position are complementary. As we have mentioned, we believe that our market position is reinforce, particularly in United States.

Our investment in research and development will be maintained and some areas, such as ethylene. We see opportunities to develop significant enhancement in processes to benefit our clients.

The acquired business is now within a company with the same core activity. Using Technip's solid customer and financial base and our worldwide execution capability, we will take this business farther.

I will now hand over to Julian to comment the financial aspects.

Julian Waldron - *Technip SA - CFO*

Nello, thank you very much indeed, and good morning, good afternoon; so on page 9, some key aspects covering financial.

First of all, the transaction consideration will be around EUR225 million. There will be some variation depending on the amount of working capital at closing. There are only a couple of million of liabilities that go with it, so that's both equity and, pretty much, the enterprise value as well.

Second, in terms of timing, we expect to close in the second half of 2012. There is the usual regulatory clearance, in particular in the US, some employee consultation, but we'd expect a short period of consolidation in 2012. Given that, I don't think there'll be a material impact on revenue or profit in 2012, other than for the one off costs, which I'll cover shortly.

Third just to reiterate, Thierry mentioned at the outset that we wanted to be and we were very selective about the perimeter we were buying and the risks associated, so I'd like to reconfirm that the Shaw Group will retain Toronto and Baton Rouge and all legacy EPC projects.

Now we do expect some cost synergies from the transaction, notably around IT savings and around premises, and we estimate these to be around about EUR7 million annualized, beginning about a year after closure.

We'll take the majority of transaction and reorganization costs associated with closing the transaction and integration in 2012, and these will represent a one-off charge of approximately EUR50 million, which we'll isolate full year within our accounts. Accordingly, and excluding these one off costs, we can reiterate all our 2012 financial objectives.

We expect to complete a lot of the purchase accounting this year that means we can go into 2013 talking more knowledgably about that. And whereas for example, the Global Industries acquisition we did not, and do not expect to capitalize a significant amount of non-goodwill intangibles, it's likely that we will capitalize some amount of technology and knowhow which will be amortized in this case.

So what could be the impact further out? Well, I think it's, first of all, important just to note the size of the acquisition, it's only about 5% of the segments expected 2012 revenues based on this year's guidance.

But, nonetheless, this type of business, as Thierry and Nello have indicated, generates structurally higher margins than our traditional Onshore/Offshore EPC margins. And particularly at the EBITDA level, potentially given some of the IFRS impact I mentioned, it will therefore add to what we do in Onshore/Offshore, but it is small. And as this business grows, the stability of the margins, the robustness I think improves significantly. And as early as 2013, of course, this will add profitability, along with revenue.

With that I hand back to Thierry.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Nello and Julian. So before I conclude I'd like to put these acquisitions into context of our overall strategy for the Onshore/Offshore segment.

For about four years we have been diversifying our businesses, taking different types of projects in different regions, materializing resources with offshore and onshore, getting involved in our clients' projects earlier and focusing on our technology strengths. So, all of these actions have led to growth and improved profitability for the Onshore/Offshore segment.

As you know, we have invested in areas, such as floating LNG where we have now a technology hedge and a worldwide market position. We have also continued to convert early stage into EPC, such as what we did with Burgas the recent refinery award in Bulgaria.

So today's acquisition adds to that range of skills, technologies, services and products that we offer, it is a further development of the business that, I believe, is world class. We are one of the few companies today that can offer our clients involvement from a very start to the finish of the project, from concept to EPC. We have the capability to do projects from reimbursable to full lump sum, with the right risk profile.

And I'm pleased that we have reinforced this full range of capabilities with this acquisition. So in today's world, actually this broad range of skills and capabilities is pretty unique in our industry.

So to conclude, from our perspective this acquisition will enhance substantially Technip's position as a technology provider to refining and petrochemical industries; diversify further Onshore and Offshore segments adding revenue based on technology supply; strengthen Technip's relationship with clients worldwide, backed by the Stone & Webster reputation; expand in geographical areas, such as the US, where downstream markets will benefit from the growing supply of unconventional gas; and add skill resources, notably in research in the US, but not only in the US, as we will have also strong engineering resources in the UK and India.

With that, this concludes our notes and I'd like to now answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Guillaume Delaby, Societe Generale.

Guillaume Delaby - *Societe Generale - Analyst*

After this acquisition, you clearly focus in your Onshore/Offshore division more on downstream than on upstream, if I understand correctly. What are, I would say, the typical beauties of [even] being a downstream leader versus competing with the other guy on the upstream business?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Well, Guillaume, it's a good question. However, I think it's not correct to say that we focus only on downstream.

Guillaume Delaby - *Societe Generale - Analyst*

No, of course.

Thierry Pilenko - *Technip SA - Chairman & CEO*

This acquisition is, certainly, rich of downstream technologies and petrochemicals, as we said. But if you look at the focus that they have had on floating LNG, this was much more an upstream type of focus.

So in our -- and LNG, in general, also is considered as an upstream activity and what we really want to do, is to have a portfolio that takes us from upstream to the downstream and even the downstream of downstream, because, as Nello will explain, we are also identifying a very large number of opportunities in the fertilizer area.

So what is important to understand today is that besides the use of hydrocarbons and, particularly, gas as an energy source, there is also a lot of these cheap resources that are not directed for gas as a feedstock for petrochemicals or fertilizers. We are seeing more projects on the horizon today, than we have seen for the past 10 years, both in petrochemicals and fertilizers. So it is important in a space like that, that you compete with the right weapons.

We already had a set of technologies, which include ethylene, hydrogen and so forth. But with what we are acquiring with the Stone & Webster process technologies we actually have a much broader portfolio of proprietary technologies and of client alliances that will allow us to be competitive at a very early stage in the process of these projects.

Guillaume Delaby - *Societe Generale - Analyst*

Okay, thank you.

Operator

Tahira Afzal, Keybanc.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

Congratulations on your acquisition to begin with. My first question is when I look at similar technology businesses owned by KBR and CBI that disclose their technology margins, they're pretty high for CBI 20% to 25% operating margin; for KBR 40% to 45%.

So I guess my first question is when you talk about structurally higher margins, could you provide us a little more color as we look to eventually model this business out?

Thierry Pilenko - *Technip SA - Chairman & CEO*

That's a question for Julian.

Julian Waldron - *Technip SA - CFO*

Tahira, thanks for the question. Very well aware of the competition; I think the competition have bigger businesses on a straight direct comparison.

I think if you put our business, or our revenues and the acquired revenues together you start to get critical mass, but I think we have some growing to do. The growth though does tend to drop through to the bottom line and we are very confident that this business can generate good margins and we look at the competition. And we say that's a good thing to aim at and there's nothing structurally which would stop us from being able to do that.

I'd be a little bit, just to add one note of caution which is the intangible amortization; so maybe EBITDA or pre-amortization is a better way for us, over time, to gauge our performance internally, but structurally this is a good margin business.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

Got it, okay, thank you. And second question I have is from my understanding on Stone & Webster's business; this is a very lucrative and vied for business. And my -- the industry did indicate that this is probably a pretty heavily contested acquisition for you. Can you just talk a bit about the opportunities that present and, really, unlocking more value on the EPC side, given that Shaw Group's original indications for, really, divesting this business was because they haven't been able to really unlock that value [now declared] to that EPC contract?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Well, what I'd like to say is that, first of all, we are a technology and an EPC company, and clearly positioned on the entire chain here from small to large projects, from preconception to field, to the large scale EPC projects, and this is in our DNA. And I don't want to compare that necessarily to the Shaw Group, which is doing extremely well in their core business.

But what Stone & Webster is adding to Technip is exactly in our core business and it's exactly in our DNA. So we will be able to leverage their competencies into our business and we will be able to leverage our business and our models into their competencies. Together, we should be able to win more business.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

Last question, Thierry; which portion of the business are you most excited about? You've talked in your last conference calls a lot about North America. Is that the opportunity that you're most excited about as you look at the technology?

Thierry Pilenko - *Technip SA - Chairman & CEO*

No. I think you have to look at it from a -- first and foremost, as a technology acquisition; highly skilled people, with proprietary licenses and so forth, that can be applied worldwide in different markets.

Maybe Nello will give us the magnitude of how many -- for example, in the ethylene business, how many excellent plants have been built by Stone & Webster worldwide, Nello?

Nello Uccelletti - *Technip SA - SVP, Onshore & Renewables*

Thank you, Thierry. Actually, you know that, today, we have 260 operating plants -- ethylene plants in the world, and 120 plants are built based on Stone & Webster technology. Then you can appreciate without considering the new investment, the Greenfield projects, how important is the potential work that is coming from the upgrading and the bottlenecking of these plants, and also the supply of new furnaces.

Then, really, we believe that we can identify geographic areas where these plants are located, and we can say that, roughly, there are more in Asia and in United States. But I believe that really Stone & Webster has, for its own ethylene technology, a global footprint.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Yes, so going back your question about where am I the most excited. It is hard to choose; it's across the board. It's technology worldwide; it is strengthening in the US and giving us an even bigger critical mass and skill resources to have access to these downstream projects, which are coming from the cheap gas in the US.

This is our PMC organization, which gets significantly improved and expanded in the UK -- from the UK, and a strong base in India, in Mumbai in particular, where we already have a strong relationship with a client; so, it's both a question of resources and technology.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

Thank you very much and congratulations again; it's a good business you've bought.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you.

Operator

(Operator Instructions). Ryan Kauppila; Citigroup.

Ryan Kauppila - *Citigroup - Analyst*

As you highlighted, Shaw's been shopping this business for a while. Is it just a matter of fit and ask finally coming together? Or is there something you see in the market that sparked you to finally pull the trigger?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Well, you know you would have to ask Shaw about their process, but what I can tell you is that a carve-out of a piece of the business is always complex, because you have to decide exactly what you want, and you have to agree with the seller. So it's not just a question of price, it's a question of what also fits strategically, and where are the risks and the opportunities in the end carve-out.

So I'm not sure I fully understand your questions, but if the time -- if it's not the time it took for the deal to happen. We also had to have a very full due diligence, which we did, and which included, of course, both the technology as well as the people due diligence, and we were, obviously, very happy with what we found, but it took time.

Ryan Kauppila - *Citigroup - Analyst*

Okay. And I guess part of that question was, with the fall in gas price reaching even further than the last six months, have you seen a pick-up in turn from the US client base in getting infrastructure spend sanctioned?

Thierry Pilenko - *Technip SA - Chairman & CEO*

As I said, this is not just driven by the US opportunity, but maybe, Nello, you can also give us a flavor of what's happening in the US at the moment and the number of opportunities that we've see in ethylene and GTL?

Nello Uccelletti - *Technip SA - SVP, Onshore & Renewables*

[Certainly]. Actually based on these cheap and conventional gas, we see a lot of activities that are under development in United States in the field of LNG, in the field of GTL, petrochemical, and fertilizers. We have already identified a different level of progress, many projects. We are mainly focused on petrochemical, on GTL and on fertilizer.

What we anticipate for 2012 is an activity that is mainly driven by basic design and front-end design projects, because we are still at the early stage of this project. But the execution phase, for sure, at least for some of them, will materialize next year. Then it's really a very exciting market and we believe that through this acquisition we are better placed to stay in this market and to properly compete for all these opportunities.

Ryan Kauppila - *Citigroup - Analyst*

Okay. That's perfect. Thanks.

Operator

Jean-Luc Romain; CM-CIC Securities.

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

The Shaw website mentions a joint venture with Exxon Mobil called Badger Licensing. I would like to know what it is and if it's part of the deal which is announced today?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Nello?

Nello Uccelletti - *Technip SA - SVP, Onshore & Renewables*

Yes, we can confirm that Shaw Energy Chemicals has a joint venture with Exxon Chemical to develop technology in the petrochemical sector. And we can confirm that this will be part of -- is part of the deal.

Thierry Pilenko - *Technip SA - Chairman & CEO*

So, this is the joint venture called Badger, as you referred to, and we have had at the start of the closing of the discussion of the acquisition. We have had confidential contacts with Exxon Mobil and this joint venture will continue.

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

Okay. Thank you.

Operator

Julien Laurent, Natixis.

Julien Laurent - *Natixis - Analyst*

I was wondering, you've mentioned Axens in your slide show as a partner, and I'm wondering if to what extent it is also a competitor in the downstream licenses.

And also, if you could just give some color regarding the size of the market, addressable market, today in terms of billion dollars market. How could you quantify that? And who will be your main competitor in that segment and if you have any indication of market share? Thank you.

Nello Uccelletti - *Technip SA - SVP, Onshore & Renewables*

As far as the presence of Axens, you know that Axens is a technology partner of Shaw ENC for -- basically, for two refinery technologies that have the fluid catalytic [cracking] and the RFCC.

In both cases, again, our intention is to maintain, as part of the deal, the joint venture with Axens. Then it's not a matter of competition, it's a matter of partnership. And you know that the refinery is an open mark-to-market, as far as technology are concerned. But, roughly, we anticipate that for this type of technology, we have only one major competitor.

As far as the market size, what we can say is that, roughly, to give you an idea, we anticipate the market potential of about 20 units in the coming five years for this type of technology; and roughly 30 revamping -- 20 grass root units and 30 revamping units in the coming five years.

Then it's a market that based on the value of licenses that we [receive]. You can easily calculate that. We anticipate a market share that is relatively important, due to the limited the competition that we have seen.

Thierry Pilenko - *Technip SA - Chairman & CEO*

So I think, going back to the market share question, we can look at history and say, in terms of ethylene, for example, Stone & Webster had 120 out of 260, in terms of licenses; I'm not talking about construction here.

Now when it comes to actually the full project management and execution, we will be targeting projects that makes sense, at the right contractual conditions, in the right environment, with the right construction partners. But we are not targeting a percentage of a given market. We will be, as we have always been, very selective with the large projects we get into.

So if, for example, today there are four or five projects in the US, we may be targeting one/one and a half. But maybe more than two or three will use the Technip, Stone & Webster technologies. And the good thing is that we will continue to support both Technip technologies, as well as Stone & Webster technologies, so that our clients are going to continue to have the choice. They can select the technology and then they can be EPC separately, if they desire to do so. But we will be at the very early stage of the decision process.

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Julien Laurent - *Natixis - Analyst*

One other follow-up, if I may, regarding the license share of the revenues today. Is it significant in the total scope of what you are buying today? Is it more than 50%?

Julian Waldron - *Technip SA - CFO*

As you can see on slide 7, I think that's a good slide to go to, when thinking about the revenue split. The direct revenue from licensing is a small portion, the smallest portion of the revenue stream. It's also the most reliable. And, of course, by a long way, there's no risk attached to it.

What's attractive and interesting in this business is that customers want to buy not just the license, but also the engineering skill, the process design skill that goes around it. So it's the fact that the license starts to move you from the left of this page to the right of this page, which creates the attraction for us; the attraction also for the clients, because that's what they get in terms of value-added from licensing through to design.

And that approach is one that we, as I say, already have a little bit inside Technip. It's one that Stone & Webster [owes] a lot to. And that's quite a compelling business model from our perspective, and from our clients' perspective, moving from left to right.

Julien Laurent - *Natixis - Analyst*

I get you, but just to be sure. On the right, it's fair to assume that you will sell between 5 and 10, probably more closer to 10 licenses per year?

Julian Waldron - *Technip SA - CFO*

I'm not sure we're going to give a number, because it depends on the number of projects that start to move into design phase each year, and that's not always easy to assess. I think the one advantage we have is that we can do this on a much more geographically diversified base than possibly Stone &Webster's been able to do over the last couple of years.

Julien Laurent - *Natixis - Analyst*

Okay. Thank you.

Operator

Ladies and gentlemen, we have time for two more questions. Bastien Dublanc, RBC Capital Markets.

Bastien Dublanc - *RBC Capital Markets - Analyst*

A very quick question. You mentioned the weakness in gas prices, but I would like to know how can you monetize the weak price for NGL? And what kind of market segment can be addressed with this new technology you are acquiring with Webster? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

I'm not sure, you mentioned NGL or --?

Bastien Dublanc - *RBC Capital Markets - Analyst*

NGL, yes.

Thierry Pilenko - *Technip SA - Chairman & CEO*

LNG you mean?

Bastien Dublanc - *RBC Capital Markets - Analyst*

No, NGL.

Nello Uccelletti - *Technip SA - SVP, Onshore & Renewables*

NGL, natural gas, it's traditional (inaudible). If I properly go to the question, technology that Technip used this time to utilize in our own product, or in certain cases, to license. But it's, so far, a relatively limited business for Technip today, then it's not material for our activity.

Bastien Dublanc - *RBC Capital Markets - Analyst*

Okay. And a second question on LNG this time. In the last conference call, you mentioned that you see competition from US companies for LNG EPC [quite in terms], just because of very few projects for EPC onshore has been awarded in the past four to five years. If this view has changed, and how can you, let's say, try to monetize the acquisition you've made to still get access to LNG in the US and in Canada? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Well, we should not look at these acquisitions for specific LNG, liquefied gas, LNG technologies, because for LNG, we are generally using and integrating into our projects a technology that is coming from other suppliers such as EPCI for example. So I wouldn't say that Stone & Webster gives us anything specific in the terms of LNG, but further downstream, certainly in petrochemicals and in GTL.

And, in fact, going back to what we said in the conference call, we say, yes, in LNG in the US there will probably be a lot of competition for few projects, but we will be maybe participating to some of them, at least in the [fixed phase]. But I think the real prize for us, for the industry and, I would say, for the American consumer as well as is gas to liquid. And with the Stone & Webster technology, and particularly with the alliance with SASOL, we will be extremely well positioned.

Bastien Dublanc - *RBC Capital Markets - Analyst*

Okay, thank you.

Operator

Bertrand Hodee, Kepler.

Bertrand Hodee - *Kepler Capital Markets - Analyst*

Two questions if I may. The first question is on the historical sales figures that you give on a pro forma basis can you give us a split between licenses, process design and engineering, and proprietary equipment? I understand that you give us the project size order in terms of magnitude, but can you give us the historical split?

And were you also able to track the underlying operating margin of the business you acquire, excluding legacy contract and the two other business engineering centers that were excluded?

Julian Waldron - *Technip SA - CFO*

I can try and do that, Bertrand. Thanks for the questions. On the split of revenue, I'm not going to give -- I apologize for being a little unhelpful on that point. I'm not going to give an exact split between licenses, engineering and equipment.

At the moment, there is very little equipment revenue in what they're doing. So, at the moment, the revenue is a modest portion from licensing and the majority portion by some distance from process, design and engineering. And I think, therefore, you can see where some of the upsides to us, as we combine the talent within Stone & Webster with our own activities, where we can find upsides just in terms of the type of activity.

In terms of the underlying profitability, and I think referring back to the good question of Ryan earlier on, if transactions like this take time, it's because our teams wanted to go in detail into the perimeter that we were looking to acquire; understand the cost base of that perimeter; understand what the pro forma profitability of that perimeter would be and make sure that we understood, therefore, what we were taking on, and make sure that as I've mentioned, in the get go in '13 that this would start to contribute profitably to us.

And we're satisfied that it will. And, just to reiterate, we're also very satisfied that this structurally is a higher margin business than our Onshore/Offshore traditional margin basis. So I think your answer on have we done the work to understand what we're buying, I believe the answer is yes, we have.

Bertrand Hodee - *Kepler Capital Markets - Analyst*

Okay, and just one follow-up, if I may; what kind of purchase accounting can we expect in 2013 in terms of intangible amortization?

Julian Waldron - *Technip SA - CFO*

It's a good question and it's one I'm going to come back to at the end of this year, when we've had a chance to do that in more detail with our auditors.

I think there will be some technology and know-how capitalized. This is a long business with clear barriers to entry. That technology has been around for a long time, so I think it will be quite a long amortization period, but that's something we need to spend a bit of time working towards. So that's a number which I hope as we go into 2013. And guidance for 2013 we'll come back to.

Bertrand Hodee - *Kepler Capital Markets - Analyst*

Okay, thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, well thank you very much for attending this session and have a good day.

Kimberly Stewart - *Technip SA - Head of IR*

Ladies and gentlemen, this concludes the conference call, and we would like to thank you for your participation. As a reminder, a replay of the call will be available on our website in about two hours. You're invited to contact Apollinaire, Chaun or myself in the IR department should you have any additional questions.

And once again, thank you for your participation and 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 Relations section, or by dialing +33 172 001 500, or +44 203 367 9460, or +1 877 642 3018 using the confirmation code 277172#. The replay will be available for two weeks.

Thank you and goodbye. You may now disconnect.