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PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's first-quarter 2016 results conference call. As a reminder, this conference call is being recorded. (Operator Instructions). I'd now like to turn the call over to your host for today's conference call, Mr. Thierry Pilenko, Technip's Chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip - Chairman and CEO*

Good morning, ladies and gentlemen, and thank you for participating in Technip's conference call.

I'm Thierry Pilenko, Chairman and CEO of Technip. With me are Julian Waldron, our Group CFO; Virginie Duperat-Vergne, who is our Deputy Group CFO; as well as Aurelia Baudey-Vignaud and Elodie Robbe-Mouillot of the Investor Relations team.

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

Aurelia Baudey-Vignaud - *Technip - IR Director*

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, an audio replay and a transcript of today's call at technip.com.

I'll now turn you to Thierry, who will go over the first 2016 highlights.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Aurelia. I'll start off today's presentation with a high-level review of the quarter. Then Julian will cover the quarterly operational and financial highlights. And last, I will update you on our market outlook and how we are adapting to resist and shape the future.

So, on slide 3, the first quarter 2016 proved to be a solid start to the year with few surprises. Order intake was at low level, reflecting the trend we've seen over the last 12 months. But what's important is that its quality and diversity remains satisfactory.

Because of our strong backlog we were busy on projects, notably in subsea, where we had a record vessel utilization for the first quarter. We were working hard on projects, notably in West Africa and Asia. And adjusted revenues for subsea were EUR1.4b, with margin slightly improved so that adjusted OIFRA landed at EUR181m.

Although there were no particular milestones on projects in onshore/offshore, the operational performance continued to improve, translating into continued margin improvement and adjusted OIFRA of EUR70m.

Our restructuring plan is on track and we continue to reduce our costs. As such, our first quarter supports our 2016 objectives. These objectives are unchanged.

Now, on slide 4, let's have a look at our balance sheet. During the quarter, we continued to generate cash from operations and earnings. Our net cash position remains at peak level, at around EUR2b, with a backlog holding up at EUR15b. Our EBITDA reached EUR305m, which is an increase of 25% compared to last year.

Now, our BBB+ rating and stable outlook has been reiterated and reconfirmed yesterday by Standard & Poor's, and we completed a very successful EUR450m refinancing in the first quarter. So, in short, we have a very sound financial position and expect this to be a key competitive advantage during the downturn.

Now I'll hand over to Julian to cover the quarter in more detail. Julian?

Julian Waldron - *Technip - CFO*

Thierry, thank you very much. Good morning, everybody.

So if we can move, please, to slide 6. So, as Thierry said, the quarter was a busy one on project execution, and on this slide you've got a snapshot of some of the multiple projects across the regions on which we were working.

So if I start with subsea, offshore campaigns were intense, notably in West Africa, for example on Block 15/06 in Angola, TEN in Ghana, and also in Asia Pacific, for example on the Bangka project in Indonesia. These two regions drove a high utilization rate for both our vessels and our manufacturing plants.

The vessel utilization rate of 82% in the quarter was a record for a Q1. I think there's also in there a reflection of the streamlining and the reduction of the size of our fleet over the last couple of years. And overall, therefore, we were able to offset the traditional effects of the winter season in the North Sea.

In onshore/offshore, in Q1, we only had a limited number of milestones on projects. We had a number of critical milestones, as you'll remember, hit late in the fourth quarter 2015. With that said, the first -- there were some projects that moved forward on a material basis.

So, for example, the first Malaysian and indeed the first Technip tension leg platform that's for the Malikai project; that was successfully loaded up and floated off. The Petronas FLNG Satu had its naming ceremony also during the quarter. And if we look forward to new or future projects, early works continued for the MIDOR refinery in Egypt.

Now, on slide 7 I'd like to cover Yamal, which is well into its 2016 campaign, and a few comments on this. Let's start with progress on the site in Sabetta.

The pilling phase for Train 1 is complete. This is a necessary step to enable module delivery to site. The onsite logistics are also complete in terms of roads, civil and foundations. We've around 7,000 people mobilized just on our scope of the site works, so we're ramping up well.

Turning to the module in Asia, as you'll recall, 8 were delivered and installed in 2015, but 2016 will be a much bigger year. Now, already 7 modules sailed away in January/February on one of the new -- two new polar class vessels, and by the end of this month a total of 21 modules will be on their way to the site.

Module construction continues on a total of 10 sites across Asia, and overall there's around 20,000 people mobilized on this, of which 1,200 are Technip people. So 2016 is an important year for the project, but so far, so good.

On slide 8, I'll turn to the main P&L details. Firstly, on revenue, revenue was up 7% in subsea, thanks to the high activity we've mentioned earlier. It was down 13% in onshore/offshore, as there were no significant milestones, again, as I said earlier. Currency translation had a negative EUR97m impact on revenue this quarter.

Now, by contrast, our OIFRA grew by more than 30% to EUR237m, with a pickup of 261 basis points of margin. EBITDA grew 25%, with similar margin growth at the Group level year on year.

If we turn to segments, in subsea we delivered EUR181m of adjusted OIFRA, compared to EUR165m a year ago. Subsea margins were at 13%, compared to 12.8% a year ago.

In onshore/offshore, we delivered EUR70m this quarter and that compares to EUR24m a year ago, and the operating margin was 5%. The recovery in onshore/offshore reflects a lot of very hard work by the teams on costs and on projects over the last 12 months. That 5% margin in the quarter compares to 3.4% underlying in 2015, but also to 4.7% for the full year 2014. All in all, this segment is showing a good trend.

One-off charges for the quarter were EUR33m. They were restructuring, mainly, and underlying net income therefore rose 35% to EUR145m, reported net income by about the same. And I note that the diluted share count was down in the quarter.

Slide 9, I want to spend a moment, if I may, on cash flow. As Thierry mentioned, net cash remains at a peak level of EUR2b. It improved by EUR49m over the quarter.

Before I go to the quarter, I'd like just to come back on some basic principles on how the industry works. I know this is an area of focus at the moment.

So, as you know, when we win a project, the order intake counts as the contract comes into force, and at that point we receive a cash advance. Then you start working on the project, you recognize costs, and therefore you recognize revenue. And then, at Technip, as we are prudent in recognizing margins more towards the back end of the project life, and I recognize this is not the case across the industry, we will at some point during the project start recognizing margins.

Now, what does this mean looking at our balance sheet? It means that at the start of a project, we have a net construction contract position which is a liability. This liability decreases as we progress the project. When you hit a milestone, there is generally an additional amount of cash attached to the milestone, and that should put the project again in a construction liability position that will then decrease until the next milestone and so on until the end of the project, when residual cash will turn into recognized profit.

Let's see how that's reflected in the quarter, and you've got that on slide 9. First, cash flow from operations was EUR178m this quarter. That's a strong number. It includes the cash out for restructuring, for example, and it does reflect the good profitability across the two segments.

Second, we controlled CapEx, and that was EUR23m in the quarter, substantially down on last year. And third, working capital movements were as they should be and as I described earlier.

At the beginning of the year, we said we would consume working capital and we've done that. Our progress -- projects progressed, so the net construction contract liability fell by EUR305m. But at the same time, as we met milestones both on IAS 11 and IAS 18 contracts, we collected receivables and collected cash on those milestones. That represents a working capital inflow.

Consequently, the overall movement on working capital was EUR95m negative, and that, as you can see, is more than offset by the profitability. Hence the rise in our overall cash position in the quarter.

I'm sorry that was a bit long. You can find further details in the press release. I would encourage you to look into the S&P analysis that was issued yesterday evening. It does give you, I think, a long and comprehensive insight into the balance sheet, and at the same time it does confirm the BBB+ rating with a stable outlook, which is one of the few in our industry.

On slide 10, I'll come back on costs and restructuring. You can see some of the benefits of this already in the profitability.

Before I go into the details of the quarter, let me remind you that in our 2015 full-year results we expanded our plan to deliver EUR1b savings in 2017. These are savings in fixed costs. Procurement savings will come on top. They are against the clear baseline of our 2014 fixed cost base of EUR4.8b, so that we internally and you externally can be clear about tracking our progress.

So during the first quarter, we continued to scale back our presence in some countries and exited others altogether. So we've sold one of our businesses in Germany and we've sold some real estate around the Carlyss estate in the US.

The actions to reduce our fleet continues. We have one vessel less. The Skandi Achiever was returned to DOF. And we continued to see our workforce reduced, and by the end of March we were close to 33,000.

As noted earlier, the cost reduction is helping to sustain our profitability, and to take one example, our SG&A is down 11% at EUR135m in the quarter.

Looking at delivery against the EUR1b target, you'll recall we generated EUR270m of savings in 2015. We target a further EUR430m this year, and I confirm we are on track to achieve that.

That one-off charge, as I mentioned earlier, was EUR33m, and we'll take additional charges over the coming quarters as we move the plan forward.

And I would like to end by stressing that we will not stop looking for ways to reduce our costs across the Group. We continue to take actions in this regard around our structure, and we've done a number of things this quarter that could generate additional savings over time.

I'll finish on slide 11. I'm not going to go into the details here. Our 2016 objectives are unchanged and well underpinned by the solid first-quarter performance.

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

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Julian. I'll now focus on market outlook and Technip's position on slide -- starting with slide 13.

So our view on the market outlook remains unchanged compared to mid-February, and I continue to talk to our clients at a very senior level on the same key points around.

So, first, a low and volatile oil price with uncertainties about the macro and political environment, our clients want to defer investment decisions. So project awards are therefore being postponed and even sometimes cancelled.

Our clients are also acutely focused on restructuring their own organizations, bringing down their internal costs, while completing the large amount of current investments which are already committed. As they themselves stated, all our large clients have most of their current CapEx tied up in projects which were launched way before the downturn.

So the quickest way for them to find additional headroom on cash flow is to finish these projects on time, so that CapEx commitments fall and cash inflows from production grow. In the meantime, they continue to reduce their CapEx budgets, sometimes making investment choices, however, notably in what we believe are strategic developments, and we can talk about that later.

Although some clients and commentators believe that the current low investment level might lead to a sharp oil price increase in due course, we actually do not see clients acting on themselves. Instead, our clients are responsive to innovative solutions that can structurally reduce project costs. I think this is the most important element here, how do we find a way to structurally reduce project costs and making uneconomic projects viable in a long-term low oil price environment.

Last, we are seeing continued interest worldwide in investing [reduction] and upgrading downstream. But upstream, even if we may see some momentum on a few strategic developments, upstream will be less resilient, with frontend work only gaining momentum from late 2016 and into 2017.

So now how is this playing out today in oil services? Obviously, the current market is tough and it is starting to put a visible strain on some parts of our industry, and I fully agree with the comments of Paal Kibsgaard of Schlumberger last week in that respect.

I remain convinced, however, that the nature of this downturn will lead to structural industry changes in the way we highlighted in February. So, oil service companies or group of companies will emerge that are more integrated and able to provide full field development expertise.

Technip already has many of the necessary building blocks, but we intend to secure more of these building blocks. Whilst there will be some asset classes that will be critical to win projects, we will need to identify them carefully and we expect to see some changes in the market, and Technip has demonstrated our intention over the years to be asset flexible.

Technology, including digital technologies, will be critical in both design and operation phases, and our expertise in key areas such as flow insurance and asset integrity will be very, very valuable.

In the end, for our clients, however, project execution will remain key. It will remain necessary to commit on substantial capital for major projects, and our clients will wish to have a partner with the experience and know-how to design and deliver major projects. I expect Technip to be a significant actor in this evolution of the industry and believe that we are in a solid position to prepare for it.

Why, because first we have a strong backlog. The backlog stood at EUR15b at the end of March, with additional visibility through non-backlog elements which held up well into the quarter and [that will fuel] future backlog. This backlog will help sustain our profitability and cash flow in the coming years.

Now, turning to slide 15, we have started to take the orders. Order intake in the first quarter was almost EUR1b, of which EUR447m in subsea and EUR483m in onshore/offshore. Our subsea order intake reflects the aspects of the efforts of Technip to fill the gap in asset utilization and optimize current portfolio.

Consequently, some small projects in Asia Pacific were taken over the quarter, very short-term projects, some of them being fast-tracked, and most projects are almost completed as we speak. On the other side, some long-term elements, such as the four-year renewal of our logistic base contracts in Brazil, contributes to increased visibility in our subsea future activity and reinforces our strategic position in flexible pipes.

Onshore/offshore order intake is a mix of technology contracts and early stage engineering activities that should drive longer-term opportunities. For example, in Korea, Technip was awarded a contract to provide proprietary equipment, which is a world's first in residue conversion at the S-Oil refinery. I think we continue to see technology momentum in the downstream, as we said before.

Overall, although the overall activity level continues to be low, the first-quarter order intake shows the potential for Technip to win short-term, short-cycle projects, position itself for longer-term opportunities and showcase the potential of our technology, equipment and consulting activities, which this quarter accounted for about a third of our order intake.

So with all that, let me come back on Technip's fundamentals. Even though in this environment, I believe it is important to keep in mind what Technip is today, an integrated, broad-based company, increasingly able to provide full field development expertise as well as full downstream capabilities.

10 years ago, Technip was already a leader in its field, execution of large-scale EPC and EPCI projects. However, today, Technip is a leader in many more fields. Our footprint in onshore/offshore EPC is broader, for example, in terms of geographic spread, ahead in terms of innovation and vision, as demonstrated with floating LNG first mover advantage.

In subsea, our traditional expertise in flexible greenfield projects is complemented by a leading rigid pipe business and our strong business -- and our strong presence in export lines from deep to shore. But in addition to that, we have developed a substantial business that complements this more traditional EPC and EPCI base strength in technology, equipment and consulting.

So, to conclude, as I said earlier, our industry is going through a prolonged and harsh downturn and will have to change structure. Our focus is to adapt to resist the worst effects of the downturn and position ourselves to shape the future of our industry. Our clients' insight enables us to secure early stage work to deliver -- to design and deliver economically viable projects in a low-price environment through the application of technology, simplicity and standardization.

So we are actively reducing our costs to protect our profitability and cash flow, and you can see the impact of this already in this quarter. Our strong balance sheet will be an increasing differentiator, as the strains across the industry become more apparent. We are a solid partner for long-term projects and partnerships.

Last, Technip is already a broad-based oil and gas services and equipment company. And we'll be continuing with this strategy, and we can increase our ability to win projects and to enter new markets and retain talent.

With that, I'll turn over for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Bertrand Hodee, Kepler Cheuvreux.

Bertrand Hodee - *Kepler Cheuvreux - Analyst*

Hello, everybody. Thanks for taking my question. Two, if I may. Can you give us an update on the progress on the refineries works in Egypt? You indicated in the press release that you have started early work. Can we expect one or two of those refineries to move into the backlog during the course of the year? That will be my first question.

And my second question is can you give us an update also on the dispute with DONG Energy and what kind of impact it could have on your performance going forward? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Bertrand, thank you for your questions. A quick update on Egypt. We have been positioning ourselves for quite some time on several refinery projects in Egypt, and as we said, we have initiated the early works on the MIDOR refinery. I remind you that the MIDOR refinery is a refinery that we have built ourselves, so we are the natural partner to expand this refinery. So the early works are going on as planned. I can't really talk about a precise or a specific date of the final investment decision, but I would expect that this could happen in 2016.

There are a couple of other projects that we are working on, in particular the Assiut refinery as well. For this one, the work -- the field work is well advanced. And it may take a little bit more time to secure the financing, but this is certainly something that is on our radar screen. Okay?

Bertrand Hodee - *Kepler Cheuvreux - Analyst*

Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

On the DONG project, let's just say we don't comment on projects normally, but I do confirm that the project has been terminated by the client. The project was well advanced in its completion, and as far as our backlog represented only 1% of our backlog. We will have a discussion with the client, and that's all I could say about this.

Bertrand Hodee - *Kepler Cheuvreux - Analyst*

Okay. Thank you.

Operator

Matt Tucker, KeyBank.

Matt Tucker - *KeyBank - Analyst*

Hi. Good morning, gentlemen. Can you hear me okay?

Julian Waldron - *Technip - CFO*

Just about. Good morning.

Matt Tucker - *KeyBank - Analyst*

Thanks for taking my questions. First question, can you please just update us on your overall outlook for LNG portfolio in onshore, given we've seen some movement on various projects over the past few months?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Well, you know we have just finished a pretty large conference, or attending a pretty large conference on LNG in Australia called LNG 18. The conference was actually really well attended, and I would say a couple of things about the conclusions. We have met a very large number of senior customers and senior partners at this conference, and that was actually amazing to see that so many people decided to go all the way to Australia to do that.

So, a couple of comments. The first one, there is -- the market is still slow for clients having ultimate offtakers to buy additional volumes of LNG. However, the markets that we believe are going to be the most positive and buoyant are first India, China, and later possibly Korea, Japan being probably at the end of the queue. So that's the bigger picture.

Now, in terms of project momentum, I think clients want to see the output of the current projects, in particular the finalization of the large projects, the completion of the large projects in Australia, such as Gorgon, Ichthys, Wheatstone, and also the completion of the first projects in North America. So I think for a while we will probably don't see a lot of new greenfield LNG projects onshore. That's the first element.

Now, the second element, which I think is quite important, particularly for Technip, is that there is still a lot of interest in FLNG, and a lot of the players, even those who have never been involved in FLNG, at this conference were talking about it. And the fact that Technip this quarter, with our client Petronas, have christened the PFLNG Satu, the first FLNG that will be in production, so the sail away for the floating unit is planned for this quarter. And plus the progress on Prelude, which is entering into a commissioning phase. I think both these elements are comforting the industry that this is a technology that will be successful.

So we don't expect a very large number of short-term opportunities, but there is definitely interest in the technology.

Matt Tucker - *KeyBank - Analyst*

Very helpful color. Thank you for that. And then shifting gears a little bit, given the various changes and initiatives that you've implemented, that you've maybe seen competitors implement in reaction to this downturn, how do you see Technip's market share evolving in offshore subsea as the market recovers?

Thierry Pilenko - *Technip - Chairman and CEO*

Well, I'm not sure we can talk about market share at this stage, because the number of projects that are being awarded is relatively limited today. So what we have seen over the past three to six months is that some of the much smaller players, I would say the tier three players, particularly in subsea, have started to feel the strain, particularly on their balance sheet, particularly those who were very aggressive in terms of pricing as they were growing their backlog when they were commissioning new assets. Those players I think could well consolidate or have been consolidated in the market.

Now, in terms of market share, I think it's too soon to tell how things will shape up over the next 12 to 24 months. It will highly depend on what projects are going to be awarded. And obviously some of these projects are quite large, so the market share can swing either way, depending on whether you win them or not.

Julian Waldron - *Technip - CFO*

But I think what you see, Matt, if you look at previous cycles and you look at some of the larger projects potentially under bid over the next couple of years, in previous cycles you've seen, as the market turns up, that the clients prefer to go towards the established competitors, the big two or three. And that's in part because the smaller ones drop completely out of the market or there's concerns about their balance sheet over a two- or three-year life of a project.

And you see that today in the bidding rounds for some of the bigger projects. You do have a relatively -- even though you may have a lot of people for prequalification, once you get to the final bidding round, that the -- you're down to two or three players or consortia. So I think you're seeing previous cycles play out again.

Matt Tucker - *KeyBank - Analyst*

Thanks, gentlemen. Very helpful.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you.

Julian Waldron - *Technip - CFO*

Thank you.

Operator

Fiona Maclean, Merrill Lynch.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Thank you. Yes. It's Fiona Maclean from Merrill Lynch. I have a couple of questions, please. Firstly, looking at your cost cutting program, would you be able to give some thoughts on which aspects in particular you're finding a little bit more difficult to be able to execute? And are there any parts of the program that are going better and you could actually see some additional cost coming out versus what your expectations were originally?

And then secondly, with regard to your balance sheet and the potential in the future for M&A, can you give us an update on what your strategic thinking is around your business, what parts of your business you may look to increase exposure or add some new specialties, and how much of the balance sheet you would be willing to utilize to do such a transaction? Thank you.

Julian Waldron - *Technip - CFO*

Fiona, thank you. Nice to talk to you. I'll take the first bit and then hand over to Thierry for the second bit. On cost cutting, I think the first point I'd like to make is that we started in June/July last year with a target of EUR830m. And as we firmed up the initiatives around that program, we found additional things to do, and that's why we were able to extend the cost reduction program back in mid-February to EUR1b. So it does seem to me that as the teams work through the ways to reduce cost, we're finding additional opportunities.

Where are things more difficult? I think in some areas, for example, real estate. Real estate markets can be quite different. There are some parts where we've vacated premises where subletting those or releasing those has been very easy and other places where it is more complicated. So I think that's one area where it's quite -- where it's been quite variable, I would say.

Where we've been agreeably surprised is the benefits that we can find, maybe over time, in moving work around within different parts of the organization. That's important for us, to keep key talent and key skills where we find them and being able to concentrate those key skills and keep loading and work load as high as we can. And I think our ability to do that, save in the back office as we do that, has probably been higher than we expected.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

But you don't see any potential to move up from that EUR1b?

Julian Waldron - *Technip - CFO*

I'm sorry. Yes, I do. I'm not going to put a number on it today. But we've done a number of things even in quarter one in terms of reorganization of our regions, for example, which were neither in the initial EUR830m nor in the EUR1b extension. We're still looking at different aspects of the fleet. So if we need to, we'll find additional ways, and some of the work on that has already started.

I guess there's one other aspect, sorry to be a little bit long, but we haven't talked about procurement. It's not within all of the numbers we've been talking about, but we continue to see a lot of opportunity across different parts of our supply chain to take cost out as we bid on projects. So clearly our supply chain is also deflationary at this point.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Okay. Thank you. I'm sorry, Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you. So, Fiona, I'll take the second question about the strategy. So, first of all, as you've seen, there's been no material change in our strategy. We have for many, many years now always preferred to look at how we broaden our base of services and solutions and how do we bring more technology into our portfolio, either organically or through acquisitions, and I think this hasn't changed.

This hasn't changed because we realized that the companies that have the broadest base not only were successful during the upturn, but are more resilient during the downturn, as proven by many related companies that have a large solution, a large portfolio of solutions. So this is not going to change.

Therefore, we're going to be focused if we see opportunities. We're going to be focused on things that will continue to differentiate Technip and will bring additional capabilities to Technip. So that can go from -- anywhere from onshore technologies, for example, process technologies that we have been expanding over the years since we bought the Stone & Webster process technologies and that we have expanded since.

That could be, for example, a differentiated asset, some of them could be distressed assets in the market, for us to be more performing or have a higher performance in the IRM market, or anything that would get Technip to a level of a broader company, a more integrated company, with larger solutions.

Now, in terms of -- you asked about the balance sheet and how much we are ready to commit and so forth. That highly depends on the profile of the target and the cash flow profile of the target. If we can have a good recurrent high cash flow, of course we are able to mobilize more capital. If it's a cash flow which is maybe more lumpy, then we will be more prudent.

Anything you want to say in addition to that?

Julian Waldron - *Technip - CFO*

No. I think only that, again, I think if you look through what S&P have said overnight, I think you see a lot of the things that Thierry's just mentioned in that note. That for us is something that is a competitive advantage in the current market, either to go out and invest, but in particular in front of customers who are looking for solid long-term partners for complex projects, and we intend to keep it that way.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Great. That's very clear. Thank you.

Julian Waldron - *Technip - CFO*

Thanks, Fiona.

Operator

Mark Wilson, Jefferies.

Mark Wilson - *Jefferies - Analyst*

Hello. Yes. Good morning. A couple of questions. First, on slide 14 you show your subsea and onshore/offshore backlog split, but there's also a non-backlog element listed as EUR1.7b. Is that the Yamal reimbursable that is still to be booked over the coming years? Can I just check on that first, please?

Julian Waldron - *Technip - CFO*

So part of that is Yamal, but it's not only. It is the wide range of reimbursable projects that we have particularly across onshore/offshore. So the amount is one piece, but, for example, project management, consulting work that we have in the Middle East or in Asia and other reimbursable projects, so it's more than one thing.

And what's quite encouraging is that it was -- it's flat on three months ago. So the renewal of that I think we're demonstrating is quite possible.

Mark Wilson - *Jefferies - Analyst*

Okay. Thanks a lot. Okay. And on a broader pitch, you spoke a lot about positioning of Technip, broad-based capabilities and the balance sheet. But some of the peers have been either winning awards thus far this year or speaking specifically to projects they expect to win in coming months. I was wondering if you see the similar near-term opportunities for Technip, or is it definitely longer-term positioning that you'd like to emphasize?

Thierry Pilenko - *Technip - Chairman and CEO*

Well, I think what we are seeing now in the market are really two types of projects, I think, in a very broad sense. We see some very short-term projects. Some of them are being even executed within a quarter. For example, I think our clients are definitely preparing for a long period of limited cash flow or even negative cash flow for some of them. But when they see an opportunity upstream, for example, to do a tie back, provided we can design it in a very cost-effective manner, we see this moving forward. So these are the type of very short-term projects that we see.

Another example, which is something that we've been working on for several years but now is taking momentum, is pipeline replacement programs, where all pipelines that are reaching the end of their lives will be replaced by flexible pipe. So we have had good success this quarter with [Loab] in Asia for a pipeline replacement program. And that gives -- these are pretty standard products, but that can be deployed -- well, fabricated and deployed very rapidly, and I think this is the type of short-term opportunities that we see upstream.

Now, looking at the bigger picture and the integration, I think the work that we are doing with FMC through our Forsys Subsea joint venture and the success that we have had to secure the first feed shows that our clients are looking for broader solutions, more cost effective, more standard. And I think we can, and we are demonstrating time and time again, that we can reduce cost of the subsea offshore developments by providing those more integrated solutions.

So the broad base is helping. The broad base has been also helpful in the past. For example, on Prelude, you know we didn't provide only the floating LNG but also the entire subsea system, and optimizing completely all these phases, from the well head all the way to the production of LNG.

So I think these are the types of integrated projects that we see are going to gain momentum over time, because clients will be looking for more standard solutions. Clients will be looking for more capable companies in the supply chain, and particularly the first level service companies or contractors. And clients themselves are rationalizing their organizations. Therefore, I do expect that they will be giving more to the supply chain, not less. And more responsibility means you need to have a broader footprint to be able to manage the interfaces.

Julian Waldron - *Technip - CFO*

Mark, if can add a couple of things. One, just as a general point, the teams internally here continue to be motivated and incentivized first and foremost on the quality and diversity of the order intake that we go after.

And I think, secondly, Thierry made the comments that we wanted to make around subsea. I think just looking at onshore/offshore and the downstream market, there I think the picture is, as we've said on a couple of occasions recently, more obvious and more robust, and we see opportunities across a wide range of the downstream markets in which we're present.

We're taking good orders as we go through the year, for example, in technology around refining and petrochemicals, and we see some bigger opportunities. We also see some new territories. We talked about Egypt a little earlier on. We could look at India as another market, for example, where either onshore/offshore or indeed subsea we think there are more opportunities than maybe there were six months ago.

What we don't do is provide you with a list as others do, and there's a few reasons for that. One of them is occasionally we target things that others don't see. And some of the early stage work that we've taken this quarter, not all of it's very public, but we do see that as being areas where we can get involved for the longer term in a very sensible way, and that's part of our commercial strategy.

Mark Wilson - *Jefferies - Analyst*

Thank you.

Julian Waldron - *Technip - CFO*

Thank you.

Operator

Mick Pickup, Barclays.

Mick Pickup - *Barclays - Analyst*

Good morning, everybody. A couple of questions, if I may. Julian, you kindly gave us a big update on Yamal. Thank you very much. Firstly, could you just tell me how many modules are due in Yamal? And secondly, obviously that's not on the key milestones; are there any major milestones on Yamal due in the coming quarters?

Julian Waldron - *Technip - CFO*

So, I'm not going to give you an exact number of modules. 21 is good progress for this quarter, but we still have another two big quarters of module delivery in quarter two and quarter three. By the time we get most through quarter -- out of quarter three and into quarter four, we should have done everything that we need to do for the year. So we'll give you an update in quarter two, and by the end of October, I guess, we should have completed most of the shipments that we have for the year.

Mick Pickup - *Barclays - Analyst*

Okay. Then, on the DONG project, you said it was 1% to backlog. Can you just tell me if there's any cash position or working cap position on that project instead of just a backlog number, i.e., are you due anything?

Julian Waldron - *Technip - CFO*

I don't have -- well, it's less than 1% of the backlog, and I don't have any material or any important comment to make on cash. No, there's nothing that I want to call out, Mick.

Mick Pickup - *Barclays - Analyst*

Okay. Thank you. That's very clear. And then the bit I'm a bit confused about, you keep talking all about your balance sheet and the competitive advantage, but if I look at the major players who are going to be in that final three, there's no real balance sheets that are screaming distress to me at the moment. So which type of projects is it going to give you advantage on?

Julian Waldron - *Technip - CFO*

I think generally what we see is that when it comes to the sharp end of awarding a project, our customers are focused on the larger players that they feel can be around or will be around or will be able to deploy and invest over a longer-term project. And it does come back to the point, I think, around market shares that we discussed earlier. None of us are sitting here suggesting that it's going to be a market of one, but I think as you go through a downturn, it's also more difficult for it to remain a market of six or seven or eight or nine.

Thierry Pilenko - *Technip - Chairman and CEO*

There is another differentiating element that's coming more into play since a year and a half, which is the ability to bring financing through the ECA. And the fact that Technip is operating and procuring in many different countries is actually giving us a strong advantage when clients are looking for ECA support, because then we can match the procurement and the engineering in those different countries, which in a period where our clients are looking for external financing, is a key differentiator beyond our balance sheet.

Julian Waldron - *Technip - CFO*

Now whether over time, even for the larger players, the cost, for example, of banking, if you have an A-rated balance sheet and if you have a DD-rated balance sheet, if the cost of banking facilities which are necessary as a day-to-day part of doing business, if the cost of those widens out, then there will be a direct financial advantage linked to a stronger as opposed to a weaker balance sheet.

That might happen in due course. I think it's too early to say. But I think it's more around the solidity of the marginal players in the industry that maybe we see our clients focused on at the moment.

Mick Pickup - *Barclays - Analyst*

Okay. Thank you. And just a final one. Can you just give us an update on Brazil, PLSVs, any conversations that might be ongoing?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. So first the PLSVs, yes, the conversations are ongoing because over time contracts are being renewed. So currently we have two vessels on long-term contract in Brazil, and two, which are the Skandi Vitoria and the Skandi Niteroi, for which I can say that those vessels should be renewed pretty soon. And I'm quite confident that they will get renewed, because those two vessels are Brazilian flagged vessels. Therefore, in the overall fleet they get priority.

This is a strategy that we applied many, many years ago. We decided to be the only company that had Brazilian flagged vessels, specifically in case a situation like that would happen, to make sure that we would have a preference and that we would secure vessels that are capable of laying our pipes in particular, our flexible pipes in particular. So I would say we are in a pretty good position at this stage in Brazil.

Mick Pickup - *Barclays - Analyst*

Okay. Thank you very much and a nice quarter.

Julian Waldron - *Technip - CFO*

Thank you very much. I think we've got time for two more.

Operator

Michael Rae, Redburn.

Michael Rae - *Redburn - Analyst*

Yes. Hi there. Thanks for taking my two brief questions. The first one is just on Browse LNG. Did anything come out of the backlog this quarter just to reflect the apparent cancellation of that contract, and if you could just give an update on the status for that project?

And then the second one, for Julian, is I'm just wondering what the reason is for you running through that working capital movement in so much detail on the call just now. Is the message that you expect to see a working capital outflow over the course of this year? Thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. I'll answer the Browse question and Julian will go back to the working capital question. On Browse, there is no impact on the backlog for a very good reason, because this was a feed and the feed was very, very close to the end. So, absolutely no material impact on the backlog.

Now, this project has been postponed because of the economics of LNG in general. It's not specific to floating LNG, because I do believe, and I was in Australia -- I was in Korea and in Australia during the time around the discussions around the stoppage of the contract and of the project. And we had very specific discussions with all the stakeholders, including the operator, and the idea is to reflect and postpone the project.

But floating LNG seems to be, and that's why I was so confident with what I said before, seems to be still the preferred solution. Just the overall market conditions of LNG were not good enough. But in terms of impact on our backlog, there is no impact.

Julian Waldron - *Technip - CFO*

Michael, on your comment on working cap, I'm not sure how to respond because if you try to take -- if you try to explain then you get asked why you're explaining. So the working capital and the following up of cash on projects, when I joined the Company eight and a half, nine years ago, it was one of the parts of the Technip culture that I felt was strongest. The project directors, people on projects, are fixated on the cash flow curve of their project. So it's a very strong part of the culture here.

And the focus that we have on the working capital and on the cash performance on projects therefore is something which is very much embedded in the way that we work. I've found over the last few months that maybe externally the focus on that is beginning to catch up with the focus internally. But it's still a complicated area for investors to understand, so we try to be helpful and we try to be didactic. And I felt what was useful this time was to try to explain in particular the movement between the construction contract liabilities, the other parts of working capital, and in particular profit.

Now, over the last couple of years I've consistently been a little too cautious in forecasting what happens to cash and working capital, but back in February we said that we ended the year 2015 with a little more cash and working capital than we expected. We had a good performance on cash collection in quarter four. And we expected, therefore, that during the course of 2016 we'd see an outflow of working capital. You saw that in quarter one. So what we said would happen happened.

I think what people have perhaps misunderstood is that although you have an -- you may have an outflow of working capital, over time you should see that cash or some of that cash turn itself into profit. And so, as much as anything, what I wanted to do was to make sure that analysts and investors didn't miss the fact that working capital at one point, if you execute a project well, turns into profit. And that, I think, was the fundamental point I wanted to go through. Other than that, everything else stays as it was three months ago. And I appreciate that's yet another long answer to a short question.

Michael Rae - *Redburn - Analyst*

No, no, that's really helpful.

Julian Waldron - *Technip - CFO*

But it's a -- anyway, I hope that was helpful.

Michael Rae - *Redburn - Analyst*

Yes. No. Very clear. Thank you.

Operator

Alex Brooks, Canaccord.

Alex Brooks - *Canaccord - Analyst*

Yes, and thank you for allowing me to sneak under the bar. Couple of questions. And Thierry, coming back to your -- some of the questions Michael was about what you've chosen to speak about. But you've talked a lot about the potential for integrated groups. We've just seen or we may be seeing the collapse of the Baker Hughes/Halliburton merger, and in the light of that, I'm just interested in the level of customer support that you perceive for integrated groups and how that differs between your different customers.

Thierry Pilenko - *Technip - Chairman and CEO*

I think that's an excellent question, actually. And I don't want to talk specifically about Halliburton or about Schlumberger, but if you look at what has happened over the past 18 months, the big merger that was successful and executed rapidly was a merger that was broadening the footprint of Schlumberger buying Cameron. Okay? And mergers that are more of the same, first of all, there are risks of antitrust issues, which take a long time to resolve. And mergers which are more of the same don't necessarily bring what clients are asking for, which is new solutions which are more cost effective, a better design, and where the cost of interfaces is reduced.

And what is really costing the industry a lot is the fact that as you slice and dice the different types of operations, you have to deal with the interfaces. When you do, for example, a very large project in West Africa, such as the ones that we are doing at the moment, a lot of those interfaces' management has been delegated to us. So we take the risk of the interface. When we did the floating LNG for Shell and the subsea system, the interface between subsea and the floater is actually our responsibility.

So, therefore, we can see that there are two different types of companies and two different types of strategies. And if you look at the history of oilfield services over the past 30 years, there the companies that have been -- are consolidating more of the same and trying to be excellent at what they are doing but in a very narrow space, and those are at some stage becoming non-competitive or becoming challenged by people who are trying to do exactly the same business.

And then you have the companies that are like Technip, that are trying to broaden their portfolio and have the ability from time to time to design things in a unique way, more cost effective, more innovative, and are bringing more solutions to the marketplace. This is the type of strategy we want to continue to adopt and to follow.

And I don't want to make any comments about the other guys who want to do work. But I think it makes much more sense to try to bring to the market and to our clients a much broader base and a much broader portfolio of solutions.

Alex Brooks - *Canaccord - Analyst*

That's very kind. Thank you very much.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you. Well, this was our last question. Thank you very much. Have a good day.

Julian Waldron - *Technip - CFO*

Thank you, everybody.

Aurelia Baudey-Vignaud - *Technip - IR Director*

Ladies and gentlemen, this concludes today's conference call, and we'd 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're invited to contact Technip Investor Relations should you have any questions or require additional information.

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