TECHNIP ENERGIES FIRST QUARTER 2022 FINANCIAL RESULTS - TRANSCRIPT

Technip Energies N.V. Corporate Participants:

- **Arnaud Pieton** Technip Energies N.V. – Chief Executive Officer & Non-Independent Executive Director
- **Bruno Vibert** Technip Energies N.V. - Chief Financial Officer
- **Phillip Lindsay** Technip Energies N.V. – Vice President of Investor Relations

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Operator's Introduction

Operator

Good day, and thank you for standing by. Welcome to the Technip Energies First Quarter 2020 Results Call. (Operator Instructions) Please be advised today's conference is being recorded, and if you require any further assistance, please press star zero.

I'd like to hand the conference over to your first speaker today, that's Phillip Lindsey, Head of Investor Relations. Please go ahead.

Welcome and Disclaimer

Phillip Lindsay

Thank you, Sarah. Hello to everyone, and welcome to Technip Energies First Quarter 2022 Financial Results Presentation. On the call today, our CEO, Arnaud Pieton; and our CFO, Bruno Vibert, will present our business and financial highlights as well as the outlook, and this will be followed by Q&A.

Before we start, I would urge you to take note of the disclaimer and forward-looking statements on Slide 2.

I I'll now pass the call over to Arnaud.

Business Highlights

Arnaud Pieton

Q1 2022 Key highlights

Thank you, Phil. Welcome to our financial results presentation for the first quarter. Before addressing the situation in Russia, I will first cover the highlights.

Revenues of €1.6 billion included around €440 million related to Arctic LNG 2. Operationally, we delivered in line with our plan, with significant year-over-year growth in activity outside of Russia as well as improving margins, and good cash flows.

In the quarter, we reconfigured the organization structure around four business lines focused on Technip Energies' markets and supported by a global delivery structure dedicated to delivering projects and solutions. This will better align our operating model and commercial focus with the rapidly changing energy transition markets. In addition, we have invested and strengthened our energy transition business, notably in the domains of Hydrogen, Floating Offshore Wind and Biochemicals. I will return to this later in my presentation.

Finally, orders of €550 million were broadly in line with our expectations for the quarter, leaving backlog at period end of €15.6 billion. This includes the Arctic LNG2 project, which was not subject to sanctions as of the end of Q1. Excluding this project, the period end backlog stood at €12.2 billion, which represents 2.8x 2021 revenues on an equivalent basis.

Russia sanctions: context for T.EN operations

Turning to Russia, we have done what we said we would do: Taken care of our people and ceased to work on new business opportunities in Russia. We've carried out our activities in compliance with all applicable laws; and we continue to provide a transparent view of our situation. Our priorities are unchanged, and we are working to safeguard the interests all our stakeholders.

Notwithstanding the escalation in sanctions, Arctic LNG 2 - our only active project in Russia – continued to progress in Q1, albeit under increasingly challenging circumstances, notably for logistics. The April 8th European Union sanctions, however, now target goods and technology related to LNG. These will naturally have a more direct impact on the future execution of the project.

In anticipation of the escalation of these sanctions, we have been working with clients, partners and suppliers within the relevant contractual frameworks to take appropriate measures in connection with Arctic LNG 2. We expect that the balance sheet position of the project and the relevant contract protections will be sufficient to fulfil our various contractual obligations in compliance with applicable sanctions.

Key operational highlights

Turning to our execution, I will not go into detail on the slide but confirm that we continue to make strong progress delivering project milestones, closing out projects, and de-risking ongoing work. While the situation in Europe has improved for now with respect to the pandemic, it remains a source of continuing restrictions in many parts of the world in which we operate. Our teams continue to adapt and find solutions and our activity for Q1 is in line with our plan and financial framework. So despite a difficult external environment, we are delivering good progress in both Projects Delivery and TPS activities.

Important front-end positioning in Q1 2022

Now let's take a look at recent awards, where I will focus mostly on front end positioning in Energy Transition markets within TPS.

In floating offshore wind, we made good progress in qualifying our in-house Inocean floater technology in the quarter and were delighted to recently announce that Equinor has chosen Technip Energies and our INO15 technology for a FEED related to their 800MW floating wind farm offshore South Korea. In the market for Renewable Diesel, we were awarded a FEED study for Future Energies Australia's first biorefinery project, which plans to convert sustainably sourced biomass into renewable diesel. Our participation in the Carbon Capture market continues to gather pace.

In the quarter, alongside our partner NPCC, we were awarded a FEED contract for the Kasawari CCS project in Malaysia with PETRONAS; a project which is expected to process around 3.5Mtpa on CO2 – making it one of the world's largest CCS projects.

Separately – our subsidiary Genesis secured the offshore FEED for the Northern Endurance Partnership in support of the East Coast Cluster development in the UK. Turning to Project Delivery where the decarbonization theme continues to influence more traditional industries, we were awarded an EPCC for a melamine plant in Malaysia, an award which follows our execution of the FEED study. The 60,000 ton per annum plant utilizes an alliance partner technology we know well and will recycle the CO2 generated in the melamine production process, serving to minimize the CO2 footprint of this new asset.

I will now hand the call to Bruno

Financial Highlights

Bruno Vibert

Robust Q1 Performance

Thanks, Arnaud, and good afternoon, everyone.

Turning to the highlights of our financial performance for the first quarter: Adjusted revenues grew by 4% year-on-year to €1.6 billion; this included a full quarter from Arctic LNG 2, which as Arnaud stated, was not under sanction throughout the period and contributed €445 million to revenues. Revenues, excluding Arctic LNG 2, increased by 18% year-over-year; and TPS momentum continued with high single digit growth.

Adjusted recurring EBIT was €107 million, equating to a margin of 6.6% – that's a 70-basis point improvement vs first quarter 2021. The impact of Arctic LNG 2 was slightly dilutive for the quarter with margins benefiting from solid execution across the rest of the project's portfolio as well as higher activity levels and improved margins within TPS.

Net profit growth is substantial at nearly 65% year-over-year to €72 million, reflecting the solid EBIT performance, as well as a more favorable comparison as the first quarter 2021 incurred the majority of costs relating to the spin off from TechnipFMC.

As a side note, prior to the end of the first quarter, TechnipFMC's stake in Technip Energies had reduced below 3%, with the overhang now mostly eliminated and the selling pressure on the market largely behind us.

Adjusted order intake was €550 million - without major project awards – and was sharply lower versus the €6.5 billion in the prior year period which of course included the very large Qatar NFE award.

Book-to-bill on a trailing 12-month basis at 0.6 is also impacted by Qatar falling out of the equation.

Net cash at period-end was €3.3 billion.

In summary – a solid start to the year, which puts us on track with our full year financial framework.

Projects Delivery

Turning to our segment reporting and starting with Projects Delivery.

Given the ongoing uncertainty surrounding Arctic LNG 2, we are continuing to provide the transparency to enable the street to analyze the performance both with and without this project. Overall revenues grew modestly at 3%, but this masks very different trends within the portfolio with a significant 23% growth in the portfolio excluding Arctic, as key projects awards from the last 18 months continue to ramp-up. This more than offset a material decline in Arctic LNG 2 where the revenue contribution was €120 million lower year-over-year. The first half for Arctic was expected to represent the peak in activity for the year. At this point it remains difficult to predict what the contribution in the coming quarters could be given the changing sanctions regime.

Adjusted EBIT for the segment was €90 million, equating to a margin of 7%, up almost a full percentage point year-over-year. Margins benefited from a strong contribution from downstream projects in the latter stages of completion, as well as a contribution from Yamal LNG. This was partially offset by earlier stage LNG projects, and included a slightly dilutive impact from Arctic LNG 2. Trailing 12-month book-to-bill was 0.5, reflecting a steady flow of order intake in the periods following the award of Qatar in the first quarter of last year.

Backlog has declined 13% year-over-year to €14.4 billion. As we've stated several times in the past, we continue to exert discipline and commercial selectivity and we are more than comfortable with periods of backlog decline as we look to preserve backlog quality. FID in the current volatile pricing environment have led to some decisions pushed to the right but we have not seen any cancellation of prospects. On the contrary, we do see good opportunities in the coming quarters to selectively add to our projects backlog.

So overall, a solid underlying performance by Projects Delivery.

Technology, Products & Services

Looking now to Technology, Products & Services, where momentum has continued into 2022 with high single digit revenue growth and mid-teens growth in EBIT.

Revenues of approximately €330m – up 8% year-on-year, benefit from: Growing activity levels in engineering and PMC services; and Sustained Process Technology activity including licensing and proprietary equipment, notably for ethylene, and Sustainable Chemistry including PBAT, a biodegradable polymer.

EBIT margins improved by 70 basis points to 9.2% - consistent with the margins achieved in 2021 as a whole – and benefiting from improving activity levels, and mix. Thanks to strong revenue and margins, EBIT in absolute terms increased by 15%. Order momentum remains strong with TPS orders keeping pace with the growth in revenues on a 12-month basis, delivering modest backlog growth year-over-year to €1.2 billion.

We see good potential for continuous backlog additions in the coming quarters in the areas of sustainable chemistry and proprietary products relating to the up-cycle in ethylene market.

Other key metrics and balance sheet

Turning to other key performance items across our financial statements, beginning with the income statement.

Corporate costs of €12.8m million are above run-rate for 2021 but impacted by two main factors. Nearly €5 million of negative FX impact; and some reclassifications between corporate and other lines. Overall, the cost base remains a clear point of management attention and global SG&A are slightly down year-on-year.

R&D investment at €11 million is materially higher year-over-year, and we do anticipate a 30-40% increase in R&D during 2022 on targeted spend relating to our energy transition strategy.

At around 29%, the effective tax rate is in line with the lower half of our financial framework for the year.

Turning to balance sheet, in response to the situation in Ukraine and our exposure to Russia, we conducted a goodwill impairment test in line with accounting practices and based on conservative assumptions - I am pleased to confirm that our goodwill remained intact with more than ample headroom.

Before looking at cash, I would like to acknowledge that on March 11, Technip Energies was downgraded to 'BBB-' investment grade rating by S&P. The revised rating was really linked to S&P's decision to discount Arctic LNG 2 from their model which has triggered a re-qualification of the Company's business risk profile. This does not have any material impact on our operations or costs.

Finally, another strong free cash flow quarter has bolstered our net cash position to €3.3 billion; which remains above the net contract liability of €3.2 billion.

Robust Free Cash Flow strengthens cash position

Before passing back to Arnaud, let's take a closer look at cash flows, where there has been a continuation of many of the trends seen in 2021.

Namely, free cash flow benefited from a working capital inflow of €86 million relating to customer advances for recent awards and key milestone achievement on other large projects as well as project related working capital variations. Free cash flow on an underlying basis or net of working capital was €99 million and consistently strong as we executed across our portfolio. Cash conversion from EBIT on this basis is very high.

As a reminder, we expect to be able to deliver a consistently high free cash conversion from EBIT – net of working capital – in the 70%-plus range.

Capital expenditures remained low at €9m, consistent with our asset light model.

Below free cash flow, the key items include repayment of short-term commercial paper and leases of approximately €70 million; and €25 million related to share repurchase. As previously announced, this is principally to offset dilution from current and future long-term incentive programs, with the timing somewhat opportunistic given the depressed share price during the quarter.

We end the period with more than €3.9 billion of cash and cash equivalents.

I'll now turn the call back to Arnaud for the outlook.

Outlook

Arnaud Pieton

Investing and partnering to drive energy transition

Thanks Bruno, turning now to the outlook.

Our Energy Transition strategy is further supported by our strong balance sheet and cash flows, that allow for a flexible capital allocation. In the quarter, we announced three investments in the markets of hydrogen, offshore floating wind, and biochemicals. These expand and diversify our technology portfolio, while enabling new business model opportunities. taking each of these in turn.

First, hydrogen, where we announced a strategic partnership and investment into Hy2Gen as part of a €200 million capital raise – the largest in the industry to date. Hy2Gen is a developer of Green Hydrogen-based fuels or "e-fuels" for maritime and ground transport, aviation and industrial applications. And it has a large and relevant pipeline of projects related to green hydrogen and hydrogen derivatives such as green ammonia. The business model here for us is twofold: An equity model, with secured access to project development in exciting areas and an operating agreement where we will provide Engineering services pre-FID across the portfolio, and PMC and O&M services support, as well as optionality for EPC.

Secondly, in offshore floating wind, we acquired a 16% stake in X1 Wind – a renewable energy start-up with an innovative and disruptive floater technology that brings major environmental and operational benefits. The concept is based on a Tension Leg Platform mooring, with a weathervaning system and a unique downwind turbine. This allows for a lighter design with significantly reduced steel requirement and a more efficient and restricted mooring system that minimizes the impact on seabed. We will bring our engineering and industrialization capabilities to scale the X1 technology to 15-plus MW turbines, which can really be cost-effective for large-scale offshore wind farms. With this investment, we enlarge our portfolio of floating offshore wind technologies to include TLP alongside the semisub we have through Inocean.

Finally, in the biochemicals space, we have acquired Iowa Corn process technology, which produces MEG for renewable plastics from surplus corn plant-based feedstocks. This acquisition strengthens our circularity portfolio with a differentiated and sustainable feedstock for PET resin production. We will advance the development of the technology, build a pilot plant, and ultimately commercialize and license the technology.

LNG has become critical for energy security

Turning now to LNG - it is experiencing a dramatic shift in market dynamics, which further strengthens a key pillar of our equity story.

Prior to the Ukraine crisis, the shortage of gas in Europe was pushing up prices and stimulating demand and project activity. The war has exacerbated this trend with Europe in urgent need of securing supply. Russia supplies the equivalent of 130Mtpa of natural gas via pipeline to Europe – which may no longer be acceptable; and Pre-war, Russia was forecast to supply meaningful incremental LNG over the coming decade – which may now be compromised. For Europe to cut its dependence on Russian gas, Massive investment will be required

While acceleration of renewable energy and additional piped gas from countries such as Norway can potentially help, the vast majority of Europe's gas demand will – we think - have to come from LNG, which is inherently more flexible than gas in a pipe. Europe is rapidly developing plans for more LNG imports, and we believe North America and the Middle East are currently the best positioned regions to respond. The current situation also means a structurally higher value for LNG in the long term

Beyond the traditional large train export terminals – which naturally will be required - the viability of other solutions including floating LNG and mid-scale LNG has improved materially. Our leadership and experience position us well in FLNG; and we can leverage our proprietary SnapLNG concept – a modularised, low carbon and methane free solution with a compressed time to first drop.

In summary, the war in Ukraine has driven an exceptional change in the market outlook for LNG, and Technip Energies has the means to deliver a variety of low-carbon LNG solutions.

T.EN ESG Roadmap published in Q1 2022

Turning to ESG, in the first quarter we published our ESG Roadmap, and, in our sustainability and annual reports, we set out targets to reduce our scope 1 and 2 emissions by 30% by 2025, and to reach net zero by 2030.

We also made a commitment to report on scope 3 in 2023. We know Scope 3 will be larger than scope 1 & 2 as these consist of indirect emissions from: Our construction activities and procurement; and from our customer's plant operations. So far, we have been able to assess and disclose our scope 3 emissions related to our subcontracted construction activities. But Technip Energies has a complex value chain and many custom-made projects; time is needed to assess our full scope 3. In 2022, we plan to complete the screening and calculation of our scope 3, which will enable us to start reporting and working on reduction plans and targets.

In line with our ESG roadmap, we are committed to strengthening our accountability and will report on our progress annually through our Sustainability Report.

Key takeaways

In closing, with our solid first quarter performance, we are confirming our financial framework for the full year 2022. We continue to shift the focus of the organization towards energy transition related areas – both organically, and through selective investments and the energy independence agenda is taking center stage and will likely drive a wave of major investment across natural gas related infrastructure and renewables.

Technip Energies is ready to play a leading role in this market evolution.

And with that, let's open the line for questions.

Questions and Answer

Sasikanth Chilukuru - Morgan Stanley, Research Division - Research Associate

- *The first questions was related to the LNG opportunities in the U.S. In the last earnings call, it was mentioned that you were engaged with the developers of mid-scale LNG primarily on the basis of delivering a solution that is modular, fully-electrified and with limited construction lump-sum risk. I was just wondering if you could comment on the progress made there, and perhaps some color on the incremental discussions that you've had related to these projects?*
- *The second question was related to the revenue guidance of EUR 5 billion to EUR 5.5 billion for 2022. This is, of course, excluding Arctic LNG 2. The current backlog cover is more than 100% at the bottom end of the guidance and about 93% at the top end of the range, both of which seem quite high. In that context, I was just wondering what do you think are the key risks in achieving this 2022 revenue guidance? Just wondering if these relatively conservative guidance right now, has it got to do anything with the phasing of revenue over the next 3 quarters?*

Arnaud Pieton

Thank you, Sasi, I will start, take the first answer and then hand over to Bruno for your question number two.

LNG opportunities in the U.S. and North America are indeed real, and you are right to point out that modular, fully-electrified and with limited construction lump-sum risk will be the model that will be Technip Energies' model for addressing those opportunities in North America where, as you know, we do not want to take on lump sum risk around construction. And it's just very natural because in a country where there is near full employment. I think it's the right thing to do to find other solutions than to stick build an LNG infrastructure over there.

So our involvement with LNG developers in North America has accelerated during the course of the past 6 to 8 weeks, and we have put forward our solutions under what I would call an EPF model, which is Engineering, Procurement and Fabrication. The solutions we are putting forward is really about a modularized solution, electrified and low-methane. So the key for us is really to discuss with the developers the scheme whereby the modules are fabricated, outside of the U.S. and brought to the U.S. Gulf Coast ready to be connected to one another.

The good thing is that the developers we've been talking to are adopting this model. They are all very supportive. They do realize that in order to bring more LNG capacity to the market, that's probably the good way forward. So yes, I feel pretty good about the pipeline of opportunities, and I hope to be able to announce more FEEDs in the coming weeks or coming months related to LNG in North America. But again, always within the EPF model, Engineering, Procurement and Fabrication.

And the good news for us is that through this high level of modularization, you not only modularize the liquefaction trains but you can go as far as modularizing as well some of the utilities, therefore, really reducing the need for local labor and workers, which we know is a challenge in North America in particular. Bruno?

Bruno Vibert

Yes. Thanks, Arnaud. Sasi, thank you for the question.

So in terms of coverage and backlog for the remaining part of the year. As said before, we have a very good coverage we also have a ramp-up of the activity ex-Russia that's increasing from 2021 to 2022 when we expect some buildup. We also seen and everyone has seen some of the continuous challenges in logistics in China with a new wave of COVID, so there are still some volatility in the market. So that's why, for the time being, we've kept the financial framework as it is.

We know we have the backlog that enable us to deliver on that. As you also know, we are not obsessed with top line because revenues could be shifted from one month or from the end of the year to next year. It doesn't really change anything, for us, it's all about execution. Executing the projects well across the portfolio, even in a more complex environment, just as the one we've been operating on over the last 2 years.

So yes, we have the backlog. We remain relatively prudent, to some extent, keeping a lower range the environment in which we have to operate remain complex.

Guillaume Delaby - Societe Generale Cross Asset Research - Equity Analyst

- *My question is about Russia. So when you say in your 2021 guidance that you are excluding Russia, basically, you are excluding Arctic LNG 2, but you are still including in your guidance Yamal LNG. Just would like first to be 100% sure about that? This is my first question.*
- *And my second question, and I'm sorry, you are not going to like it, is after 2022, in 2023, should we expect, I would say, a Yamal cliff? So I know that investors and analysts have been expecting Yamal cliff for nearly decades. But is there a risk of Yamal cliff in 2023 for your margin?*

Arnaud Pieton

Thanks, Guillaume. So short answer to your first question, Yamal is indeed included in the financial framework that we provided for 2022.

And then as for your second question, it could be a very short answer as well. No, we are not expecting a Yamal cliff in 2023. Why are we able to say so? It's related to the quality of the portfolio with the projects we are currently executing and the prospects that will eventually make it through our backlog, knowing the conditions under which we like to onboard projects. So derisked, and with a minimum level of profitability that is in line with the trajectory that I, together with Bruno and the rest of the team, we want to give to the company.

The trajectory for profitability is the one that we indicated, so we started conveying the message that we had a 100 basis point improvement to our financial performance. I would like to confirm that potential, and that is obviously not accounting for Yamal, which is ending at the end of this year in terms of its contribution to our financial performance.

So really, no, we are not expecting a Yamal cliff. And it's, again, I'm confirming the trajectory on the back of the quality of the portfolio as well as, the pipeline of opportunities that will join the portfolio in the coming months and knowing what is the culture of the company in terms of the minimum requirements for a project or a service to enter into our backlog.

Katherine O'Sullivan - Citigroup Inc., Research Division - Analyst

- *The first is in relation to Russia. Could you provide us with some additional color on how the April 8 sanctions are going to impact your operations there and collection of revenue, if you have any at this point?*
- *And just secondly, on your financial framework, how should we think about it in relation to the S&P rating downgrade? And any steps that you will take to remedy the downgrade?*

Arnaud Pieton

Thanks Kate. I'll take the first one before handing over to Bruno.

So related to Russia, so first of all, today, the project is not suspended nor is it directly under sanction as such or was during Q1. But obviously, the European sanctions now target LNG goods and technology and services more directly. Making the execution of the project would be more complicated, maybe even highly complicated. And that's why we are being particularly prudent and cautious in relation to engaging more spending.

Now it's a question of the clarifications we will get from the EU which, depending on the interpretation of the 5th package, which was the April 8 package, could significantly reduce our involvement beyond Q2. So, we have been working towards an orderly handover of the project to our clients. Things are going to be obviously more complicated likely beyond Q2, but we have to be cautious, we're providing as much transparency as we can at this stage, and there are many privileged conversations we're having with our clients and partners.

While we will always fulfill our obligations, now, the sanctions are such that it's going to be more difficult to make the project progress as we have done in Q1 despite the challenges, and it's going to be even more challenging to deliver beyond Q2. So that's how you should think about Arctic LNG 2. Again, we will continue to operate if and as we can, always in full compliance with the sanctions.

The scope is somewhat complex. There are 2 potential scenarios, and I'll hand over to Bruno after that, because I think it's important that we provide the full transparency on the matter. We have enforceable contractual obligations, but we also have contractual right, and it's important that we fulfill our obligations in order to protect our rights. So, I see here 2 potential scenarios: One is no further sanctions targeting LNG, means we have Package 5 of sanctions; and no further sanctions targeting LNG or targeting the client: Novatek, more directly.

In this case, there could be a way for the client to complete or partially complete the first train. Trains 2 and 3 are, as you know, much less advanced, and for sure, it will be clearly more challenging. It could be that some performance obligations would be allowed to be confirmed, and some won't be allowed post-Q2. So, we are discussing all these in details with the customer to see what can or cannot be done while working towards an orderly handover.

Now, if there are new sanctions that are more pointed maybe and further sanctions, they could very well bring the whole thing to a full stop for us in terms of our involvement. But for now, we are assessing as per the fifth package of the sanctions released on the eighth of April. Bruno?

Bruno Vibert

Yes. Thanks, Arnaud. Kate, thank you for the question.

So on the downgrade from S&P. First, I would like to come to the fact that it has no impact on our operations and on our costs. So very, very marginal consequence of this move from S&P.

Now, how does it evolve? Of course, our capital structure still and remains very strong on the back of 15 months of positive cash flows, the EUR 3.9 billion of cash, and a reduction in debt and leverage over the last 5 quarters.

Going forward, I think 2 main drivers, as Arnaud mentioned, a good pipeline of opportunities as these opportunities will manifest to new order intake to backlog growth, keeping our sales activity principle. Of course, this will be one of the components for the business fit profile of S&P Assessment.

Second item, which is also very important, through the growth of TPS, through the growth of other markets like hydrogen, carbon capture, sustainable chemistry, we will have a diversification to some extent of our activities and we will be less dependent on one geographical area or on 1 or 2 projects only. Of course, this will also contribute to the business risk profile that agencies like S&P could assess. So this will also play out for the future maybe in a second step, but both will contribute to, restore margin. Although at BBB minus investment grade, we're still very comfortable to carry out our operations.

Michael Brennan Pickup - Barclays Bank PLC, Research Division - MD & Senior European Oilfield Services Analyst

- *A couple of questions, if I may. You mentioned a few times about the pipeline, can you just talk about potential timing of the pipeline? A lot of your competitors are speaking to think it's a back end of '22 even into '23 before we start seeing major moves on contracts. So just about the timing.*
- *And secondly, you mentioned in your prepared remarks discipline and quality on projects, potential delays to FID in an inflationary environment. I wonder if you could just give us a bit more color on the competitive market, what's in the market that you're not liking at this point in time and whether you do worry that project FIDs will slip further as pricing and bids come in?*

Arnaud Pieton

Mick. I'll start with your first question.

So in terms of the calendarization of the pipeline, first of all, the pipeline is rich and there's no shortage of opportunities for Technip Energies in LNG and beyond LNG. Actually, 2022 will likely be about something else than LNG in terms of large project awards. On LNG, we will see in 2022 some feed activity kicking off that will convert into FID in 2023. So I think the pipeline is particularly rich in LNG. But the way I see it, it's more for a Q1 / Q2 2023 awards for more LNG capacity than in 2022r. In 2022, we are working on paving the road towards those FIDs that will materialize into Q1 and maybe into Q2 as well 2023.

So on LNG there's a lot of activity that we are organizing ourselves and our clients are organizing so as to reach FID. They control FID, but we foresee more Q1 and Q2 next year.

For the rest of 2022, the pipeline is rich, and we will see the conversion happening likely in Q3 and Q4 in terms of the large awards. There will be awards in Q2 but more in the areas of Technology, Products and Services. There's no shortage of pipeline there in Q2, and for the rest of the year, but Q2 will be mainly again about TPS. And concerning project delivery, we should see conversion into Q3 and Q4.

In the area of gas, there are gas projects in Qatar that are beyond LNG for which we're competing in other areas in Qatar. But also in the areas of ethylene, in the areas of carbon capture as well and renewable diesel. So, the pipeline is very diverse for 2022. Yes, less large LNG, but again, we're organizing for LNG in Q1 and Q2 next year. But in the meantime, there is different themes and very interestingly one related to energy transitions.

As for the second part of your question, let's speak for a minute about inflation, because it's an important topic..

The inflation is affecting more the prospects than the ongoing portfolio of projects. The last months have been quite a testing period in terms of being able to make prices for our customers given the volatility. And for a period, we were not always able to provide a firm price from our vendors to our customers. Our vendors were unable to provide firm price to us. So, it was very much about taking a deep breath, and let the peak pass in terms of the spike in commodity prices, it's now lowered. It's, of course, not back to where it was pre-spike, but we are now back into a position where the vendors can provide us with the price, and we are able to provide our customers with a price.

I think some of our clients have had to take a bit of a deep breath as well to reassess their portfolio. But what is very encouraging from the conversations we're having with them is, first, our ability to now provide them with firm prices. And the confirmation we are receiving from our clients that those projects which are strategic for them don't change. They remain strategic, and therefore, FID would be reached.

So, there was maybe the need for a bit of a pause, but we believe that in the months to come, we will see more projects adding momentum after a slow start of the year. So, from that standpoint, we're quite positive.

Jean-Luc Romain - CIC Market Solutions, Research Division - Financial Analyst

- *I have a question on Russia, please. You mentioned in the first part in the full year publication that you expected turnover for 2022 was EUR 1.4 million. You took EUR 445 million in the first quarter, and my understanding is you could still work on the second quarter quite correctly but not much more given the sanctions, which apply from 17 September, if I understand correctly, the new sanctions regime. Could you update us on what you expect to book until the end of the year, given the sanctions, and what has already been booked?*

Arnaud Pieton

So maybe let me clarify a few things.

In a normal year without war in Ukraine, indeed, the Arctic LNG 2 project would have represented EUR 1.4 billion of revenue for the full year 2022. You rightly said that we've secured and booked EUR 440 million of revenue into Q1.

Now, I'm going to come back to what I said a bit earlier. The latest train of sanctions from the EU are making it, a lot more difficult for us to envisage a normal execution of the project in Q2 and beyond. So, it is unlikely that we will see a full quarter in Q2, and I don't think you should assume the Q2 will look like Q1. I think that would be a prudent assumption.

And then beyond Q2, things would become probably a lot more difficult because, if you may pay attention to what I said earlier, the project is composed of 3 LNG trains: Train 1, Train 2, Train 3.

Train 1 is well advanced. And it could be, and I'm using words of caution because it may be proven wrong tomorrow, but it could be that there is a way for the clients or the client to complete or partially complete Train 1.

The Train 2 and Train 3, for which the modules are still in China, for which there has been a lot less shipments into Russia, some of the performance may not be able to happen in a way it happened for Train 1. It's likely that it's not going to be able to progress the same way. And this is why I also stated that we were very particularly prudent in our spending because we need to think about multiple scenarios. And if it's about handing over to the client, it is important that we don't engage Technip Energies too deep and too far into the project.

So, in short, a full Q1, likely a partial Q2, and then beyond it is hard to assume that we can have anything done in Q3 and Q4.

James Thompson - JPMorgan Chase & Co, Research Division - Analyst

- *I wonder to want to sort of follow up for mix question, if that's all right. I mean, obviously, projects trailing 12 months book-to-bill is now down at around 0.5x. And I appreciate that sort of a second half weighted outlook for new awards and things like that, and you clearly talked about some of the volatility and variances in the market as we see at the moment. So I guess just sort of following on from that, kind of interested to understand a little bit about the timeline to deliver some of the sort of more modular LNG units in the U.S.? You kind of outlined a significant amount of growth there. Be quite good to understand how quickly you can turn those around from sort of bid to delivery.*
- *And within that, are you now starting to take into account any kind of schedule extension perhaps due to the lockdowns we're facing in China at this point in time? So a little bit about sort of delivery on those modules would be great.*
- *And then the second question would just be, can you just remind us what the NCL component for Yamal is in 2022?*

Arnaud Pieton

Yes. Bruno will start with Yamal, and I'll take your question about more LNG modules category.

Bruno Vibert

Hello James.

So on Yamal, as you know, we closed the year 2021 with EUR 166 million of NCL for our proportionate share. As we previously said, we expect to have the completion of Yamal and the warranty period during the course of 2022, so that we would complete our performance obligation by the end of 2022 and nothing beyond that. So you would expect to have over the course of the year for Yamal, some contribution to the P&L. Of course, it's a project that is not purely linear basis, but some contribution throughout the year, and then ending the year with no further NCL by the end of the 2022 year.

Arnaud Pieton

And in terms of the pipeline of opportunities in LNG or modularized LNG in particular. So first of all, some of the solutions that we are providing to our clients, are proprietary to Technip Energies, and I have SnapLNG in mind, in particular.

What I would like to share with you on the matter is that you have to expect that because of the nature of the solution, this is a solution that we have progressed on as a company, Technip Energies, in terms of the feed, the progress in the engineering, the material takeoffs, all the deliverables that we would typically give to a customer. So, we have undertaken as a company to actually advance all that regardless of having a clear picture of FIDs, timing and or location.

We do believe in the viability of the solutions, so much so that we have indeed embarked into progressing that solution and the engineering related to this solution as, an investment for us to support our future customers, in particular, in North America, but also beyond. I do believe and we do believe in the return of the energy investment cycle, and it was important for us to be prepared with a solution around LNG that is more productized, and therefore, more ready for consumption by and for the clients in North America, in particular.

So, the compression in terms of the time to market and first drop will happen through an accelerated feed because most of the engineering or a lot of the engineering would have been undertaken by Technip Energies as part of the development of the solution that we are offering. That's point number one.

Then in terms of the module fabrication, yes, it did. There is, at the moment, a situation in China with COVID, that is, certainly not ideal, and we are monitoring it. We are experiencing it because we have people in China, so we know firsthand what is going on. The modules for the modular LNG could be manufactured in China, but it's not the only area, and we have other solutions there as well in Asia and beyond Asia. And by the time we are ready to place a PO for the modules, we will probably see a bit more clearly what's happening in China, we won't place a PO for modules fabrication before the FID is reached, and we said that FID for more LNG is likely to happen into Q1 and Q2 next year. But yes, we're certainly monitoring the situation.

But the compression on the time to market can happen. Again, we're not going to shave 2 years necessarily, but we will be shaving time on the feed. We will be able to shave time on the PO placement, placing the purchase orders for the long leads because thanks to FEED work that is well progressed, we can place POs and commitments earlier. Also, because we are engaging with our partners, construction partners, but also equipment supplier partners, into the productized solution for modular LNG for North America, but it's totally applicable beyond North America as well. It's very relevant to North America because we want to do without stick building there, but it's absolutely pertinent to other markets.

Phillip Lindsay

That concludes today's call. Please contact the IR team with any follow-up questions. Thank you, and goodbye.