TECHNIP ENERGIES FINANCIAL RESULTS FOR THE FIRST NINE MONTHS OF 2022 – 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 afternoon, this is the conference operator. Welcome, and thank you for joining the Technip Energies Third Quarter 2022 Results Conference Call. (Operator Instructions) At this time, I would like to turn the conference over to Mr. Phillip Lindsay, Head of Investor Relations.

Welcome and Disclaimer

Phillip Lindsay

Thank you, Judith. Hello to everyone, and welcome to Technip Energies financial results for the first nine months of 2022. 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. This will be followed by Q&A.

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

I'll now pass the call over to Arnaud.

Business Highlights

Arnaud Pieton

Thank you, Phil.

Welcome to our financial results presentation for the first nine months of 2022.

Before I discuss the highlights, let me begin with a few words on the very positive market outlook.

The world requires an energy system that balances affordability, availability, and sustainability. As such, there is an urgent need for increased investment and accelerated project development, with particular emphasis on natural gas, LNG, and low-to-zero carbon solutions. And let's not forget the critical need to decarbonize traditional industries, a theme we highlighted on our first half results call, alongside key awards in carbon capture.

For Technip Energies, this market reality is evidenced by two key trends; First, we see strong TPS order intake in Q3 driving a 60% step change in segment backlog year-over-year, with notable awards in renewable fuels and ethylene; this reinforces the revenue growth trajectory of our highest margin segment; and second, there has been material growth in our commercial pipeline for Project Delivery since we presented our full year outlook in March, with substantial early engagement in energy transition prospects, including LNG, as well as decarbonizing traditional markets. Therefore, we expect a significant improvement in order intake trends over the next 12-18 months for our longer cycle segment.

Strong performance year-to-date and growing confidence in the outlook – Key highlights

Turning now to the highlights.

Third quarter revenues and EBIT were robust, further strengthening the year-to-date performance. Revenues for the underlying business, excluding Arctic LNG 2, grew by more than 20% year-over-year. On a full company basis, revenues at €4.9 billion were essentially flat with the declining contribution from Arctic LNG 2 almost fully offset by activity growth on other ongoing projects. We posted strong EBIT margins of 6.9% – which are in line with the medium-term trajectory we set for the company at inception.

At this stage of the year, and in the context of our orderly exit from Arctic LNG 2, it is appropriate that we now return to full company guidance, which Bruno will discuss later.

Finally, nine-month orders of €2.7 billion are 55% weighted to TPS, reflecting the very strong momentum for this segment. In contrast, we see a strong recovery for Project Delivery orders ahead of us.

Arctic LNG 2 – Update

Now I would like to update you on Arctic LNG 2.

Our orderly exit is progressing and we have demobilized all operational personnel from the project.

We have signed an Exit Framework Agreement with our customer, which we are currently implementing, and we anticipate completing this process within the first half of 2023. In light of this, the remaining backlog on the project has been reassessed in the quarter and stood at €890m at the end of Q3.

We reconfirm that we do not expect any negative net financial exposure as a result of our exit from Arctic LNG 2.

Key operational highlights

Turning to the operational highlights.

Our teams continue to demonstrate robust business execution – and I would like to express my gratitude for their performance and dedication in difficult circumstances.

We have continued to make strong progress across the portfolio delivering project milestones, and activity outside of Russia increased as planned over the quarter.

The strength in margins demonstrates the quality of our underlying portfolio, an improving mix – including growth in TPS – and sustained excellence in Project Delivery.

Overall, our performance year-to-date and improved visibility underpins our full year outlook.

Key awards and front-end positioning

Now let's take a look at key recent awards and how we continue to position the company for an increase in order intake across strategic markets.

In ethylene, we booked a large proprietary equipment order on Project 1 for Ineos in Belgium. This award follows our early engagement work including the selection and licensing of our proprietary technology earlier this year. The cracker design utilizes our latest technology enhancements to achieve a CO_2 footprint at least 50% lower than the best existing facilities; and the furnaces are modularized and designed to transition to 100% hydrogen firing in the future, in addition to the plant being carbon capture ready. I will revisit the exciting market potential for ethylene in my outlook section later.

Our broad offering in clean hydrogen markets achieved notable successes this quarter. This includes a first licence sale for our proprietary Blue H2 by T.EN solution to decarbonize a petrochemical plant in South Korea; and in Australia, a green hydrogen project for Yuri, which consists of a 10-megawatt electrolysis plant for Phase 0. This will generate green hydrogen which will be used to produce green ammonia. In addition, recent announcements indicate our involvement in green hydrogen projects of industrial scale in excess of 100 megawatts of capacity each.

Elsewhere, we have secured access to other opportunities through front-end engagement with key studies in a number of markets including LNG and floating offshore wind.

Finally, we continue to invest and strengthen our position in the technologies and the markets of the future. During Q3, our partnership with Swiss sports brand "On", LanzaTech and Borealis announced CleanCloud™ - the first ever shoe that uses carbon emissions as raw material. The process included the application of our Hummingbird™ technology to produce bio-ethylene. We look forward to working with the "On" team to scale up and industrialize this solution.

And in line with our strategy to expand our plastics circularity portfolio, we entered into a cooperation agreement with APChemi for advanced plastic waste-to-olefins technology. Here we will contribute our ethylene expertise and proprietary purification technologies to commercialize a process for the chemical recycling of plastic waste.

In summary, a positive quarter for orders, notably in TPS where our Q3 book-to-bill was 2.8, and several promising seeds planted for the future.

I will now pass over to Bruno to discuss the financial highlights.

Financial Highlights

Bruno Vibert

Robust 9M 2022 performance

Thanks Arnaud, good afternoon, everyone.

Turning to the highlights of our financial performance for the first nine months.

Adjusted revenues were flat year-over-year at €4.9 billion; this included around €1 billion from Arctic LNG 2. Revenues, excluding Arctic LNG 2, increased by 23% year-over-year; and TPS growth year-to-date is 6%.

Adjusted recurring EBIT was €336 million, equating to a margin of 6.9% – a 60 basis point increase versus the first nine months of 2021. This was due to strong project execution and margin expansion in TPS. I will come back to that in more detail on the next slides.

Bottom line is very strong with adjusted net profit 40% higher than the prior year at €223 million, benefiting from the growth in EBIT, lower net financial expenses, and the absence of transaction costs that impacted last year's result.

Adjusted order intake was €2,7 billion with €1.1 billion booked in Q3. Book-to-bill on a trailing 12-month basis has trended up versus mid-year and is expected to improve further in the coming quarters.

Net cash at period-end was €3.3 billion, again up versus H1 position.

In summary – despite a challenging external environment, the collective performance of our teams is continuing to yield strong results.

Returning to full company guidance for 2022

Turning to guidance, with three quarters of the year behind us and improved visibility on our exit from Arctic LNG 2, it is appropriate to return to full company guidance for 2022.

We expect full year revenues in a range of €6.2 – 6.5bn; clearly supported by backlog schedule for the fourth quarter.

We see Adjusted Recurring EBIT margins of between 6.7% and 6.9%. This is broadly in line with the year-to-date performance and is above the 6.5% achieved in 2021.

Our expectations for effective tax rate remain at 28%-to-32%.

And I should point out that this guidance is consistent with the prior financial framework, which, as a reminder, excluded the contribution from Arctic LNG 2.

While it is obviously too early to provide any firm financial guidance for 2023, there are several building blocks to consider when estimating our top-line; We have €4.5 billion in hand for 2023, as per the backlog schedule; Future orders in both segments will also contribute to this topline; and as we implement our exit from Arctic LNG2, there will be some residual revenue contribution.

On margins, as we have previously mentioned, sustained margins will be delivered through effective cost base management, strong project execution and the growth from TPS activities.

All this is supported by the execution and materialization of our strategy.

Project Delivery

Turning to our segment reporting and starting with Project Delivery, where our first nine months performance demonstrates robust business execution.

Revenues were modestly down year-over-year with a significant decline in contribution from Arctic LNG 2, largely offset by 30% growth in the underlying portfolio as major LNG and downstream projects ramp up.

Segment adjusted EBIT was €280 million, equating to a margin of 7.2%, up 80 basis points Y/Y. Margins benefited from a strong contribution from LNG and downstream projects in the latter stages of completion.

Excluding Arctic LNG 2, the margin was in line with the overall performance at 7.3%. This demonstrates the quality of our underlying portfolio, a maturing mix, and strength in execution. It also underpins our confidence in the outlook for the remainder of the year and beyond.

Trailing 12-month book-to-bill was 0.4, reflecting the absence of large awards in the period but it is worth noting that this calculation includes significant revenues from Arctic LNG 2 over this period.

Backlog has declined 24% year-over-year to €11.7 billion, impacted primarily by the majority removal of Arctic LNG 2. Excluding this project, backlog is nearly flat, benefiting somewhat from favorable FX movements.

While Arnaud will provide details in the outlook section shortly, we are confident that book-to-bill trends for Project Delivery will improve significantly in the coming quarters.

Technology, Products & Services

Turning to Technology, Products & Services.

TPS continues to deliver strong financials with revenue growth of 6% year-over-year and EBIT improving by 13%.

The growth was driven by; Higher PMC and engineering services activity, especially in the Middle East; and strong activity in renewable fuels and Process Technology, including licensing and proprietary equipment, notably for ethylene and for PBAT, a biodegradable polymer.

EBIT margins improved by 60 basis points to 9.2%, benefiting from higher activity levels overall, and a favorable mix including Process Technology and advisory services. And this expansion has been achieved despite higher selling and tendering expenses to deliver our ambitions in future growth markets.

TPS backlog which has seen a huge 60% expansion year-over-year. While Arnaud will discuss this in more detail later – we have benefited from sizeable recent wins in renewable fuels and ethylene, as well as a strengthening of smaller awards in the third quarter.

As such, trailing 12-month book-to-bill has improved to 1.4 from 0.9 last quarter with a clear acceleration in this third quarter.

Other key metrics and balance sheet

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

R&D at €34.5 million is materially higher vs last year and consistent with our strategy for targeted investment to enhance our energy transition positioning.

Net financial expense at €7.2 million is down versus the position at H1. As I discussed last quarter, the rising interest rates environment around the world will benefit us thanks to the large cash position on our balance sheet – and we see this in Q3 with higher interest income on our deposits.

Finally, the balance sheet is largely unchanged versus the first half, and remains very strong.

Continued strong cash conversion from EBIT

Let me conclude my part of the presentation by discussing cash flows, where the first nine-months performance shows continued strong free cash flow conversion.

Free cash flow at €122 million, included a €153 million working capital outflow.

Net of working capital, Free cash flow was €275 million and consistently strong as we executed across our portfolio.

Cash conversion from EBIT, ex working capital, remains high and we continue to expect to deliver consistently high free cash conversion – net of working capital – in the 70%-plus range in the medium-to-long term.

Regarding the potential impact from Arctic LNG 2. As we progress further on our orderly exit, we will experience some working capital and cash outflows as we close out purchase orders and subcontracts. But, as previously mentioned, no net negative financial exposure is expected.

Below free cash flow, the key items include; Our maiden dividend of 45 cents a share, which was approved and paid in May for a cash outflow of €79 million; and €54 million related to share buyback.

We end the period with €4.0 billion of cash and cash equivalents.

I will now turn the call back to Arnaud for the outlook.

Outlook

Arnaud Pieton

A step change in TPS backlog and projects pipeline

Thanks Bruno.

Turning now to the outlook, where our TPS portfolio is strengthening, and our energy transition pipeline is expanding.

Let's first focus on TPS, which achieved significant backlog expansion of 60% year-over-year to €1.8 billion. The third quarter was notable for key awards in renewable fuels, with the Rotterdam expansion services award for Neste, and the ethylene proprietary equipment award for Ineos. These two awards add a longer-cycle dimension to the TPS backlog. In addition to this – TPS benefited from a well above average quarterly run-rate of smaller technology and services awards that are shorter-cycle and more book-in-turn in nature.

As I have said previously, TPS is a strategic growth segment for Technip Energies and we continue to enhance our position in the value chain. Beyond ethylene, markets are supportive, notably in decarbonization, clean hydrogen and many other energy transition themes. Our increased R&D spend is focused on enhancing our technology portfolio, and we continue to actively scout the market for suitable technology bolt-ons.

Turning to Project Delivery, where we see a further improvement in macro-outlook and strengthening of the commercial pipeline. The energy sector is now entering a multi-year expansion phase, which is necessary to address energy availability and affordability. This is further supported by governments around the world creating conditions for capital to be deployed in the pursuit of net zero goals, such as the Inflation Reduction Act in the US and the Re-Power EU plan for Europe.

Against this backdrop, our Energy Transition commercial pipeline has expanded by 50% compared to the position at FY 2021 results. Two main factors are driving this; LNG – where prospects are being reactivated at a pace rarely seen previously; and energy transition opportunities, excluding LNG, which are accelerating with a near doubling of the commercial pipeline since the start of the year.

These trends fit very well with our strategy and are supportive of a sustained improvement in orders over the next two years.

In summary, a very positive commercial outlook across the majority of our markets which is enabling us to deliver on our purpose to engineer a sustainable future.

Ethylene – a leading market position

Turning now to ethylene.

The market, which is historically GDP-led, has seen a reduction in major new capital projects over the last 3-4 years, due to new capacity coming online and recent economic uncertainties.

But we are now seeing recovery in near-term market prospects, as well as structural drivers that will support the market through a recession scenario and over the long-term; This includes regulation, such as the EU packaging directive; National and political economic agendas; and refiners strategically expanding into petrochemical production.

In addition, we should not underestimate the drive for decarbonization – both to optimize design for new infrastructure and to future proof existing production capacity.

Our market position is very strong. Reinforced through the Stone & Webster acquisition in 2012 and continuous investment in R&D programs, we have a robust technology position with more than 40 – 50% market share of licensing. This leadership position gives us a seat at the table for a high proportion of prospects and provides us with an early engagement tool to evaluate and select the right models. Sometimes this can be through pure licencing. Alternatively, we can license and supply proprietary equipment such as furnaces – as was the case for the recent Ineos award; or we can license technology, supply our products, and secure the project's EPC – like we did for Borouge 4.

Over the next decade or so, we see the market adding nearly 80Mtpa of ethylene capacity. With several prospects currently being assessed, we remain well positioned for additional awards in the coming quarters.

Finally, we are making substantial improvements to decarbonize the production of ethylene including integrating CCS technology, firing hydrogen as a fuel, electrification, and through circularity using feed from recycled plastics. And we're not done – our sustainability drive continues through further R&D and open collaboration with partners as we develop the ethylene of the future.

Key takeaways

In closing, we have delivered a robust performance for the first 9 months of the year. With this and improved visibility regarding our exit from Arctic LNG 2, we return to full company guidance for 2022.

TPS orders in Q3 drove a step-change in segment backlog, bolstering the growth potential in our highest margin segment, while the commercial pipeline in Project Delivery has expanded through higher Energy Transition and LNG opportunities.

T.EN's business strategy is fully aligned to an improving energy market outlook. Supported by our strong balance sheet and commitment to further invest in technologies, we are well positioned to enable solutions for affordable, available, and sustainable energy.

And we remain resolutely focused on generating value for our shareholders through effective capital allocation and sustained excellence in execution.

With that, let's open the call for questions.

Question and Answer

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

- *The first question is around Arctic LNG 2. You mentioned, the backlog was reassessed in the quarter, obviously, increased by about EUR 40 million despite revenues. Could you provide some further color on the moving parts here and looking forward, how we expect Arctic LNG 2 backlog and revenues to move through the first half of '23 before you exit fully?*

Bruno Vibert

Hello Kate, so in terms of backlog and moving parts for Arctic LNG 2, we've entered discussions with the clients about our exit. And we have reassessed the scope of work, which led to some reduction in Q2. Obviously, as we continue our discussions, we have slightly updated the third quarter. This will be further adjusted as required based on ongoing discussions with the client that will continue.

Just like the close out of any project, we have a team mobilized. We will incur costs as we close out subcontracts, as we close out purchase orders (POs), and as we transfer POs. This cost of completion will also then, in turn, generate revenues out of the backlog. We will continue and make re-estimates - some part of this backlog will translate to revenue, but this will be further adjusted as we get along the process. As we said in this quarter's release, we expect to be fully completed by the first half of 2023.

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

- *Okay. And just a second question, if I may. You've talked about the expanded energy transition opportunity set, but specifically on LNG and the Northfield South expansion in Qatar. Could you provide any color on that bid process and timeline? I believe it's a competitive tender, but you obviously are the incumbent on a competitive landscape.*

Arnaud Pieton

Yes, Kate. Thank you. And indeed, we believe that there is significant investment that is still required for years to come to ensure natural gas and LNG, in particular, as a key part of the LNG energy transition. The NFS expansion of the project in Qatar is one we are competing for. And yet while we are the incumbent, you're right to say that it remains a competitive process.

The calendar and the timing is unchanged in terms of the technical submission, which has taken place. And in terms of the commercial submission, which will take place, in all likelihood, before year-end.

And after that, it's really when Qatar Energy decides on the FID, but the process is progressing and the studies are ongoing, including the preparation of the future infrastructure and its potential improvement in terms of the low carbon solutions, which we are very excited about because we have a major role to play in terms of the solution we can contribute. It's a live process, which is pursuing its course as planned.

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

- *My question relates to LNG as well. Well, we have seen the situation this year with a loss of LNG required. And so far this year, finally, very few new FIDs and LNG. We are expecting NFS for next year and a couple of others but how would you explain it's so slow finally with current prices, which should maybe get the acceleration to be faster than that?*

Arnaud Pieton

As you know about LNG, this is more of a long-cycle business, and it can be sometimes challenging to truly compress FIDs and project durations. Now there is not a lack of interest for new LNG projects. I think the landscape or part of the landscape may be shifting in favor of established LNG players. And this is why you are seeing the likes of Qatar Energy, progressing with NFS. And really, while there is no massive acceleration, I can tell you that there is indeed, higher pace to this prospect, but they are absolutely keeping the right course and they are on track for their FID decisions whenever they will decide. And it's the same for other players in the UAE. We've seen, and you are aware of the fact that we signed the pre-FID agreements with a couple of developers in the U.S. So, we have seen no change of course in terms of our engagement with those players.

What we're observing is a market that is now being driven by a strong interest for solutions that can be providing a faster-to-market opportunities, i.e., the modular design. And you know we are well positioned when it comes to modular designs for LNG or through the productization of the LNG infrastructure through modularization. What we've been observing is an acceleration of the interest for faster-to-market modular design that will particularly advantage those who will select this solution in the coming years. So, there is no anxiety on our end in terms of the pace of new award.

You may recall that, should 2022 have been a normal year without a war in Ukraine, we would have likely booked more orders in LNG for our clients in Russia. Obviously, this has not happened. It takes a little bit of time for the pipeline to replenish really and for the remaining opportunities to convert and materialize, but it's coming. So, no anxiety from our end. And on the contrary, I would say, a lot of optimism on the back of the faster-to-market modular designs that we are promoting.

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

- *May I ask an incremental question? On the other side of the equation there is regas. And we all know that the onshore regas plans may be difficult. Then you would have to do that to use the gas for power plant. Would there be a way to regas to power to accelerate the process for making electricity and maybe not being onshore?*

Arnaud Pieton

You're talking about gas to power offshore solutions?

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

- *Regas to power, for instance, I don't know if there is research on that or whatever.*

Arnaud Pieton

Yes. We have teams who are working on solutions like the ones you're mentioning. And it's an interesting theme, which has been going on for some time between us and our clients in the industry. We don't have, at this stage, a clear line of sight of an opportunity that could convert in the future. It is about differentiation and bringing the price tag at the right level for, probably, the kilowatt hour. So, it's work that is ongoing, and we have teams mobilized working on some of the solutions, but too early to say if and when any of that could convert into a real business opportunity. But indeed, it is a theme that is attracting interest.

Bruno Vibert

If I may, what is at the back of this, maybe further down the train, further business opportunities would be the decarbonization of the gas-to-power plant. You remember, we've been finding essential ways to decarbonize power. We're working on the CANSOLV technology. So, at the back of more projects from gas to power, we have the technology, we have the solutions for decarbonize as such. So more opportunities for us in the decarbonization agenda. And coming up, obviously, on top of the facility to regas.

Michael Pickup – Barclays Bank Plc, Research Division – MD & Senior European Oilfield Services Analyst

- *A couple of questions, if I may. Firstly, for Bruno. Can I just check in the quarter? Obviously, it looks like Arctic had a very strong profitability quarter. Is that just because you know where the end of the project is now and you could hit milestones on that?*

Bruno Vibert

Thanks, Mick. Obviously, Arctic was contributing based on the discussions. And as I said earlier to Kate's question, we will continue to work on our exit, executing the exit framework agreement, and this will generate cost and revenues.

Now as you know, the projects recent performance is not necessarily indicative of what its future contribution could be. Of course, it's the outcome of de-risking milestones, the commercial closeouts and project completion. The Arctic closeout and exit will be just the same as every project.

From our point of view, what's important, Arctic is one project within our portfolio. It's important not to consider just one single project in isolation. Project Delivery always will be driven by a portfolio approach. For instance, this quarter, Yamal was significantly down in Q3 versus the H1 run rate. So, for Q3, Yamal's contribution to the gross margin of Technip Energies was really quite low, quite immaterial. In other words, yes there is a high Arctic contribution, and concerning this recurring question on Yamal and Yamal Cliff, there is a low Yamal contribution.

Q3 is almost to the point where we have entered a post-Yamal world. What you will see unfolding in future quarters is, yes, some contribution from Arctic in revenues and bottom line, depending on some of the closeouts. And of course, the ramp-up of the rest of the projects reported in the segment, which will come into play for next year.

Michael Pickup – Barclays Bank Plc, Research Division – MD & Senior European Oilfield Services Analyst

- *And then can I ask a question about the press release with Shell's Cansolv. Obviously, you've been together for many, many years. What's just prompted the closer collaboration and what exactly is it that you're putting together?*

Arnaud Pieton

Yes. Thanks, Mick. What prompted the communication, I think that Shell has themselves communicated on the matter more recently is the conversion of this collaboration into a real commercial success and a long lead of prospects that we are currently pursuing, and we are promoting and fronting on behalf of Shell. We made the announcement because we have strengthened the relationship. Formalized it in a way that the roots are going deeper in our respective organizations in terms of collaboration and future commercial arrangements of who's getting what, when deploying and promoting the Cansolv solution for carbon capture at scale. It is about officializing what the teams have been putting together and the traction we're experiencing around the world for the solutions that we will be deploying together.

James Winchester – BofA Securities, Research Division – Analyst

- *The first question is regarding the backlog cover. Because last year, if you kind of take the midpoint of guidance, you had about 93% coverage, if you kind of take the same time last year. Is there anything operationally, which would mean, this should be lower for 2023?*
- *And then secondly, my final question, could you provide a bit of color on what projects was the main driver for the accruals on completed contracts? I just noticed this increase from EUR 50 million at year-end '20 to about EUR 250 million at the end of the first half of '22. And have we seen this unwind this quarter?*

Bruno Vibert

James, thanks for your questions. If I take the first one on the backlog and the backlog cover. As I mentioned in my prepared remarks and for the buildup, we are today at EUR 4.5 billion of backlog, which is scheduled for execution next year. For any project it's difficult to draw real conclusions historically because you have moving parts. For instance, yes, we have a larger TPS award, which is slightly shorter cycle. Historically, we have had less TPS cycle. We also have more growth in PMC, where we don't recognize the full benefit of the backlog, and we inbound and make revenues when we have firm service or call-off orders. It's difficult to draw on a conclusion at any point of time. But as you point out, the dynamic remains, the building blocks are the same. So first, you start with the backlog, which is in hand, EUR 4.5 billion. There are, new orders to come in projects, in services, in TPS in Q4, which will contribute to next year. There will be contribution also from new orders in 2023, for future execution already in 2023. Of course, the later we go into 2023, the lesser of the contribution. And on top of that, as I mentioned earlier, we will have some contribution there from the remaining component of Arctic LNG 2 as we perform on the exit framework agreement, which will generate some contribution. So, these are the building blocks, which I have summarized in my prepared remarks, and that will constitute the building blocks for 2023 revenues, which obviously, we will integrate when we release guidance.

For your second part of your question, on completed contracts, that's a technicality. For some projects, which have been completed or continue to be completed, some in the downstream, but also part of Yamal, where we've transferred them from from a technical operation from NCL to other liabilities and as we have costs or not, they are released.

James Winchester – BofA Securities, Research Division – Analyst

- *Okay. So just to confirm, when they are released, would that be a cash impact or P&L?*

Bruno Vibert

Can be cash or P&L, can be both depending on the outcome.

Arnaud Pieton

James, I'm going to stress on something that Bruno mentioned earlier about the way to consider Technip Energies and its portfolio. It is very important to continue to not look at a particular project in isolation from the rest of the portfolio. The performance of the group is that of the result of those projects altogether. And we have, at any point in time, over 100 projects being executed. Some in early phases, some in closeout phase, et cetera. We're not going to make it an official communication to describe what's super late and closing out. It's the portfolio performance that matters. And the same applies to Arctic, which is actually, in a way, entering into some form of a closeout phase. That's what we're signaling through the exit framework agreement. And, at the end of the day, our shareholders will recognize EPS on a full company basis. And any dividend that we will propose will be on the basis of the full company results performance. So not in isolation looking at one or a group of projects away from the rest. And I think it's a very important message that I wanted to convey on this call. And so, thank you for giving me the opportunity with your question.

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

- *I just wanted to talk a little bit about TPS, if that's alright? Obviously, a big pickup in the order book through the third quarter. I guess we thought about this business as a sort of revenues being kind of 1.1x, 1.2x the order book at any one point in time. Should we expect that to continue as this grows pretty quickly? Or should we think about it as a sort of slightly longer cycle business as some of the projects in TPS or some of the workflows, I should say, in TPS get more significant in nature?*

Arnaud Pieton

Thank you for pointing out the strength of the backlog or the strengthening backlog in TPS. The more we enrich the portfolio of Technip Energies through productization, the more indeed, there will be somewhat of a longer cycle. I'm not going to call it a long cycle because I don't want to put TPS at par with project delivery, that would be a mistake. It's going to remain shorter cycle than project delivery, but there will be an element of longer cycle added to the short cycle nature of the TPS business.

As you've observed and we've communicated this quarter, there is a very rich pipeline of opportunities that has materialized in the domain of ethylene in particular. In ethylene, we are coming with not only manhours and capabilities of engineering or technologies and licenses, we're also coming with proprietary equipment, the furnaces to name them. So this is adding the longer cycle component to the short-cycle business in nature.

The investment and where we are spending our money in R&D and in development, in the development of solutions for Technip Energies is indeed into more technology and more license, but also more technologies in order to generate more proprietary products. And this is a trend that you should expect for Technip Energies going forward. And I expect that in 2023, we will communicate on more proprietary products now hitting the market and a different type of offering and new solutions in the domains of clean hydrogen and carbon capture, which itself, when you think about what we are developing with Shell on the CANSOLV technology and the joint promotion and marketing of it. There is an element that is going to turn into a productization of the solution. So, there's a faster time to market for who wants to decarbonize. The more we continue to invest the way we are through technologies in order to generate more proprietary technologies and equipment that we can sell alongside the engineering hours and the licenses, the more you will see indeed some of the longer cycle coloring the TPS backlog. So it will remain a mix. But yes, indeed, probably a bit more products for the future. And thanks to that, I think we can maintain at least for the foreseeable future somewhat of the trajectory for the type of book-to-bill that we will be demonstrating in the future for TPS. It has been experiencing some growth. We've told you all that we wanted to continue investing for this growth, and this will materialize in growing backlog or in a backlog that we believe can be sustained at the type of level that we've reached in the Q.

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

- *Okay. And you've previously spoken about an ambition to take that business to a double-digit type EBIT margin. The types of work you are targeting here, would that get you there? Can you give us a view on when you might be able to get to that sort of level?*

Bruno Vibert

It was too early for me to provide guidance for the full company. Let's consider, even earlier, to provide guidance for the segment split. But as you point out and as Arnaud mentioned, we have the capacity to invest. We are trying to differentiate through technology, more R&D. We have the cash and sometimes it's requiring questions on the cash balance, available cash. What I can say with confidence is that we are now very comfortably net net cash positive in the multi-hundreds. It's been growing, sustained, and will continue to grow. Because as I said earlier, we will have a very good EBIT to free cash flow conversion. So, what this means is beyond the dividend, beyond the deleveraging, if we want this cash now and for the future, it can be put to good use for increased investments. And that means accelerating pace of investment, in R&D, in the investments we will make. And as we said earlier or previously, this investment will target the TPS segment, more solutions, more technology that will be to sustain growth. And as we sustain, yes, at 9.2%, we have a double-digit insight. How we get there and when? I think it's too early to tell.

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

- *Okay. Fair enough, Bruno. And just finally for me. Obviously, last quarter, you talked about winning EUR 1 billion of pure energy transition work in 2022. How far along are you now? And are you still confident of getting to that level by the year-end?*

Arnaud Pieton

Yes, James, we've continued making our way into the EUR 1 billion that we communicated last quarter. And we are, at this time of the year, exceeding the EUR 800 million mark, and we are well above EUR 800 million. And so, I think the EUR 1 billion mark or around EUR 1 billion that was something we communicated last quarter is well on the horizon and we continue to book new projects, new studies. I know we haven't discussed that recently, but the quality and the quantity of early engagements drives the quality and the quantity of projects in the future. And in energy transition, we've seen a very big acceleration, continuous acceleration in 2022 through studies, but also a real sizable award. The momentum has not slowed, and that's why we're talking today, and we are well north of EUR 800 million at this time of the year. So yes, we should land at around EUR 1 billion as we indicated at the end of the first half.

Øystein Vaagen – Fearnley Securities AS, Research Division – Analyst

- *I have two questions. The first one is, if you look at the 2023 backlog, you now have EUR 4.5 billion scheduled. How much of this is coming out of the EUR 1.8 billion TPS backlog?*

- *And second question is, if you go back in time. If you look at the first quarter of 2021, you had around EUR 17.8 billion backlog and you had contract liability of around 17% of that, but now you have a backlog of EUR 13.5 billion and contract liabilities of EUR 3.4 billion, which basically means that contract liabilities has gone from 17% to 25% of the backlog when the backlog has been decreasing. Can you explain some of this development?*

Bruno Vibert

So first, to cover your backlog question. As I was mentioning earlier for TPS, we have significant step-up, 60% backlog increase, and that's including a mix of things, including services, but also ethylene, which are somewhat with product somewhat a bit of a longer cycle. So not splitting today. But yes, part of this one point, this step-up in backlog for TPS will be included in 2023 revenues, not all of them, but some will go beyond 2023. What it means that the trajectory, what we said historically is we wanted to target for TPS, high single-digit, low double-digit growth. I think the materialization of the step-up in order intake and backlog is totally consistent with this trajectory. So, you should have some comfort of this trajectory with that. It won't be done 100% next year because it has, for some part of it, a bit of a longer cycle over that. So, they will contribute. And of course, new projects, new awards will further contribute as I mentioned earlier.

For your question on the percentage and maybe the balance sheet structure, which comes back to cash flows and our structure derived from the projects. If I take a step back and if I walk you through this kind of year trajectory, as anticipated, we had some negative working capital movement in Q3 and within the year. And as we close out Arctic and a normal evolution of projects, you should expect also to see some small negative in Q4. If I take a further step back and if you take '21 and '22 view, obviously, you will still be in a very positive contribution. And as I said, more importantly, then going forward, the EBIT to free cash conversion being high, we should be at the 70%-plus level.

Then for your structure, the balance sheet structure should not change drastically over the future, and we feel it is sustainable. So, 2023 and beyond, it's not obviously working capital guidance that I'm giving now. But the way you could look at it or you should look at it is, yes, projects in the later phase of completion of closeout do generate some slightly negative working capital impact and outflows. And of course, they are offset, partly offset, more than offset by the new streams of projects that are coming in. So as Arnaud was outlining, from an EPS perspective, from a project delivery perspective, we've had an increase in the amount of opportunities, which will generate in an increase in the book-to-bill and in the order intake for projects. So as this comes, this will also replenish the working capital and the net contract liabilities. You should not expect to see a very significant and structural change to our balance sheet, which is the outcome of our discipline on cash flow, positive cash flow from projects, discipline in T&C's, non-linear margin recognition where we keep provisions for risk and we can release them as we de-risk or execute the project. So, these things remain and the balance sheet structure of the company should remain.

Arnaud Pieton

Thank you, Bruno. When I think about the backlog for project delivery, complemented by the backlog situation on TPS, it's giving you a very high percentage of secured revenue for 2023 because of the nature of the respective businesses and it's extremely comforting to be ending soon 2022, knowing that we can rely on this very predictable and high level of known percentage of known projects and revenue stream, both in project delivery, but also in TPS. And as Bruno has mentioned, for TPS, which is shorter cycle, there are orders every week. So, there is a natural short-term replenishment of the backlog at a high pace because of the nature of the short-cycle business.

Phillip Lindsay

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