TECHNIP ENERGIES FIRST HALF 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 afternoon, and thank you for standing by. Welcome to the Technip Energies First half 2022 Results Call. (Operator Instructions) Please be advised today's conference is being recorded, and if you require any further assistance, please press star zero.

At this time, I would like to turn the conference over to Mr. Phillip Lindsay, Head of Investor Relations. Please go ahead, sir.

Welcome and Disclaimer

Phillip Lindsay

Thank you, Sarah. Hello to everyone, and welcome to Technip Energies First half 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'll now pass the call over to Arnaud.

Business Highlights

Arnaud Pieton

Robust H1 2022 - Key highlights

Thank you, Phil.

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

Let’s begin with the highlights. Our company’s resilience is demonstrated by the strength of our financial performance in the first half of the year. Revenues of €3.3 billion included over €800 million related to Arctic LNG 2. The portfolio, net of this project, achieved year-over-year revenue growth of 18%. Furthermore, we are confident that revenues in the second half, excluding Arctic LNG 2, will exceed that of the first. EBIT margins have remained strong – at 7.2%, excluding the Russian project, and we are raising our full year margin outlook to at least 6.8% from at least 6.5% previously, as Bruno will address later on.

Our energy transition portfolio continues to mature, and so far this year, we have secured more than €500 million in energy transition awards, excluding LNG, with momentum particularly strong in the carbon capture market. Based on the strength of our positioning, we expect to reach around €1bn of pure energy transition orders - therefore excluding LNG - by the end of this year.

Finally, orders of €1.6 billion were broadly in line with our expectations for the first half, and we continue to anticipate a stronger next 12 months for new orders, with strong potential for acceleration in 2023. Arctic LNG 2 backlog has been partially removed, which I will address on the next slide Period-end backlog, excluding Arctic LNG 2, was €12.6 billion.

Arctic LNG 2 - Update

Turning to the situation regarding Arctic LNG 2, where we continue to implement an orderly exit. In line with the applicable sanctions, and, as contractually required, we have suspended the vast majority of the work. This has resulted in the removal of approximately €2 billion of Arctic LNG 2 backlog from our total company backlog.

Due to the inherent nature of such projects and contracts, the exit process will likely take several additional months.

We reconfirm that, based on our contractual protections and the balance sheet position of the project, 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' resolute focus on project execution, as well as effective customer and supply chain engagement, continues to yield strong results despite the persistence of external challenges. This is best evidenced in the quarter with Coral FLNG in Mozambique successfully introducing natural gas, a delivery milestone that was in line with the original, pre-pandemic schedule.

Elsewhere, we continue to make strong progress across the portfolio delivering project milestones, and our performance year-to-date is in line with our plan and our financial framework. We continue to anticipate higher activity in the second half compared to the first, as key projects ramp-up.

Energy transition pipeline converting into awards

Now let's take a look at recent awards, where we have benefited from FIDs in carbon capture and renewable fuels and continue to strengthen our front-end positioning in growth markets.

Firstly, in the carbon capture & storage market, we booked two awards in the second quarter: A services award for an expansion project for ExxonMobil's LaBarge facility in the US to capture an incremental 1 million metric tonnes of CO2 per annum; and a large EPC for the Celsio CCS project in Oslo, Norway, which I will elaborate on in my outlook section later.

In Renewable fuels, as part of our long-standing alliance with market leader, Neste, we were awarded a services contract for their Rotterdam expansion project that will double their capacity to 2.7 million tons per year. This order will enter our backlog in the third quarter.

Turning to LNG, we were awarded a pre-FID engineering contract for Texas LNG in the US where we are leading a joint venture to design and deliver a 4 million ton per annum LNG export terminal. Texas LNG will utilize our SnapLNG™ concept. This combines a compact modular design for mid-scale trains with standardized technology, and is designed for low-to-zero carbon production through electrification and emissions control; The SnapLNG solution also benefits from speed to market and greater certainty around costs and schedule – aspects that are of heightened importance to our customers.

Finally, we have secured important studies, including. A study for a Green Ammonia plant with IVERSON eFuels; which is part of the agreement we signed with Hy2Gen in the first quarter; and A feasibility study for the first lithium refining and conversion project in Europe for a plant to produce up to 100,000 tons of Battery Grade lithium per year – this is the equivalent capacity to power 2 million electric vehicles. The contract signed also gives Technip Energies preferential right on the construction of the first phase of the plant, as well as three potential extensions.

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

Financial Highlights

Bruno Vibert

Robust first half performance

Thanks Arnaud, good afternoon, everyone.

Turning to the highlights of our financial performance for the first half:

Adjusted revenues were broadly flat year-over-year at €3.3 billion; this included around €800 million from Arctic LNG 2, on which - as Arnaud stated - we are working towards an orderly exit. Revenues, excluding Arctic LNG 2, increased by 18% year-over-year; and TPS grew at a mid-single digit rate.

Adjusted recurring EBIT was €204 million, equating to a margin of 6.3% – flat versus the first half of 2021. The dilutive impact of Arctic LNG 2 was offset by strong execution on projects in completions phases, as well as high activity and margin expansion in TPS. I will come back to that in more details on the next slides.

Bottom line is strong - with Adjusted net profit over 30% higher than the prior year at €134 million, benefiting notably from the absence of transaction costs relating to the spin-off from TechnipFMC that impacted last year's result.

Adjusted order intake was €1.6 billion, significantly down year-over-year but broadly as expected, and book-to-bill on a trailing 12-month basis at 0.5.

Net cash at period-end was €3.2 billion, modestly below Q1 position.

In summary – a solid first half in a very challenging environment.

Updated 2022 financial framework

Turning to our financial framework for 2022, which, as a reminder, excludes any contribution from Arctic LNG 2 to give you the two different building blocks contributing to Group financials.

The strength of the portfolio performance year-to-date provides a solid foundation, and, with our good visibility, we are upwardly revising our margin outlook. We now expect Adjusted Recurring EBIT margins to be at least 6.8%, up from at least 6.5% previously.

All other guidance items remain unchanged, including revenues, where, as indicated by our backlog scheduling, we expect a sequential ramp-up in activity in the second half compared to the first.

While it is too early to provide any guidance for 2023, I would point out that for revenues, around 75% of the mid-point of the €5-to-5.5bn range for this year is already secured for execution in 2023.

So, it would be difficult for any credible scenario to foresee 2023 revenues being below the projected range for 2022. Turning to our segment reporting and starting with Projects Delivery.

Projects Delivery

Turning to our segment reporting and starting with Projects Delivery. We continue to provide the transparency to enable the street to analyze the performance both with and without the Arctic LNG 2 project.

Overall revenues were flat year-over-year with a significant decline in contribution from Arctic LNG 2, completely offset by 24% year-over-year growth in the underlying portfolio. This is driven by strong execution and a continuing ramp-up of key LNG and downstream awards booked in the last 18-to-24 months. With the vast majority of the work relating to Arctic under suspension and removed from our backlog, revenue contribution from this project in the second half will clearly be substantially lower than the first half.

Adjusted EBIT for the segment was €167 million, equating to a margin of 6.4%. Similar to the revenue trend, a flat picture year-over-year. Margins benefited from a strong contribution from LNG and downstream projects in the latter stages of completion, such as Coral FLNG offshore Mozambique. Excluding Arctic LNG 2, the margin was strong at 7.8% which reflects the strength of our execution and the quality of the backlog.

This underpins our confidence in the outlook for the remainder of the year and beyond.

Trailing 12-month book-to-bill was 0.4, reflecting a steady flow of order intake in the periods following the award of Qatar in the first quarter of last year. It is worth noting that this calculation includes significant revenues from Arctic LNG 2 over this period.

Backlog has declined 25% year-over-year to €12.2 billion, again impacted by about €2 billion of Arctic LNG 2 backlog that has been removed; excluding this project, backlog is down about 7% year-over-year. Orders were broadly in line with our expectations in the first half although clearly the volatile environment did push some project FIDs to the right. Today, conversations with customers are concrete, and the pipeline of projects for awards in the coming 12 months is very strong.

Regardless, we will not chase the market for topline and mere quantity. We will remain committed to preserving the quality and integrity of our backlog and will continue to exert discipline and selectivity.

So overall, an improving underlying performance by Projects Delivery with a very rich pipeline of opportunities ahead.

Technology, Products & Services

Turning to Technology, Products & Services. TPS delivered a solid first half performance with revenue growth of 4% and EBIT improving by 10%. The growth was driven by: Process Technology activity including licensing and, proprietary equipment - notably for ethylene, and biochemicals including our EPICEROL technology.

EBIT margins improved by 50 basis points to 9.3%, benefiting from higher activity levels overall, and a favorable mix including Process Technology and advisory services. And this expansion was achieved despite higher selling and tendering activity to deliver our ambitions in future growth markets.

TPS backlog is slightly down year-over-year, but we anticipate strong order intake in the coming quarters, notably in renewable fuels and ethylene markets. Supporting this, the recently announced Neste Rotterdam renewable fuel expansion award will be integrated in our Q3 order intake, and we anticipate ethylene awards in the coming months. This will drive a step-change in segment backlog, bolstering the medium-term growth outlook for our highest margin segment.

Other key metrics and balance sheet

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

Corporate costs of €23m million reflect more of a normalized run rate compared to the first half of last year where the company was created in the middle of the first quarter. And we have also strengthened the organization to better address new markets and growth opportunities from a business and strategic perspective. We are anticipating a normalized run rate of €40-to-50 million for the year.

R&D investment at €22 million are materially higher vs last year, consistent with our plans to increase R&D spending aligned with our energy transition strategy. For the full year, R&D spending is likely to increase by 30 – 40% vs 2021.

At 30.7%, the effective tax rate is in line with our financial framework for the year.

Turning to balance sheet, With gross debt largely unchanged on prior quarters, strong free cash flow has enabled our gross cash balance to grow to €3.9 billion despite a small working capital outflow year-to-date. Interest rates and cost of debt has been a key discussion theme in recent months. I would like to point out that that our financial debt is not impacted by rising interest rates, and, even more importantly, the 2028 maturity gives us a great visibility. Moreover, a rising rates environment does create potential to generate positive interest income on our deposits for the periods to come. Net contract liability is down approximately €200 million versus the year-end position, reflecting evolution of backlog and project execution.

Continued strong cash conversion from EBIT

So let's now review cash flow performance, where the first half shows continued strong free cash flow conversion from operational profit.

Free cash flow for the period was €110 million, including a 51 million working capital outflow.

Net of working capital, Free cash flow was €161 million and consistently strong as we executed across our portfolio.

Cash conversion from EBIT, ex working capital, remains high at close to 80% in the first half of the year. We continue to expect to be able to deliver a consistently high free cash conversion – net of working capital – in the 70%-plus range in the medium-to-long term.

As we continue to exit Arctic LNG 2 over the coming months, we will experience some cash outflows as we close out purchase orders and subcontracts, but obviously, we expect that working capital will also reduce in tandem. And I reiterate what Arnaud stated earlier - we do not expect any negative net financial exposure.

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 cost of €79 million; and €41 million related to share buyback including share repurchase from TechnipFMC.

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

A diversified shareholder structure

Before turning back to Arnaud, let me update you on the progression of our shareholder structure.

You may recall, at the time of the spin transaction, TechnipFMC held 49.9% of our equity, and as of April 2022, TechnipFMC had fully closed out its remaining position.

With this overhang eliminated, we have established a more stable shareholder structure which is well balanced and long-only oriented, with: Just over 20% of the shares outstanding with strategic long-term holders; and over 50% with long only institutions.

It is also well dispersed across key geographies in France and Continental Europe, UK and North America.

And we thank all our existing and new entrants into the stock for their trust and backing of our company and our strategy.

I will now pass back to Arnaud for the outlook.

Outlook

Arnaud Pieton

Energy transition portfolio maturing and converting

Thanks Bruno, turning now to the outlook, where our Energy Transition portfolio is maturing and benefiting from increased conversion.

As we discussed in our full year results outlook, we are leveraging our core expertise to position Technip Energies to capture future growth opportunities in the energy transition, which now forms a significant proportion of our total commercial pipeline. The inflection in FIDs that we anticipated at that time is now materializing, with notable awards in the first half that collectively generate more than €500 million of order intake.

With the energy agenda creating further incentive for our customers to invest, we believe our portfolio will increasingly be populated with work in the areas of carbon capture, renewable fuels, clean hydrogen, and other new energy markets. As such, we are confident that we will achieve around €1 billion of energy transition orders, excluding LNG, by year-end 2022.

Furthermore, the role that we are playing in the Energy Transition is different to our EPC past, as we look to generate and retain more value from what we bring to future energy developments.

As such, while Project Delivery will benefit from this trend, many future awards in these domains will serve to increase our backlog in Technology, Products & Services; bolstering the medium-term growth outlook for our highest margin segment.

CO_2 management – positioning for rapid growth

Turning to the rapidly growing market for CO2 management where Technip Energies is developing a leading market position.

The market is extremely active today and we see a total installed capacity of 550 million tons per annum by 2030, which is equivalent to around €80 billion of capital investment. The post-combustion market represents approximately half of the total carbon capture market, with the majority of activity centered on the power generation market with significant prospects within CCS hubs and clusters. Geographically speaking, the market today is concentrated in the UK and Norway, Northwest Europe and North America, but we are seeing signals of activity in several other regions as CCS globalizes.

Technip Energies is a natural fit across the full value chain, and we have developed a leading offering which leverages: Multi-technology solutions; Innovative CO2 management approaches such as sequestration via Offshore C-Hub; and Investments in dedicated R&D and pilot plants for deployment in targeted infrastructures and municipalities.

Our leadership is perhaps best demonstrated by the sheer breadth and depth of our current portfolio of projects in backlog which aim to capture more than 15 million tons of CO2 per year. This includes projects in pre and post combustion, transportation as well as capture facilities that are integrated into LNG developments to decarbonize the production of LNG.

It also includes our largest standalone carbon capture project to date. You may recall that in Q3 last year, we referenced a modularized pilot plant at a waste-to-energy facility in Norway utilizing Shell Cansolv technology. Following the success of the pilot phase, the Celsio project in Oslo has matured to FID and we are delighted to confirm this award for the CCS facilities: This award follows early engagement through concept, pre-FEED and a pilot; The project will be the world's largest full-scale waste-to-energy plant with CO2 capture, and will reduce the city of Oslo's emissions by 17% by capturing 400,000 tons per year of CO2, and The CO2 captured will be liquefied and exported to the Northern Lights project, where we will also be delivering the world's first liquefied CO2 loading arms.

In summary, a fast-moving and maturing market with projects of size materializing, and a market where Technip Energies is leading from the front.

Partnering to drive advance energy transition solutions and real opportunities

Turning to ESG, where this quarter I would like to focus on the fourth pillar of our roadmap – Collaborate to impact.

Technip Energies continues to be recognized as a trusted partner for technology development, scale-up and integration and we collaborate with industrial partners and our customers to deliver decarbonization and help achieve their net zero goals.

In the second quarter, we established several strategic partnerships to develop technology for carbon capture, plastics circularity and advanced biofuels, and, to drive Energy Transition in strategic regions for the company. For example, in carbon capture, we continue to strengthen our strategic alliance with Shell and their CANSOLV CO2 capture technology, with a co-located joint delivery team that has moved into Shell's Energy Transition Campus in Amsterdam. Delivering affordable carbon capture solutions is critical to unlock the CCUS market. Through continuous technology and delivery improvement, this partnership is already delivering tangible and proven results with substantial cost reduction including up to 20% savings in capital investment, and 30% in opex. Technip Energies plans to replicate this success with other capture technologies.

Beyond Shell, we have also strengthened our partnership with Abu Dhabi based NPCC through the formation of a joint venture we have named NT Energies. We know NPCC extremely well through three decades of collaboration, including work on several mega projects. NT Energies brings together complimentary skills, and we are already actively positioning for concrete opportunities in the UAE and the broader MENA region, including carbon capture, as well as clean hydrogen and ammonia.

Key takeaways

In closing, with our strong first half performance, we are confirming our financial framework for revenue and raising margin expectations.

Our Energy Transition pipeline is maturing and seeing increased conversion that will benefit both our reporting segments – TPS and Project Delivery – and we expect to reach around €1 billion of Energy Transition orders, ex LNG, by the year-end.

Fundamentals remain robust, notably for natural gas, LNG, and renewables, which clearly supports our strategic offering and medium-term commercial outlook.

The transition to a low carbon energy system is requiring innovation, technology, and technical expertise, opening a new golden age for engineering, and Technip Energies will continue to play a leading role.

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

Questions and Answer

Bertrand Hodee - Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research

- *Hello, thank you for taking my questions. I got 3 quick questions, if I may. The first one is, you've removed EUR 2 billion of Arctic 2 LNG backlog, but there are still EUR 800 million inside your backlog as of end of H1. How should we think about this remaining backlog and associated revenues and margin going forward on Arctic 2?*
- *The second question is, as expected, H1 order intake was soft at around EUR 1.6 billion. Can you give us a flavor on the order intake momentum in H2 you expect? And also, I was also curious on Bruno's bold remark on a possible step change in order intake for TPS division.*
- *And last one, your margin, excluding Arctic 2, is now running at 7.2%. There is still Yamal contributing. How confident are you that those kind of margin can be sustained in 2023 without the contribution of Yamal? I know it's always the same question, but it's always good that you can reiterate your view beyond 2022 and ex Yamal contribution.*

Arnaud Pieton

Thank you, Bertrand. I will start with the first 2 questions and initiate the answer to the third question and then pass on to Bruno, who's always delighted to talk about Yamal. First part of your question was about the EUR 2 billion of backlog that we removed and the EUR 800 million or so that are remaining in our backlog for Arctic LNG 2.

The vast majority of the work has been suspended on the project in Russia, and we have removed EUR 2 billion from the backlog. Those EUR 2 billion represents the scope specifically under sanction and the scope for which we have reached an agreement with the customer as part of what we are calling our orderly exit. It is very important for everyone on the call to understand that this ongoing exit process is taking a bit of time, and it's very natural, considering the nature of the project, and that we continue to work with the client on this very exit plan.

The remaining Arctic LNG 2 scope that is in the backlog really consists of closeout and exit activities. So, it's not necessarily physical work happening on site. And this remaining backlog will be further adjusted as we progress with the closeout and as we progress through the agreement with the client. As you can tell, we've already made a lot of progress, because it's EUR 2 billion out of the EUR 2.8 billion are now out. There is EUR 800 million that are still under discussion on reaching the closeout. It's part of the orderly exit, nothing extraordinary. I think it's a gymnastic we have to go through when we exit this type of projects. That's how we'd characterize the situation on the backlog for Arctic LNG 2.

On order intake for the first half, EUR 1.6 billion, indeed. We're happy to signal a stronger momentum for order intake in the second half. This momentum will be in several areas. It will be in the areas of clean fuels, in the areas of ethylene in the areas of gas and also some hydrogen opportunities or actually clean hydrogen opportunities. And what is important is that as we are navigating, the transition from a world pre-war where we had strong prospects in the Russia region to a world with a war where we're having to refocus on other areas of the world. This naturally takes a bit of time. It's a transition, but we are very optimistic about the pipeline of opportunities.

And frankly speaking, I can say with a high level of confidence that the building blocks are all in place for a book-to-bill above 1 for the coming 12 months. Why am I confident? I'm confident because of, what we know is coming in terms of clean fuels, ethylene and so forth, but also because of what is coming around gas and LNG, where there's clearly extra capacity that is needed around LNG. There's probably 100 to 150 Mtpa supply gap by 2030. If you want the projects to be operational by 2030, that implies a large amount of increased capacity. We'll have to reach FID within the coming 12 to 24 months. So, knowing our position around LNG in particular and gas projects in general, and the prospects we're having and the engagements we're having and the early engagement of the fees we are running, this is allowing me to say that we are feeling very confident about the building blocks and the fundamentals for the coming 12 months for a book-to-bill above 1.

On the third question about margin in TPS, I'll hand over to Bruno. But yes, certainly, we feel extremely confident about the TPS performance in H2.

Bruno Vibert

Yes. Thank you, Arnaud. Hello Bertrand, thanks for your question.

So yes, we do see, as Arnaud said, nice building blocks for additions, significant additions to our TPS backlog, which will generate more revenues to this high performing segment in terms of margin.

In terms of global outlook for margin, and obviously, it's a bit too early to provide any guidance for 2023. But I would point out the two following items. As we have always said, 2022 still has some contribution from Yamal, a declining contribution, but more importantly, the step-up and the performance in H1 and the upward revision that we've just done is not due to Yamal. It's really due to the rest of the portfolio, which is ramping up as expected and actually quite nicely, such as the contribution of Coral FLNG.

So clearly, we are on track to be on the medium-term outlook and the long-term margin projections we are seeing. We have more contribution from TPS. We have a good contribution from the rest of the project delivery portfolio, which are ramping up. And this puts us into a good perspective in 2023 where we won't have any Yamal contribution, but we're on track.

Of course, we all know and have read reports where we could contemplate around 3% or 4% in EBIT. Well, if you ask me, this is a ludicrous scenario. We are not contemplating this. We are on track from a TPS perspective, from the project delivery perspective, which are progressing. So, we remain focused on delivering this long-term margin outlook.

Arnaud Pieton

Thank you, Bruno. I think it is very important for us, for Bruno and I, to insist on the fact that we communicated to everyone at the creation of the company, a margin trajectory for Technip Energies. And we have stayed true to our principles around selectivity, around a high-quality backlog. And the performance of the company today is no longer relying on a single project overperforming.

The performance of the company today is a result of its portfolio, which is broad. And the trajectory that we set for the company, what we said was true last year, it's true this year, and it's true for 2023 as well. So, no change to the type of financial performance and profitability to be expected in 2023 compared to this year.

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

- *A couple of questions for me, really. Firstly, interesting to see you're spitting out kind of pure energy transition order intake now. I think that was pretty useful. But maybe could you give us a sense in terms of pricing margin expectations in these contracts? Should we just assume that they are fairly similar to what you're targeting in the rest of the business?*
- *And along that line, we've seen that demand is picking up to a number of verticals, I would say, in the oil and gas space given the tight market. Could you maybe comment at all about your own pricing expectations in terms of the tenders that you're heading into? Do you see some pricing power from your side? So that would be the sort of first part of the question.*
- *Secondly, just I was interested in, obviously, Coral has gone very well. I was wondering if you could just give us an update in terms of discussions around Mozambique, what may or may not happen there as we think about going into sort of 2023 from that project?*

Arnaud Pieton

Hi James, thank you for the question. So yes, you're right. For the first time, we've segregated what we are calling pure energy transition orders versus LNG, even though we, as you know, as a company, we continue to include LNG as part of our energy transition play. And the current environment is just proving that we were right to include LNG as part of Technip Energies' roadmap and strategic road map at the creation of the company.

I will probably repeat what I've said in the past. In the energy transition area as well as in a more traditional one, what remains a driving force for us as a company is the selectivity principles that we've set for ourselves. I would like to thank you for that question because around what could be the complexity or the profitability of the energy transition projects versus others. It's important to understand that if we have secured a project like the Celsio CCS project, and if this project is now finding its way into our portfolio, it is absolutely because the project's profile, the project performance, the expected margins and the project risk profile is fitting squarely with our selectivity metrics. It's not an outlier in our portfolio. It will fit nicely with the rest of the family, demonstrating the same type of trend in terms of the margin expectations. And that's very important that we continue to be driven by the selectivity principles, the early engagement, the crucial fact of entering into the right contract that reflects the right level of risk for the company and the right level of margin. So, this will continue to animate us. And you can trust that those are true for the traditional part of the market as well as the energy transition orders, they fit very nicely with the rest of the portfolio in terms of profitability level.

As for pricing power, yes, for some areas, indeed, there's a bit of pricing power to be regained. That can be regained in light of the likely flow of FIDs in some spaces. So I mentioned that there's a golden age for engineering. It's true considering the type of technologies that have to be deployed, and it's also true in terms of the availability of resources and the demand for what Technip Energies has to offer.

In terms of Coral, super happy, obviously, about the performance on the project so far. And to be able to introduce first gas into the facility on schedule is an extraordinary performance, and there's a lot of pride within the organization and in the project team. And it's also the reflection of how well we worked with our clients. It's never only a one-party game when there's such successes. It's always because the whole machine is well oiled and things are working well. I've read in the press that there were talks about or contemplation of more LNG in Mozambique or more floating LNG in Mozambique. As you may imagine, we have our eyes on that ball. And if it was to materialize, we would absolutely be ready to go in the starting blocks.

From a Technip Energies' standpoint, the benefit to go, in particular, if you have the discipline to basically duplicate an existing and successful infrastructure and to go for design one, build two or build many, this yields a huge benefit for the clients. In particular, when we speak about time to market, which is a very trendy topic at the moment on how to bring more gas faster onto the market. So, you would save a significant amount of the original contract duration if you were to go into a repeat of a facility like Coral.

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

- *Great. Just one point of clarification on one of your earlier answers, Arnaud, Bruno. First of all, just in terms of Russia, is the statement made there that we may well see more of that kind of remaining EUR 800 million backlog sort of being negotiated out? Or should we consider it as kind of revenues that will be earned over the coming several quarters? Just how should we think about that?*

Bruno Vibert

Yes. Thanks, James. As Arnaud mentioned, we've cut out a significant component. We are working with the client on an orderly exit. Discussions are ongoing. So as Arnaud is saying, we will adjust if needed. But today, this really comprises, of course, to close out, to exit. So, some will undoubtedly pull as revenues with some costs associated. So may be adjusted depending on the outcome of discussions. But it will be a bit of the two. Obviously, with less revenue contribution versus what we had in H1, as I was saying.

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

- *Firstly, just in light of your carbon capture project, this quarter awards in Norway and the U.S. And maybe you could provide some color on your present signatories for carbon captures? You now have a large waste energy contract, a major FEED in the U.K. for gas power. And also, with Senator Manchin today coming out potentially backing Biden's Climate Bill, just if you had any comments on current preference for geographies when you're expanding your carbon capture in Europe versus U.S.?*
- *Just had a follow up on Arctic LNG 2, but I can come back to that.*

Arnaud Pieton

Kate, sorry, would you mind repeating your second question, please?

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

- *Okay. I haven't actually said the second yet, but I will now. So Arctic LNG 2, apologies if I missed it, but if you can provide any further comments on the current path for exit? For example, some news reports have mentioned the option of a Russian contractor taking over, but understand if we can't get any more on that.*

Arnaud Pieton

Thank you. I would actually start with your question number 2 on Arctic LNG 2. I think it's more a question for our customers than a question for Technip Energies at this stage. We are very concentrated on executing this orderly exit. That is obviously of importance for us.

The important being that we are also not only focusing on that, but we are also focusing on the future, and we are retaining and redeploying our teams to many new LNG opportunities that have materialized in the recent months for us. The question about the potential completion and whatnot is really a question for our clients. And I'm sure that he will do everything he can to protect its investment as any good company or good businessman would do. The important for us remains to complete this orderly exit and the fact that we've been able to retain and redeploy our teams. So that's really what is important for us and for Technip Energies as we focus on the future.

And then on your carbon capture question, and thank you for that. Obviously, the pipeline of opportunities, I mean, if I look at the macro outlook and to tackle the world's climate challenges that is opening, this golden era for engineering, there's a lot of activity to be expected in gas and low carbon energy, a lot around sustainable fuels, chemicals and circularity because there's a strong and increasing focus on sustainable fuels in particular and for circular solutions.

And on carbon-free solutions and CO2 management, the Celsio project in Oslo is for us, the first of its kind on the waste to power. And we are monitoring the situation. And also, there are many waste-to-power plants around the world. And what we have done in Oslo is triggering a lot of interest in other areas of the world from Middle East to the rest of Europe. Because I think the model that was about the early engagement, the deployment of the pilot, which was our investment. So it's good to see our investment yielding results. And the pilot is a way to test the efficiency and the adequacy of the solution to the main infrastructure, which is the waste-to-power plant. And to be able to verify all that and then to convert into a project, we're obviously very happy. But we're also pretty happy about the breadth of the potential for similar solutions, and we have more pilots under construction at the moment for deployment in various areas of the world.

So clearly the post-combustion market using this technology that we are co-developing with Shell is going to yield other opportunities beyond the Celsio one in Oslo. But I think you have to think about it as the same type of process for early engagement, pilot for testing is very important to test the viability of the solution. and the cost competitiveness of the solution within the environment of where the plant is situated. And that really is key, and it's super encouraging to demonstrate that we've been able to bring those solutions, at a cost point that is of interest to the client in this case. And it's going to yield significant results. 17% of less carbon emission for a single city, it's massive. And it will be the source of a lot more opportunities in light of the number of waste-to-power plants in the world.

Sasikanth Chilukuru - Morgan Stanley, Research Division - Equity Analyst

- *I had one on shareholder distributions. Given the strengthening of the balance sheet in the first half and also taking into account the outlook that you've kind of provided and the guidance, just wondering if it was possible to expect a ramp-up of shareholder distribution either through higher buybacks or dividends before the year-end? I just wanted to understand your position and view there.*

Arnaud Pieton

Okay. I will start and then maybe hand over to Bruno. It's an interesting question. I would nonetheless start by saying that as Bruno stated earlier in the address, we are raising our R&D spend as a company. We are a technology company. The future of what the portfolio is going to be made of will be a function of the type of technologies and a number of promising technologies that we can onboard and to scale them up at a scale that is making a difference and impact to the world and to our customers. And the more we do so, the more we will populate this TPS part of the business that is accretive to the financial performance of the company. At all times, we will want and I will want to retain the capacity for this, stronger investment and strengthen the trend around targeted R&D spend. It's very important that we retain that capacity at all times. And with that, I will pass on to Bruno.

Bruno Vibert

Thanks, Arnaud. No, so nothing really to add on top of Arnaud. Obviously, we've been through the dividend distribution and through the current share buyback generating kind of EUR 120 million for the shareholders. The share buyback program is continuing in H2 because the program that we initiated, obviously, will drive into H2.

As Arnaud was mentioning, from our capital allocation, which we are delivering, there is also an important part, which is investment. We will continue and ramp up the investments in R&D, new technologies, and this will also be the building block for the future. So, it's really important for our strategic development and outlook.

Again, when we said at the end of Q1, with Russia we needed to shift our focus. Nothing in Russia from the consequences of the war was jeopardizing the deployment of our strategy. It's still the case. We are generating cash, which enables to have shareholder distribution as we are performing, which will also enable us to make some investments.

Phillip Lindsay

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