



GTT First Quarter 2016 Activity Update

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GTT First Quarter 2016 Revenues and Activity Update

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Welcome everyone to GTT's First Quarter 2016 Revenues and Activity Update. I am Cécile Arson CFO of GTT and I will give you a brief overview of the key highlights of the first quarter and then I will be glad to take your questions. We are going to go through the presentation, two slides of disclaimers, I think you all understand these forward-looking statements.

Key highlights of the first quarter 2016

Revenues amounted to €58.6 million, up 7.1% compared to the same period last year and up 9.4% if you consider only revenues from royalties. As stated, in a particularly unfavourable global economic environment, we have not received new orders during the first quarter of 2016 but with 111 units in our order book we continue to enjoy a good visibility on our revenues up to 2020.

On the technology front, GTT has signed a cooperation agreement with Daewoo for the industrialisation of its new technology NO96 Max. GTT Training received a first order for its LNG simulator called G-Sim which is new. Finally, we confirm our outlook for 2016 in terms of revenues, net margin and dividend amount.

Breakdown of order book as at March 31st, 2016

A few words concerning the breakdown of our order book. As mentioned, with seven deliveries during the first quarter 2016, the GTT order book stood at 111 units at the end of March. This order book includes 109 vessels and two onshore storage tanks. On the bottom part of the slide you can see from the left side to the right side, first, in which countries the liquefaction projects for which the vessels are under construction are located. The United States and Australia appear to be the main current or future export countries.

Then the diversified ship-owners portfolio, the main ship owners being Teekay, which represents 14% of our portfolio and Maran Gas with 11%. Finally, you know that vessels are under construction in six shipyards, mainly in Korea but also in China and Japan as well as in North America, thanks to the LNG barge.

Cooperation agreement for the industrialisation of NO96 Max

Focus on NO96 Max

In February 2016 GTT finalised a cooperation agreement with Daewoo Shipbuilding & Marine Engineering, DSME, in South Korea for the industrialisation of its new NO96 Max technology and its commercialisation in 2016. This technology has already received approvals, in principle, from the main classification societies. I think you have in mind that innovation is also at the renewal of our portfolio of technologies on our core business with the introduction of the new systems.

Other new technologies on track

Both NO96 Max and Mark V represent a large improvement in terms of boil-off rate. On our two families of technologies we are bringing innovative systems with a better performance. The designs of these systems has been completed and approved. We are now in a process of

industrialising the systems together with the shipyards, with Samsung and Hyundai regarding Mark V, and with DSME regarding NO96 Max.

First order for G-Sim (simulator)

Our service activity is mainly driven by historical services such as maintenance contracts for ships-in-service and engineering studies. However, our new services are progressively developing. Speaking of new services, the G-Sim LNG simulator software that you can see in the red spot on the slide is a good illustration of what we can do and intend to do. This software was developed internally by our subsidiary GTT Training which offers, to our clients and partners, training modules together with the simulator software.

GTT Training received in March 2016 its first order for the G-Sim software which provides full simulation of all the systems on a vessel that are involved in the management and handling of the LNG cargo and maintaining the vessel in a safe condition. I would like to underline that this contract involves both one of the leading simulation companies in the world, L-3 DPA, and one of the leading LNG operators, Chevron.

First quarter 2016 revenues: +7.1%

If we summarise the revenue performance for the first quarter of 2016, GTT revenues amounted to €58.6 million, up 7.1% compared with the first quarter of 2015. If we look at revenues from royalties they increased by 9.4%, up to €55.4 million, and this is in line with our expectations despite some delays in shipbuilding milestones. This rise is mainly due to royalties from LNG carriers and very large ethane carriers which increased by 12.5% and royalties from FSRUs which increased by 28.7%. The remainder was generated by FLNGs, onshore storages and the barge. Keep in mind that for royalties our revenues are not linear during the year and are linked to the milestones of construction of the vessels and that the major part of revenues are booked during the last two years before delivery.

Revenues related to services are mainly driven by maintenance contracts for ships-in-service, engineering studies and supplier approvals. In the first quarter 2016 they came out at €3.2 million. It should be noted that the 21.6% decrease follows a very sharp rise, 48%, in the same period of last year especially linked to engineering studies.

Quick overview of long-term drivers

Let us come back on the market drivers and the current situation. Everyone can see that we are currently in a very unfavourable environment with a significant oil and gas price drop, global economic concerns and a wait-and-see attitude from operators and charterers which adversely affects the shipbuilding industry. This is the reason why we point out that the number of new orders may see some variations from one quarter to another and even one year to another, without the fundamentals on which our business model is based being called into question.

On the one hand, we think that the long-term market drivers for LNG remain very positive. There is a strong natural gas demand. There is an increase in natural gas exports. The share of LNG in gas and in the energy mix is still very small and should increase. We think that there is need for additional capacity in order to meet long-term LNG demand. Finally, new trade routes are determining a higher need for LNG carriers.

On the other hand, we also think that low gas prices should lead to opportunities for LNG. In fact, coal is cheap but the fact of the matter is that the reduced price for LNG has very significantly improved the competitiveness of LNG compared to other energies and in particular to coal. It is still a little bit more expensive but far less than what it used to be. This should lead to coal-to-gas switching in the power plant sector and boost demand for LNG in countries like China and India as well as in Europe, combined with the environmental concerns. As LNG is a very clean energy, with no particulates, no NOx, no SOx emissions and far less CO₂, we believe it is a very strong factor for supporting LNG demand in the years to come.

Outlook for 2016

Now a few words about the outlook. Subject to any significant delays or cancellations in orders, GTT's management is able to confirm its targets. For 2016 we anticipate revenues to grow by more than 10% compared with 2015, which represents revenues of more than €250 million. We also anticipate our net margin to be above 50% and the amount of dividend for 2016 and 2017 to be at least equivalent to the one proposed for 2015, excluding potential acquisition effect. Of course dividend 2015 is subject to the next Annual General Meeting approval.

Thank you for your attention. I am now ready to answer your questions.

Q&A

Rahul Bhat (JP Morgan): Hi Cécile, good evening. Just a couple of questions from me, please. Firstly, if you could touch upon the new disclaimer on your slide on 'subject to significant delays or cancellations'. Have you seen any cancellations or delays? Do you have new expectations now that you have seen some conversations with customers? Is that why that is there?

Cécile Arson: Hello Rahul. This disclaimer is not that new because we had this mentioned since one or two press releases, if I am not wrong. In fact, I mentioned that we observed some delays in the construction of vessels currently but no cancellation so far.

Rahul Bhat: Yes. The Petronas FLNG 2 I think as far as I can see on the news that has been delayed by almost two years or cancelled if I am not correct. Has that been one of the projects that have been affected? Are there more projects like this?

Cécile Arson: You are right, Rahul, we have been informed that this FLNG has been delayed for two years. However, there are less than ten vessels that are also late, including the FLNG you mentioned.

Rahul Bhat: Just to get that into context, how many vessels were delayed do you know towards the end of last year and how many additional got delayed during Q1? Just to get that ten number in perspective.

Cécile Arson: I do not know exactly the number of vessels which were delayed last year. For the moment I mention less than ten of more than 100 in our order book.

Rahul Bhat: Yes, okay, perfect thank you. On the fall in FLNG revenues was that entirely down to the delay of the Petronas FLNG 2 or is there any other moving part also in that?

Cécile Arson: In fact, you may know that we have three FLNGs in our order book so one has been delayed. We mentioned that so mathematically the revenues are spread until the date of delivery, about 2020 for this one. For the two other FLNGs, one is going to be delivered very, very soon and the other one is going to be delivered I think in September. We are at the end of the booking of revenues so I would say it is quite logical that the level of revenues in 2016 may be less important than what we observed one year ago because in fact we are at the end of two of the main projects.

Rahul Bhat: For example, for the Prelude, if it is being delivered in September the last milestone payment you would get it in September and therefore 2016 revenues should look okay. However, 2017 revenues should fall, significantly fall for FLNGs. Is that understanding correct?

Cécile Arson: Yes, because in 2017 we will have only one FLNG left unless we have got a new order of course.

Rahul Bhat: Yes. Okay, fair enough. Probably this one last question on Korea. I think last time we spoke you said that you were in the process of hiring lawyers in Korea and in France. Has there been any update? Have you heard anything from the investigating agency?

Cécile Arson: Yes, in fact we have received a request for information from the KFTC setting forth its demands. After that there is no significant development to anticipate on the short-term because proceedings are in their normal course. We have representatives in Korea who are in contact with the KFTC concerning the next stages of the proceedings.

Question: Okay. Okay, perfect Cécile. I will hand it back to the queue. Thank you.

Cécile Arson: Okay, bye.

Jessica Alderson (Morgan Stanley): Hi, thanks Cécile. Just a couple of questions. My first one is again on the theme of delays. How confident are you in terms of your 2016 revenue guidance? If you annualise your 1Q revenue number, you get to just over €230 million revenues for the year. How likely do you think it is that the shipbuilding milestones could get delayed further this year and therefore you are unable to meet your revenue guidance?

Cécile Arson: For the moment you know that our revenues are not linear in the year so for the moment we confirm the guidance. We will update the market should we have new delays which could change that, but for the moment we do not have to change.

Jessica Alderson: Okay, so there is perhaps a little bit of risk around that but okay for now. Okay. Then I also had a question about the kind of wider LNG market. Do you think that there will be any major LNG project sanctions this year?

Cécile Arson: Maybe at the end of the year but hard to say. For the moment, as we said, we are in a wait-and-see situation and operators are studying and looking at what could be the prices before deciding to go for an FID. Hard to say.

Jessica Alderson: Okay. I think that is it from me. Thank you very much.

Cécile Arson: Okay.

Rahul Bhat: Hi Cécile, I just thought I would ask a follow-up question.

Cécile Arson: That is okay.

Rahul Bhat: On the order outlook are there still tenders out there for LNG carriers or is the market completely dead in the water?

Cécile Arson: Of course there are tenders currently. We know that there are several tenders. We do not know when the final decision for these vessel tenders will be given. However, we are on several tenders.

Rahul Bhat: Okay, understood.

Cécile Arson: You know, Rahul that we mentioned the fact that regarding FIDs which were decided in 2014 and 2015, we know that there are still vessels to be ordered.

Rahul Bhat: Yes.

Cécile Arson: There are tenders currently.

Rahul Bhat: Okay, okay, perfect. That is all. Thank you.

Cécile Arson: You are welcome. Okay, bye. Thank you.

[END OF TRANSCRIPT]