TechnipFMC plc: Half-Year Financial Report

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LONDON--(BUSINESS WIRE)--

TechnipFMC plc: Half-Year Financial Report

(First Half 2017)

Interim report to be read in conjunction with the Annual Report.

Provision for income taxes	162.1	69.4	92.7	134
Net income (loss)	**147.8**			

of which may result in uncontrollable flows of gas or well fluids, fires and explosions. Although we have obtained insurance against many of these risks, our insurance may not be adequate to cover our liabilities. Further, the insurance may not generally be available in the future or, if available, premiums may not be commercially justifiable. If we incur substantial liability and the damages are not covered by insurance or are in excess of policy limits, or if we were to incur liability at a time when we are not able to obtain liability insurance, such potential liabilities could have a material adverse effect on our business, results of operations, financial condition or cash flows.

We may lose money on fixed-price contracts.

As customary for the types of businesses in which we operate, we often agree to provide products and services under fixed-price contracts. We are subject to material risks in connection with such fixed-price contracts. Actual expenses incurred in executing a fixed-price contract can vary substantially from those originally anticipated for several reasons including, but not limited to, the following:

potentially burdensome taxation;

corporation (or U.S. tax resident) if it is organized in the United States, and a corporation is generally considered a "foreign" corporation (or non-U.S. tax resident) if it is not a U.S. domestic corporation. Because we are an entity incorporated in England and Wales, we would generally be classified as a foreign corporation (or non-U.S. tax resident) under these rules. Section 7874 provides an exception under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. domestic corporation for U.S. federal income tax purposes.

Unless we have satisfied the substantial business activities exception, as defined in Section 7874 and described in more detail below (the "Substantial Business Activities Exception"), we will be treated as a U.S. domestic corporation (that is, as a U.S. tax resident) for U.S. federal income tax purposes

Impairment, Restructuring and other expense		(1.7)	99.4
Merger transaction and integration costs		32.4	16.7
Total costs and expenses		6,809.3	4,384.3
Other income (*)		926.3	484.7
Other expense (*)		(904.5)	(525.2)
Income (loss) from equity affiliates		22.1	14.7
Income (loss) before net interest expense and income taxes		**467.6**	**366.1**
Financial income		50.6	32.4
Financial expense		(208.3)	(64.6)
Income (loss) before income taxes		**309.9**	**333.9**
Provision for income taxes	4	162.1	69.4
NET INCOME (LOSS)		**147.8**	**264.5**
Net (income) attributable to non-controlling interests		2.3	0.3
Net income (loss) attributable to TechnipFMC plc		150.1	264.8

Inventories, net		899.1	334.7
Construction contracts - amounts in assets	7	1,363.9	485.8
Advances paid to suppliers		1,077.6	711.5

Accounts payable, trade	(290.3)	64.2
Advance payments and construction contracts – liabilities	(338.0)	195.8
Income taxes payable (receivable), net	(88.6)	104.6
Other assets and liabilities, net	(281.3)	14.5
Cash provided (generated) by operating activities	**295.5**	**426.2**
Capital expenditures	(107.5)	(68.9)
Cash acquired in merger of FMC Technologies and Technip (Note 2)	1 479.2	—
Proceeds from sale of assets	3.3	(79.3)
Other	11.8	—
Cash provided (required) by investing activities	**1 386.8**	**(148.2)**
Net increase (decrease) in short-term debt	(16.5)	2.5
Net increase (decrease) in commercial paper	(98.2)	—
Proceeds from issuance of long-term debt	9.3	448.7
Repayments of long-term debt	(559.7)	(742.7)
Dividends paid	—	(112.3)
Payments related to taxes withheld on share-based compensation	(46.6)	—
Other	(74.7)	0.8
Cash provided (required) by financing activities	**(786.4)**	**(403.0)**
Effect of changes in foreign exchange rates on cash and cash equivalents	13.9	79.4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**909.8**	**(45.6)**
Cash and cash equivalents as of January 1	6 269.3	3,178.0
Cash and cash equivalents as of June 30	7 179.1	3,132.4

3.5 – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

In millions of U.S. dollars	**Ordinary shares**	**Treasury shares and Ordinary shares held in employee benefit trust**	**Share premium**	**Merger reserve**	**Retained earnings, Net income and Other reserves**	**Non-controlling interests**	**Total equity**
Balance as of December 31, 2015	**114.5**	**(81.1)**	**2,722.9**	—	**2,182.5**	**9.2**	**4,948.0**
Net income	—	—	—	—	264.8	(0.3)	264.5
Other comprehensive income	—	—	—	—	64.0	0.4	64.4
Issuance of ordinary shares	2.9	—	156.1	—	(6.9)	—	152.1
Treasury shares	—	26.8	—	—	(24.0)	—	2.8
Share-based compensation	—	—	—	—	9.3	—	9.3
Dividends paid	—	—	—	—	(262.8)	—	(262.8)
Other	—	—	—	—	90.7	—	90.7
Balance as of June 30, 2016	**117.4**	**(54.3)**	**2,879.0**	**—**	**2,317.6**	**9.3**	**5,269.0**
Balance as of December 31, 2016	**114.7**	**(44.5)**	**2,694.7**	**—**	**2,299.6**	**(11.7)**	**5,052.8**
Net income	—	—	—	—	150.1	(2.3)	147.8
Other comprehensive income	(18.4)	—	(317.6)	—	363.6	—	27.6
Issuance of ordinary shares due to the Merger of FMC and Technip (Note 2)	370.3	—	(2,377.1)	10,177.5	—	—	8,170.7
Capital reorganization	—	—	10,177.5	(10,177.5)	—	—	—
Capital reduction	—	—	(10,177.5)	—	10,177.5	—	—
Issuance of ordinary shares	0.6	—	—	—	—	—	0.6
Treasury shares	—	44.5	—	—	(23.3)	—	21.2
Net sales of ordinary shares for employee benefit trust	—	1.3	—	—	—	—	1.3
Share-based compensation	—	—	—	—	24.7	—	24.7
Other	—	(6.6)	—	—	7.5	12.1	13.0
BALANCE AS OF JUNE 30, 2017	**467.2**	**(5.3)**	—	**—**	**12,999.7**	**(1.9)**	**13,459.7**

3.6 – NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are expressed in millions of U.S. dollars and all values are rounded to the nearest thousand, unless specified otherwise. The condensed interim consolidated financial statements have been approved by the Board of Directors as of August 1, 2017.

Merger completion of FMC Technologies and Technip

On January 17, 2017, TechnipFMC (NYSE and Euronext: FTI) announced that it is operating as a unified, combined company following completion of significant impact on our financial situation and performance.

(c) Accounting rules and estimates

Assets acquired and liabilities assumed

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the acquisition date. The Company's purchase price allocation is subject to revision as additional information about fair value of assets and liabilities becomes available. Additional information that existed as of the acquisition date but at that time was unknown to the Company may become known to the Company during the remainder of the measurement period. The final purchase price allocation will be based on final appraisals and other analysis of fair values of acquired assets and liabilities.

[redacted]

(In millions of U.S. dollars)	
Assets:	
Cash	1,479.2
Accounts receivable	1,247.4
Inventory	764.8
Income taxes receivable	139.2
Other current assets	282.2
Property, plant and equipment	1,616.3
Intangible assets	1,390.3
Deferred income taxes	67.0
Other long-term assets	167.3
Total identifiable assets acquired	7,153.7
Liabilities:	
Short-term and current portion of long-term debt	

Customer relationships	285.0	10
Tradenames	635.0	20
Software	55.3	Various
Total identifiable intangible assets acquired	**1,390.3**	

FMC Technologies' results of operations have been included in our financial statements for periods subsequent to the consummation of the Merger on January 16, 2017. FMC Technologies contributed revenue and a net loss of $1,603.8 million and $150.6 million, respectively, for the period from January 17, 2017 through June 30, 2017.

Pro forma impact of the merger (unaudited)

The following unaudited supplemental pro forma results present consolidated information as if the Merger had been completed as of January 1, 2017.

In U.S. dollar		
Basic earnings per share attributable to TechnipFMC plc	0.32	2.23
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO TECHNIPFMC PLC	**0.32**	**2.20**

completed by the end of 2018 and planning for a quarterly dividend following third quarter 2017 results. We implemented a court-approved reduction of our capital for $10,177.5 million, which was completed on June 29, 2017, in order to create distributable profits to support the payment of possible future dividends or future share repurchases.

On the first half 2016, dividends paid for the year ended December 31, 2015 amounted to €236.6 million (*i.e.* 2.00 euros per share, total $263.9 million by JPMorgan, (b) the greater of the Federal Funds Rate and the Overnight Bank Funding Rate plus 0.5% or (c) one-month Adjusted LIBOR plus 1.0%.

The facility agreement contains usual and customary covenants, representations and warranties and events of default for credit facilities of this type, including financial covenants.

Bilateral credit facilities —We have access to four bilateral credit facilities in the aggregate of €340.0 million. The bilateral credit facilities consist of:

- two credit facilities of €80.0 million each expiring in May 2019;

2020 (the "2020 Notes"). Interest on the 2020 Notes is payable annually in arrears on July 27 of each year, beginning July 27, 2011. Net proceeds of the 2020 Notes were used to partially finance the 2004-2011 bond issue, which was repaid at its maturity date on May 26, 2011. The 2020 Notes contain contains usual and customary covenants and events of default for notes of this type. In the event of a change of control resulting in a downgrade in the rating of the notes below BBB-, the 2020 Notes may be redeemed early by any bondholder, at its sole discretion. The 2020 Notes are our unsecured obligations. The 2020 Notes will rank equally in right of payment with all of our existing and future unsubordinated debt.

In June 2012, we completed the private placement of €325.0 million aggregate principal amount of notes. The notes were issued in three tranches with €150.0 million bearing interest at 3.40% and due June 2022 (the "Tranche A 2022 Notes"), €75.0 million bearing interest of 4.0% and due June 2027 (the "Tranche B 2027 Notes") and €100.0 million bearing interest of 4.0% and due June 2032 (the "Tranche C 2032 Notes" and, collectively with the "Tranche A 2022 Notes and the "Tranche B 2027 Notes", the "2012 Private Placement Notes"). Interest on the Tranche A 2022 Notes and the Tranche C 2032 Notes is payable annually in arrears on June 14 of each year beginning June 14, 2013. Interest on the Tranche B 2027 Notes is payable annually in arrears on June 15 of each year, beginning June 15, 2013. Net proceeds of the 2012 Private Placement Notes were used for general corporate purposes. The 2012 Private Placement Notes contain usual and customary covenants and events of default for notes of this type. In the event of a change of control resulting in a downgrade in the rating of the notes below BBB-, the 2012 Private Placement Notes may be redeemed early by any bondholder, at its sole discretion. The 2012 Private Placement Notes are our unsecured obligations. The 2012 Private Placement Notes will rank equally in right of payment with all of our existing and future unsubordinated debt.

institutions for the benefit of our customers, vendors and other parties. The majority of these financial instruments expire within five years. Management does not expect any of these financial instruments to result in losses that, if incurred, would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Note 12 – Legal proceedings and other matters

Legal proceedings

On March 29, 2016, Dong Energy ("Dong") terminated, on the grounds of an alleged material breach, a contract signed on February 27, 2012 with a consortium of Technip France and Daewoo Shipping & Marine Engineering Co., Ltd. This contract covered engineering, procurement, fabrication, hook-up and commissioning assistance for a fixed wellhead and process platform and associated facilities for the Hejre field offshore Denmark. Dong announced that it will not complete and does not intend to take possession of the platform. On May 4, 2017, the parties announced they had entered into a settlement agreement regarding the dispute, including the arbitral claims, related to the Hejre contract, and TechnipFMC will have no further responsibilities or liabilities with regard to the platform.

where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.