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CORPORATE PARTICIPANTS

Thierry Pilenko *Technip - Chairman and CEO*

Kimberly Stewart *Technip - Head of Investor Relations*

Julian Waldron *Technip - CFO*

CONFERENCE CALL PARTICIPANTS

Guillaume Delaby *Societe Generale - Analyst*

Haley Myers *Barclays - Analyst*

Alain Parent *Natixis - Analyst*

Rob Pulleyn *Morgan Stanley - Analyst*

Philip Lindsay *HSBC - Analyst*

Amy Wong *UBS - Analyst*

Fiona Maclean *BofA Merrill Lynch - Analyst*

David Thomas *Credit Suisse - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, good morning, everyone, and welcome to Technip's Fourth Quarter and Full-year 2014 Results Conference Call. (Operator Instructions)

I would now like to turn the call over to your host for today's conference call, Mr. Thierry Pilenko, Technip's chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip - Chairman and CEO*

Good morning ladies and gentlemen and thank you for participating in Technip's conference call. I'm Thierry Pilenko, chairman and CEO of Technip. With me are Julian Waldron, CFO; Arnaud Real who is the Group Executive Vice President, Strategy and Development, Virginie Duperat-Vergne, out Senior Vice President and Group Controller as well as Kimberly Stewart, Aurelia Baudey-Vignaud and Michele Schante of the investors relation team. I will turn you over to Kimberly who will go over the conference call rules. Kimberly.

Kimberly Stewart - *Technip - Head of Investor Relations*

Thank you, Thierry. I would like to remind participants that statements made during the conference call today which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimers which are an integral part of today's slide presentation which you may find on our website along with the press releases and audio replays, and a transcript of today's call at Technip.com.

Please note that we will refer to adjusted numbers throughout today's conference call. In 2014, Technip applied for the first time IFRS 11 joint arrangements. In its full-year financial statements Technip has incorporated the most recent interpretations of the guidelines concerning the standard issue by IFRIC in which all single project joint statements structured through incorporated entities can only be accounted as joint ventures. Technip will continue to report and provide forward-looking information on an adjusted basis corresponding to its previous framework in order to ensure consistency and comparability between periods and projects and to share with all market participants the financial reporting framework used by Technip for management purposes.

Now, turn you over to Thierry who will go over to the fourth quarter and full-year 2014 highlights.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Kimberly, for this very extensive explanation of IFRS 11 joint arrangement, thank you. I will start off today's presentation with a review of 2014. Then Julian will cover 2014 financial and operational highlights. And then we will address together the changing market environment and how we are shaping our business to proactively engage with our clients.

So now turning to slide 5, subsea performance was excellent across all regions. Our 2014 financial objectives were exceeded with adjusted revenue at EUR4.9b and an adjusted operating margin of 13%. On the other hand, onshore/offshore delivered higher-than-expected adjusted revenues, up 12% year on year, yet operationally the environment was more challenging as we highlighted earlier last year and this resulting in an adjusted operating margin of 4.7% and lower adjusted operating profit.

We have a record backlog at the end of 2014 of nearly EUR21b after an order intake of EUR15.3b in the year. This remains quite diversified. Around 50% of 2014 order intake was from projects whose size is below EUR500m. Our balance and diversified portfolio of projects was further strengthened in 2014 with additional revenue streams coming from Genesis, project management consulting, EP&Cm and manufacturing.

Moving to slide 6 the financial results were driven by Technip's operational performance with key areas of focus. We completed first a number of projects in 2014 including for example the subsea projects in the Gulf and Panyu, and GWF projects in Asia, and onshore/offshore projects such as Jubail, Heidelberg or PMP.

Our teams worked very hard on quality and safety and I think it's worth noting that we achieved very tangible results. For example in terms of safety our total recordable case frequency rate fell to 0.19 which is the best year for Technip in terms of this indicator and one of the best levels in the industry, so a lot of efforts there.

Now, our efforts in reducing our costs including trimming the size of our fleet from 36 to 27 vessels year on year, reducing SG&A by EUR69m while streamlining our business by exiting non-core activities that we'll describe later. This being said we are committed to investing in Technip's skills and high-end technology both organically and through acquisitions as our 2014 operations demonstrate, our new high-end flexible pipe plant Acu in Brazil and the three business acquisitions, Kanfa and Inocean in Norway and at Zimmer Polymer Technology in Germany.

Now, moving to slide 7, as you know, Technip is committed to a progressive dividend policy and accordingly, the Board of Directors has recommended an 8% increase in the dividend to EUR2 per share to be approved during the annual general meeting on April 23, 2015. The Board of Directors will also propose the opportunity for shareholders to have a scrip with a 10% discount for the very first time at Technip. We expect to continue to buy back shares this year probably at higher rate than in previous years to neutralize dilution.

Now turning to slide 8, moving to the record backlog of Technip of nearly EUR21b. This backlog provides us with a good visibility in 2015 and way beyond 2015, which I will cover in more details later in the presentation. As a reminder this excludes joint ventures such as the long-term charters in Brazil, some service contracts and project management consultancy projects. Based on this visibility we can give guidance for 2015, but in addition we believe we have a very good base of business for 2016 and beyond. Julian?

Julian Waldron - *Technip - CFO*

Thierry, thank you very much. So I'll turn to slide 10 and I'll focus largely on the fourth quarter as far as the segment's concerned and then turn much more towards the Group numbers when we look at the overall P&L and cash flow and balance sheet.

So on slide 10 we look at subsea activity, as Thierry said, demonstrated strong resilience in the quarter. We had a vessel utilization rate at 74%. This reflects the good project activity for the fleet as a whole and also the fact that we've reduced the number of less versatile vessels over the last two years. For the full year, utilization was 80% and we view that as satisfactory at this point.

The main offshore campaigns you see just underneath. There were no substantial project completions in the quarter, I should note that. We continued as well the early stages of some of our large -- larger multi-year projects such as Moho, Kaombo and T.E.N.

Now, towards the bottom of the page concerning investments in vessels and manufacturing, I would note that the second 550 tonne PLSV was delivered in 2014, the Estrela Do Mar, which is owned in joint venture with OOG Odebrecht and it started operations at the end of last quarter on charter with Petrobras. Good performance from everybody involved on the Technip Odebrecht side, this was four months ahead of schedule. Equally, we had a strong performance, as Thierry mentioned, at the Acu manufacturing plant in the second-half. We'd indicated that the plant would be at least breakeven across the last six months of the year. And we'd like to thank the teams in Brazil for successfully delivering this milestone.

Now, on slide 11 on onshore/offshore, performance was more challenging, this we'd indicated that it would be in the July financial communication. And profits fell in the fourth quarter to EUR48m. This number accommodates some further charges for those projects where we continue to see difficult client behavior in processing and agreeing changes and variations. Against this, Heidelberg was handed over to the client, as you've probably read, and the Yamal project continued to move forward as planned.

We continued to be, of course, prudent in our investments in 2014 but we did make one addition to our Stone & Webster process technology business unit with the purchase of the Zimmer business from Air Liquide. The acquisition was completed in December and will add over time around $50m of sales to this business unit. Stone & Webster process technology has grown strongly organically over the last two years, two and a half years since acquisition and we view that as being a very successful investment.

Now, I'm going to turn to the Group P&L but before I do that I'd like just to spend a moment on foreign exchange because we've had a lot of questions on this over the last two, three months. I'd like to divide my comments first around transaction risk and then translation exposure. At the beginning of a contract we minimize our currency exposure through having multi-currency contracts, so that we have natural hedging. And any remaining exposure is then systematically and rigorously hedged in the foreign exchange markets, so our transaction risk remains quite limited. We report in euros so of course we have translation exposure and as you would know and expect this is not hedgeable.

Now, as you can see from the pie chart on the right hand side of slide 12, some 68% of our project revenues are in currencies other than the euro. The main non-euro flows are US dollars, sterling, Norwegian krone and the Brazilian real. Our P&L moves around to an extent with the translation of these currencies into euros for reporting purposes.

It is, I would note rare, that these currencies all move in the same way against the dollar. And there's one illustration of that in the chart at the bottom right of the page. We did see all the currencies move in one way, for example in quarter four 2013. But since then just as the dollar and sterling have strengthened so the krone and real have tended to weaken. Overall the translation impact in 2014 quarter four was less than 3% in both revenue and profit. Now at this point I think it's too early to make a definitive view, but were the recent overall movements to be confirmed I would suggest it would have a slightly positive impact on our reporting in 2015.

Now, on slide 13 we have the Group P&L. There are a few comments to make. Revenue was up 16% across the year, 14% in quarter four. Within this onshore/offshore was up 12% and flat in quarter four and subsea was up a very strong 20% over the year and up over 30% in quarter four. Our EBITDA margin for the Group was down but within subsea we improved after the very low first quarter.

A point on depreciation, depreciation was higher at EUR283m than we'd indicated at the beginning of the year. As always in quarter four, we do look at some aspects of the fleet and particularly around older vessels. We've done that systematically for the last five, six years, since I've been here. And we took some additional depreciation charges in quarter four notably against older vessels. There's a little bit more depreciation of course as Acu is now also producing.

We'll come back to costs, but SG&A expenses fell EUR69m over the year, most of that in the second half. Net underlying income excluding non-current items was EUR564m in the year and EUR172m in the quarter, flat on the previous year. Now non-current items I'll come back to, but they fall within two lines of the P&L, the non-current operating result and the financial results.

Now the detail of the underlying net income and those charges are given on slide 1. We had made substantial progress throughout the year in rationalizing our business. We sold or closed four activities and eight vessels and these disposals enabled us both to raise cash and to cut our costs, as well as contributing to the EUR69m of SG&A savings we made. In addition, through the financial line there is a one-off mark to market of our shares in MHB the Malaysian shipyard. Last, I haven't commented on it, but the tax rate for the Group was a little higher than the recent run rate, but that's principally because the MHB charge is not deductible.

Cash flow on slide 15, as I noted before depreciation rose, EUR283m in the year, EUR96m with those accelerated depreciations in quarter four. Working capital was positive in the quarter reflecting good cash in on newer projects, notably onshore/offshore and including Yamal which is, as Thierry's mentioned, progress was satisfactory. And over the year adjusted working capital was about flat. Net construction contracts were of course up because we've got a lot more advances on newer projects which will progress over the next couple of years. And therefore the net construction contract balance will start to normalize over that period.

With that I'll hand back to Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thanks, Julian. So, for the remainder of the presentation Julian and I will focus on how Technip is addressing the changing market environment. So we didn't put any slide about the oil price and so forth, but everybody is very familiar with what happened in the last quarter in particular and which has triggered a major sharp change in our -- in the outlook of our industry particularly since the fourth quarter.

But already in July we had stressed the early signs of this in our outlook statement. We rightly stressed caution on some aspects of the industry outlook, notably the client behavior and our client challenges and also our competitive behavior. Since then the oil price has fallen sharply and this has added another layer of challenge to our clients. We see them putting a lot of pressure on different parts of the supply chains which implies a prolonged and harsh downturn in our industry.

So we started preparing for that downturn already in the middle of last year. And we will maintain and in some instances even intensify our actions. So our reaction actually has been very strong and rapid to the changing environment. In addition, from a strategic point of view we view Technip as the solution to many of the industry problems, so this is what we're going to describe in the next few slides. And I will ask Julian to focus on the first point.

Julian Waldron - *Technip - CFO*

Thierry, thank you again. So, I've got three slides and I want to focus on three areas, operational flexibility, fleet management and costs. So, first on operational flexibility on slide 17, now on the left-hand side we look at our procurement activity. One of the immediate advantages of having a large backlog and good future visibility is around procurement. We've roughly doubled the value of equipment procurement in the Group since 2008 to reach EUR4.2b in 2014. Our global procurement activity monitors costs across a number of major categories of procurement, which you have on the left-hand side of the page. And we think there are some favorable market trends on many of these where costs look like they are moving in the right direction.

Technip also makes sure that it stays as a partner of choice for these suppliers, through cultivating an active and a long-term relationship with the key ones. We can extract in particular, quality and reliability benefits from doing this. So overall we view procurement as a major item of leverage for Technip over the coming period.

Secondly, concerning the workforce, now this has grown substantially in line with our backlog over the last six years. Now, the peak in quarter two 2014 we were close to 40,000 people and since then our workforce has fallen and is just over 38,000 at the end of the year. Of this number around 15% is contracted.

On slide 18 I go to -- we go into some detail about flexibility in fleet management. Now, in 2013 we operated a fleet of 36 vessels and today we have 21 vessels with a further six under construction. We've disposed of older owned vessels and let go of leased vessels. The result is a more modern, versatile and competitive fleet which maintains economies of scale, but which can be lower cost to maintain and support.

Now, over the next three years a further four older vessels will probably leave the fleet to be replaced by vessels which have already been chartered. All of our remaining major leased vessels which are not themselves on long-term charter with a customer can either be renewed at our option or not, depending on our needs at the time.

In terms of CapEx we've postponed one major investment decision on a replacement dive support vessel at this point. We'll continue to look for partners and different ways to finance our own vessels with the critical thing maintaining the control of core operations as opposed to simply the ownership of the steel.

On slide 19 just therefore to conclude on CapEx and talk a little bit about costs. Now, as a result of the actions around the fleet we expect our net CapEx to fall. Gross CapEx was EUR375m in 2014 and net EUR314m down from over EUR500m in 2013. In this year, 2015, it will decline again to around EUR300m and we're looking to take it further, and we need to work hard to get there but we're looking to take it down to around EUR220m net in 2016, that's modestly above recurring CapEx.

There are a number of reasons to reduce CapEx so sharply but I would note that one of them is to make sure that we have the firepower, if there are some highly interesting investments or purchases which occasionally come across in a downturn. So we want to make sure that we have the ability to take advantage of those should they happen.

Concerning costs, as has been mentioned, we were able to reduce SG&A in 2014 by EUR69m year on year. That's a drop from just over 7.5% of revenue to just over 6%. We target further improvement in 2015. Although I would say at this point our focus is turned as much to cost opportunities above the gross margin line and there we have programs in place on quality as Thierry mentioned at the beginning, on productivity, capacity utilization and work sharing across the different offices of the Group. The only area which will not be cut is R&D; spending in 2014 was up to EUR85m and will be flat or slightly up in 2015. And with that I'll hand back to Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thanks, Julian, so now we'll be looking ahead on our strategy and also how we're going to work more closely with our clients in the current market environment. So moving to slide 21 I want to come back to the order intake and we have the demonstration here that we were able to record another strong order intake of EUR3.2b in the fourth quarter. In onshore/offshore this included the ethane cracker for Sasol on which we have performed all the early stage work as well as downstream projects in Asia, Middle East and Europe. We expect to see continued opportunities downstream. Low oil and gas prices will actually encourage the investments downstream.

In subsea the focus was on Q4 on smaller and medium-sized projects and on continuous flexible supply in Brazil, and the performance of our Acu plant. We continue to be positive about the prospects in Brazil. And also the Gullfaks project is one where we're able to come to the client with the specific technology ideas and innovations that made the project fly. This is not the first time actually that we have had such an approach with clients to help reduce the cost of projects, and I'll come back to that.

So on slide 22 we can see the -- our revenue and our backlog by geography and by market. So over the last several years we have stressed the importance of our broad geographical presence and in downturn this will remain a source of strength for us. You can see that we are quite diversified by market type and by geography. And on this slide we present both the revenue split for 2014 but also the backlog split on the same page, so that you can see that we continue to have a well diversified backlog.

Now, there are a number of markets where we still see a good opportunity for the -- opportunities for projects to move ahead. NOCs in general but particularly in the Middle East and in Asia, and otherwise North America and East Africa we see momentum in North America and East Africa in the gas market.

Final investment decisions of course will take more time in this environment. Therefore we are going to strengthen our focus as we have done previously on smaller, medium-sized projects but also on taking projects which are rich in engineering manhours and on early stage involvement at the conceptual and FEED phase. At the moment, for example, both our Genesis and our Stone & Webster process technology unit which typically operate in these early stages are seeing a very good work load.

Moving to slide 23 you can see that actually we are able to work in many more ways with our clients than a few years ago. It is not just EPC or EPCI, even if -- the core of our business remains projects, EPC in onshore/offshore and EPCI in subsea. But however, close to a third of our activity today comes from new services or products in which we have been investing heavily, whether it is manufacturing and equipment, vessel services, conceptual and FEED work, technology supply and licensing, project management consultancy and also reimbursable project management. So, as you can see here we can work with our clients in multiple ways and are finding that this diversity and this balance between the activities is actually an advantage in the current market.

So turning to slide 24, well, it's obvious that our clients need to reduce their project costs. This is something we had identified even before the price of oil started to drop dramatically. So it's at the same time reducing the design cost as well as the running cost. So where we have had the opportunity to work early and openly with clients we've found that we are able to offer them a more reliable cost and schedule estimate.

Second, when given the freedom to innovate and contribute we can find savings in both designs and running costs. The quantity of savings of course depends on the projects. But in cases where we have had the most productive working relationship the savings can be up to 20% to 30%.

Our positioning remains quite distinct and almost unique in the sense that we are able to engage very early within popular conceptual choices then provide our own technologies to solve complex engineering issues but also build fit-for-purpose solutions which combine expertise from across our segments.

I've just -- on this slide, taken a few projects here in the way we have been working at the very early stage with our clients and then reducing the costs. Prelude FLNG in Australia, the RAPID project in Malaysia, the Juniper project in Trinidad and Sasol ethane cracker in the US are all projects where we were involved at the conceptual stage. And they managed to move forward because we had good understanding of the objectives of the clients and the cost environment.

Moving to slide 25, in fact, we want to illustrate here that our model is quite similar, both upstream and downstream. We're seeing more of our clients wanting to work with us in this way as they recognize it's a solution to the underlying challenge that they have to reduce their project cost. In fact, regardless of the oil price level this was started years back on some of the projects I mentioned before. So, more and more we have to optimize not just the CapEx but also the OpEx from the design stage. For example, minimizing the manning or the man power of the platform, or the energy consumption in an ethylene cracker, at the very early stage this is something that needs to be designed with the OpEx in mind.

We obviously intend to continue to build alliances and partnerships to broaden this skill set and the knowledge that we bring to our clients.

Now, moving onto slide 26 I will conclude with a quick overview of our objectives for 2015. And given the backlog that we have we are able to be quite specific on what we expect to achieve in 2015. In subsea we will target revenue between EUR5.2b and EUR5.5b, so well over EUR5b as we said before. We think that in the current market uncertainty it is right for us also to be as specific as possible on our guidance. So we start the year with an absolute profit target range of EUR810m to EUR840m for the profitability of our subsea business.

In onshore/offshore although the revenue outlook does not change we have carried the difficult markets of the second half forward in our guidance. And again look to provide early -- to provide, sorry, clarity through an absolute profit target range between EUR250m to EUR290m.

So on slide 27 Technip starts 2015 in a strong position with a record backlog supported by the six pillars of our strategy. Our priority in 2015 will be first and foremost to deliver this backlog reliably and safely. Then we will pursue our actions to reduce our costs and reinforce our own capital discipline as described by Julian earlier.

With our clients we will continue to seek early engagement as the best means to help our clients reduce their project costs. We will be selective, but we will continue to invest in skills, people and technology. And we'll also look to broadening notably through partnerships and alliances the range of services we can offer to our clients. This seems to us a robust and proactive response to the market environment which builds on our strengths to create value for all our shareholders.

With that I will turn over for questions, thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Guillaume Delaby, Societe Generale.

Guillaume Delaby - *Societe Generale - Analyst*

Yes, good morning. In fact, two questions if I may. The first one is, I would say a rather housekeeping question. If I go back to your slide 18, the forecast you give for your fleet of 20 to 23 includes the disposal of four vessels because I struggle to reconcile the two. And then I will ask the other question which I hope is more interesting.

Julian Waldron - *Technip - CFO*

Guillaume, good morning, I'm sure both of them will be interesting. So, we have vessels over the period 2015-2017 which are old and which will drop out of the fleet. And all but one of those vessels which is a -- are -- have the replacement vessels already contracted within the 27 number at the end of 2014. So you have a couple of older vessels on charter in Brazil and the diving support vessels for example in the North Sea, which over the next two or three years reach the end of their life.

The PLSVs in Brazil replace those two older vessels, of course, and we have one new diving support vessel contracted for the North Sea. And as I mentioned we have a second one, the decision on which is currently on hold. So it's really just the older vessels going out of the fleet.

Guillaume Delaby - *Societe Generale - Analyst*

Thank you. So, the second question is probably a little bit more to Thierry. If we go back to, Thierry, we notice that when there are some downturns which are essentially supply driven when oil price goes down because of too much supply. We saw in the past that those downturns for the industry can last for an extended period of time. And I would like to know what is your view, what your crystal ball is telling you for the current cycle? And what are, I would say, the comparable points with this downward cycle and I would say the 1998 downward cycle? I just would like -- how would you characterize this cycle versus the previous ones and essentially 1998 or maybe 1996 which I believe are more comparable than 2008, 2009?

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Guillaume, and as you say it, I don't have a crystal ball. It's a very interesting question and I try to make a short answer to something where there are lots of moving parts here. And, yes, it is a crisis that has been triggered by the oversupply of oil or rather by OPEC deciding not to cut production and deciding to let the market -- the global market to cut production in projects that were the least profitable. So you're absolutely right to say that it is supply driven.

I have seen all these cycles which shows probably my age, but I am not sure we can completely make the parallel to previous cycles. Yes, 1987 was supply driven and, yes, 1987 -- 1986 sorry created a very long period of uncertainty and low price. But I'm not sure we can -- we can make the full parallel here because back in 1986 the speed at which the industry, and I mean particularly the operators reacted, was different. The price of oil went down sharply but actually it took quite some time for the wave to move around the world. It started in North America, then it went to Europe, Asia and then finished basically in the Middle East with minor impact in the Middle East.

This time something that we have observed which is I think quite different, is that everybody has been cutting very quickly, very sharply at the same time with the same recipe which is cutting what -- the costs that can be cut very rapidly, which is exploration, which is drilling, which is basically anything that is not absolutely critical to production. Now, it's much more difficult in this downturn obviously to cut on projects that have been already sanctioned, because of the influence of -- the complexity of the projects themselves. So what I do expect here is that actually we're going to see a pretty dramatic change in the supply over the next 18 to 24 months, because of these sharp cuts.

And I don't want to predict anything about the price of oil. But I could see that we should see a correction between the supply and demand within maybe 18 to 24 months. This being said it doesn't mean that our clients are not going to continue to put pressure on the supply chain; make sure that future projects are sanctioned at the right level of cost. So this is why as far as Technip is concerned we wanted to be prepared for an environment where cost had to be the focus. And by cost I mean not only our internal costs but also our project costs, and this is why we have taken the actions that Julian was mentioning.

Now, I will not go into the game of predicting the when and the how much we will see the price go back up. But certainly we need to get prepared and which is what we are doing, to deliver projects in a more much cost-effective manner in the coming years.

Guillaume Delaby - *Societe Generale - Analyst*

Okay. Thank you very much.

Operator

[Haley Myers], Barclays.

Haley Myers - *Barclays - Analyst*

Morning, thanks for your time this morning, just a very quick question or couple questions. First on the dividend, I find it interesting that you chose to go with a scrip and I was just wondering if you could us any details on why you chose that? What are you saving the cash for? You have a strong balance sheet, is it M&A? And if so, can you update us on what your current thinking is there?

Julian Waldron - *Technip - CFO*

Haley, thanks for the question. It's Julian, I'll take it. We wanted to give our shareholders the option either of taking cash out or taking stock, it's at their option; we can't force anyone to do either one or the other. But it seemed to us that that was an option that our share -- that some of our shareholders might welcome. And as Thierry said in his introduction, we would expect to continue our policy of neutralizing dilution if that's what happens over the coming 12, 18 months. So I don't expect to see a significant change in the share count.

Haley Myers - *Barclays - Analyst*

Okay, thank you. The next question is about Yamal. You mentioned a few times that progress is satisfactory. But I was just wondering if you could tell us anything about the remainder of the project? And if there's anything you can update us on -- about the remaining trains that haven't started yet? If it were to be reduced, the size, the scale of the project, how quickly you could reorganize your engineers on new work.

Thierry Pilenko - *Technip - Chairman and CEO*

All right, I'll take that question. Well, first, I want to reiterate that Yamal is progressing according to the plan that was established now a couple of years ago with the client. So -- and the project is progressing well. I think Total has communicated this week about the total project progress which is around 25%. But that includes, obviously, also not only the LNG plant that Technip and its partners are delivering but also the upstream and downstream partners of that plant.

So -- but -- so the project is progressing well, as far as the operations are concerned in -- on the site, I start with the site. On the site the piling work -- I mean there are thousands of piles that need to be built before we can install the modules, so the piling work is progressing. Al the modules that need to be fabricated and we are talking about 450,000 tonnes of modules, more than 200 modules being fabricated. All these modules, the purchase order for these modules have been placed with the different yards, most of them being Asian yards.

We are currently working on the options for logistics. These options will have to be activated later this year for the transportation of the modules. And we have about 900 engineers working on the engineering and procurement. Most of the engineering -- 70% -- more than 70% of the engineering is done, now 75%. We have done the first steel cutting in China and progressively the team will move from Paris to China and then from China to Moscow for the next phase. So everything is progressing as per plan.

Now, when you talk about reduced scope or potential reduced scope, this is not at all discussed with the client. The client still has the full intention to build the three trains so there is no change in that scope.

Now, your question then becomes very theoretical, should the client change the scope would we have to change the execution plan? Yes of course, but as I said it's a theoretical question because the scope hasn't changed.

Haley Myers - *Barclays - Analyst*

Okay, thank you. And just finally from me very quickly, on the remainder of your backlog which is a record high, which is great, but I was just wondering if you're seeing any pressure from customers to renegotiate any of the contracts in there? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Most of our backlog is made of long-term projects that actually combine not only Technip, but Technip, the subcontractor, the sub-subcontractor, the equipment manufacturers and so forth. So, to renegotiate a contract would be extremely difficult for a client, because it's not dealing just with one contractor it's dealing with a series of suppliers. So, no, we are not seeing anything when it comes to contracts around the negotiation of existing signed contracts.

Of course we are seeing a very strong focus for future projects to make sure that we actually get the right cost for these projects. And this is where being at the very early stage we can start to anticipate what's happening with the costs. Julian was mentioning before what's happening with our cost of supplies, the procurement -- on the procurement side. And actually if I look at all the categories that Julian was describing in one of the slides there. For all these categories but one we see that the prices or costs are going down, whether it is pressure vessels, pumps, electrical equipment, process control and so forth.

The only type of equipment for which we haven't seen a decline of price is actually everything which has to do with turbines and compressors where the market is still very solid and plants are well utilized and therefore this is, I would said, where we can expect the prices, therefore the costs are going to stay pretty stable. But for the rest the costs are going down, and I think this is what our clients want to see, how we can anticipate on future projects. On existing projects we don't have renegotiation of existing projects.

Haley Myers - *Barclays - Analyst*

Great, thanks very much.

Operator

Alain Parent, Natixis.

Alain Parent - *Natixis - Analyst*

Good morning, everyone, thank you for taking my questions. The first one is about the bid pipeline. How would you qualify it compared to a few months ago? And how should we see the order intake for 2015? I know it's a very theoretical question, but I may ask you to use your crystal ball once again, that's my first question.

Julian Waldron - *Technip - CFO*

Alain, thank you very much. I think compared to 12 months ago the bid pipeline is obviously lower. I don't think there's any particular surprise in that. I think more importantly from our point of view are two points. The first is that, as Thierry mentioned in his introduction and in his statement in the press release today, there are areas where we see specific pockets of resilience to the downturn and where we think we have a particularly solid or differentiating presence. Whether that be for example in downstream in North America or elsewhere, in our local content operations, in Asia for example or in South America, in areas around equipment in particular notably we've commented on flexible supply. So I think there are areas where we look and see ourselves well placed.

And secondly with the backlog that we have we have been very firm and clear with the commercial teams around the Group that the backlog enables us to be selective in the way that we bid at the moment. And look to bid on the right projects which will bring the right risks and rewards. And those projects generally where we have a particular advantage to give the client, to offer the client, to help the client move ahead.

So I think in terms of order intake, we don't guide for order intake and I'm not going to start now. With the EUR21b backlog we have we can afford to be very selective over the next -- over the next period and that's what we will do.

Alain Parent - *Natixis - Analyst*

Okay, thanks. Second question is about Brazil, Saipan recently mentioned some late payments from Petrobras and there are many things happening there. And I am also referring to the recent downgrades of the rating of Odebrecht which is your partner for some PLSVs. And I was wondering if that downgrade had any impact for your business with Odebrecht for pipe laying -- pipe laying vessels?

Julian Waldron - *Technip - CFO*

On the second question, absolutely not. On the first question I think we -- we don't generally comment on specific clients. We're very happy with the relationship with Petrobras, with the interaction between our operating teams in Brazil and with the visibility we're getting on the business there. So I think for us we continue to look at in particular the flexible pipe business in Brazil, which is the non-contractive part of what we do, and see that we have good visibility on the demand from the customer over the coming period.

Alain Parent - *Natixis - Analyst*

Okay, thanks. And very last one quickly, any comment on the working capital evolution in 2015?

Julian Waldron - *Technip - CFO*

At the beginning of 2014 I said that the working capital -- that we would consume and use working capital in the year and therefore it would be a cash flow negative. It turned out to be flat to slightly positive. I think if you will allow me I will start with the same speech that we gave at the beginning of 2014; I think it will be as projects move forward this year I would expect to consume the advances we have on our early stage projects.

Alain Parent - *Natixis - Analyst*

Okay, thank you very much.

Thierry Pilenko - *Technip - Chairman and CEO*

If I may on Brazil, just want to add something here. You are talking about cash flow and -- of Petrobras and so forth. You know one of the way to improve our clients' cash flow is actually to make sure that the production of the presalt is happening as efficiently as possible and as quickly as possible. And if you look at the ramping up of that production and the progress that Petrobras has made to take the presalt from zero to what I think was a 660,000 barrels per day in the last month I think it's remarkable. But one of the key elements for that is actually the pipes that link the wells to the FPSOs.

The FPSOs are coming; those pipes are being manufactured in our plants, whether it is in Acu or in Victoria. And we can see that the visibility for manufacturing in those plants is extremely good fueled by this high demand. So I think for us helping the client generating cash flow is first and foremost helping them reaching their production targets.

Alain Parent - *Natixis - Analyst*

Okay.

Operator

Rob Pulleyn, Morgan Stanley.

Rob Pulleyn - *Morgan Stanley - Analyst*

Yes, good morning, gentlemen, just a few more from myself if I may. The first one, and sorry to ask about Yamal again, regarding financing, there was some suggestion that the Chinese had extended some financing for Yamal. Could you maybe give a little bit of color as to whether that's confirmed and how the financing looks for that project, just to give us even more reassurance that that will remain on track.

The second question is a little bit housekeeping, is when you talk about the accelerated depreciation in the fourth quarter of 2014 and obviously Acu coming into that, is that a good run rate to take forward for 2015 and 2016?

And then finally you referenced in the release client behavior in the onshore/offshore business and apologies if I missed this earlier. But could you just elaborate a little bit on what exactly client behavior was and did to the result in the fourth quarter for the division? Thanks very much.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, well, I'll take the question on the financing in Yamal and on the client behavior and I'll let Julian answer the accelerated depreciation question. So first on Yamal, of course Novatek, Total and CNPC are better placed to answer the question about the financing, because we are not in charge of organizing this financing. The project from the beginning we knew was going to be in multi-currency and will continue to be a multi-currency project. So we do expect that the financing will come from maybe different sources from what it was planned for at the very beginning. But we have the confidence that this is happening.

And in fact CNPC being one of the key shareholders of the Yamal LNG project has also a lot of interest to see the financing being completely secured. And I think the client has communicated that by the middle of this year the financing should be in place. A big portion of that should be coming from China. That's all we can say at this stage. As far as receiving the cash from the client and therefore being able to deliver the cash to our subcontractors, everything has been received on time and according to the client's commitment as per contract.

Now, moving to client behavior, on onshore/offshore in particular sometimes onshore/offshore projects are not as well defined as a subsea project. A subsea project, because it involves a fleet of vessels and a very strict design in the architecture for the installation, we generally spend -- or our clients spend a lot more time making sure that we have the right designs, the right sequences. And therefore there are limited opportunities for variation orders in a subsea project.

When it comes to onshore/offshore there are some changes because we are onshore or because a platform is changing and so forth. And this is where, during the course of the project, we start to discuss changes. So I would say the client behavior that we have observed and that we started to describe back eight month ago were around the flexibility that the client had vis-a-vis those variation orders. Basically they get very strict instruction that the management would not accept variation orders and therefore this more, I would say contractual relationship with clients. This was there already as we highlighted in July and I would say this has been exacerbated by the lower price of oil in the last quarter.

Julian, would you like to answer the question on the accelerated depreciation?

Julian Waldron - *Technip - CFO*

Yes, Rob, I would use EUR250m to EUR270m as a reasonable range for next year, for 2015-2016, sorry.

Rob Pulleyn - *Morgan Stanley - Analyst*

Excellent, that's very clear. And sorry, if I could just follow back up with Thierry on the variation order question. That sounds like this is a generic push-back on variation from clients in that division. Or is there something -- one or two projects or clients that are specifically troublesome? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

I would say, any time you get into a more difficult environment for our clients, well, whether it's the price of oil, the price of gas or overall cost increase or whatever, you get into this more tense situation. So I would say it is pretty much across the board.

Rob Pulleyn - *Morgan Stanley - Analyst*

Okay.

Julian Waldron - *Technip - CFO*

If you go back to July, Rob, we highlighted for example customers who are not traditional oil and gas as being one area. And I think if you look at the comments across the industry from our competitors I think we're all seeing the same thing.

Rob Pulleyn - *Morgan Stanley - Analyst*

That's very fair. Thanks, thanks very much, guys.

Operator

Philip Lindsay, HSBC.

Philip Lindsay - *HSBC - Analyst*

Yes, thanks, good morning, gentlemen. Two questions please. Good to hear you're not getting squeezed on the work you've already signed. But just thinking about the other side of that on your own procurement, do you think you can actually extract procurement savings from contracts that you've already signed, and projects that are in the backlog today? Do your procurement teams have that sort of leverage? Or should we think about the impact of more of a -- as more of a pass-through on any new contracts that you might sign, that's the first question.

And then secondly, just thinking about some of the opportunities that you may see this year, the Middle East I think you've mentioned looks more active than most in terms of project award opportunities. I think if we look at the bidding activity in the press you do seem to feature more prominently than maybe you have done in recent years. Now from memory you sort of de-emphasized the region somewhat because you weren't comfortable with the contract risk profile and the competitive environment. Are you now more comfortable with the risk reward in Middle East?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay, two good questions. The first one, yes, we have seen a squeeze. Now, can we squeeze on the supply chain? This is not how it works. When we engage into a contract with clients, in order to minimize risk we have to make sure that we are aligned with the supply chain. Therefore we have agreed on the prices ahead of signing the contracts in many, many cases. So no, I mean this is not how it's going to work.

Now, where there are opportunities is on future projects as I said before, to save cost on future projects, because as plants are getting less utilized and as people will do less subcontracting and so forth, I believe there will be a real opportunity on future projects to reduce costs. One of the costs that exists today in the supply chain is coming from the subcontracting and sub-subcontracting across the chain which is introducing inefficiency and productivity issues, and also piling up of different levels of profit in the supply chain, if you want. As the volumes will be lower we will see companies being more focused on their own resources, doing less subcontracting and therefore being able to be more efficient and more cost effective. But no, there is no opportunity generally on projects that have been signed.

Now, going to opportunities in 2015 and beyond I would say there are several things that are happening. First of all, I think it's important to highlight that it is not because the price of oil has gone down significantly that suddenly all projects are going to stop. Actually we are going to see projects moving forward which are greenfield projects, which are strategic projects for the operators. I give you examples, when an international company or a national company has been negotiating for several years the certain position in a new field, in a new area and when the start-up aligns between the operators, the national company, the state and so forth it is very hard not to move forward with these strategic projects.

In fact many of our clients are still talking about taking positions and moving ahead in places like Mozambique where not only you have the reserve but now you have the maturity in the entire system to move forward. So we could be seeing some projects there. So these strategic projects could be sanctioned sometimes at the expense of some brownfield work. And in fact the operators today are doing that choice or that arbitrage between brownfield work, which sometimes can be quite profitable, but can always be postponed to better days, and greenfield work in strategic areas. So what we want to be associated to at Technip is to be associated to the right projects particularly in the greenfield area which have the best chance to move forward, that's the first thing.

Now, to be more specific about the Middle East, I think first the Middle East has always given good visibility about the projects they want to push. And this was true 10 years ago, this was -- this is still true today. Now, over the years what have we done? We have decided to diversify our portfolio. I wouldn't say to de-emphasize the Middle East, but you know, eight years ago 50% of our backlog was in the Middle East, so that was a little bit too much.

The second thing that was happening is that we had strong competition in the Middle East, particularly coming from Asia. And over the years we -- our clients have realized that this competition was not necessarily delivering the quality that they expected. So they are now very eager to see us coming back. And they involve us again, same story, they involve us early in the process. We have always maintained a very strong position in the Middle East with FEED and therefore we think we can leverage that position to select the right projects, particularly those which require technology and then we'll move forward on these projects. So that's true for the onshore/offshore side.

Now, on the subsea side, for us the Middle East is actually a new market. In the sense that since we purchased Stone & Webster we managed to bring to the Middle East the S-lay technology with dynamic positioning that nobody had. And we've been able to break into that market with -- and our subsea has actually grown into the Middle East in an area that four, five years ago we thought was congested with local players. But actually again this is technology that has allowed us to define a new market. In addition to that, we -- so this S-lay technology that I was talking about of course came from -- from our acquisition of global industries otherwise we wouldn't have been in that market.

Last but not least, over the past four years now we launched an initiative to develop project management consultancy. And we have been particularly successful in the Middle East. So in that case what we are doing here are actually services -- low risk services where we are in between the client and the contractors. And if we look at our portfolio of projects today we have about $1b of projects which are coming from PMC services. So I think these are the different -- the different aspects that we've put forward in the Middle East. So technology, project management consultancy, FEED, and for example we won in the Q4 of 2014, we won the NASA project as PMC. And so that's -- that's still a good opportunity for us.

Philip Lindsay - *HSBC - Analyst*

Okay. All right, that's great. Thanks.

Operator

Amy Wong, UBS.

Amy Wong - *UBS - Analyst*

Good morning hi, I have two questions please. The first one is on your vessel fleet reduction and your overall cost cutting. Could you explain a little bit in terms of your rationale for how you got around to reducing the fleet? Is it more a response to you see the weakness in the spot market or how you -- or the response to how you see the market is -- the industry is developing structurally? I struggle to see how you had 36 vessels in 2013 and when you're actually going to be executing on a peaky type backlog, much higher backlog in 2015 to 2017 that you can actually cope with a third less vessels. Thanks.

Julian Waldron - *Technip - CFO*

Amy, thanks for the question. Not all of what we've done on the fleet is a reaction to the last six or nine months, it also represents over the last 18 months a strategic look at the fleet and at what we need to control, and what we need to have available for us and what it is better for us to buy in as third party vessels. So the decision, the strategy that we've pursued is to have a fleet of as modern as we can vessels for us. To have those vessels, as far as possible, versatile, so that we can if we need to swap one out and replace it with a similar sort of vessel.

To exit a number of businesses that were not commensurate with doing large high-end, complex, technology-rich type of projects, and those are for example the low-end diving markets that we exited last year. A view that with the capacity coming on stream for more commoditized type of vessels that it would be more advantageous for us to be a buyer of those vessels on the market from third parties rather than an owner of those vessels. Now, I could go on, but those are some of the things that we had in mind.

And I would say last but by no means least of course you have the alliances and partnerships that we've put together including the one with Herrema. So I think it was a critical look at what we needed to own to execute the backlog that we had and the vessels that we have divested or let go really have no value added -- material value added in terms of ownership against the backlog that we have to execute. Now we've accelerated, or at least reinforced that over the last six to nine months and we've got a little bit more flexibility over 2015-2017 as you can see.

We also have made a decision over the last couple of years where older vessels, rather than keeping hold of those older vessels for as long as possible, we've actually taken the decision that it's better to exit those earlier rather than later. The consequences of that I think is that we own or control the vessels that we need to execute the backlog we have. We have fewer people spending their time trying to find spot work for smaller or low-end vessels. We've executed vessels at the lower end of the value chain and we think we can run the fleet on a more efficient basis over the next two or three years in terms of direct cost, in terms of maintenance cost and reliability, and in terms of the flexibility of the fleet between the projects we have.

So sorry, that's a long answer but a lot of strategic and tactical thinking gone into what sort of fleet do we want to own to execute the backlog we have.

Amy Wong - *UBS - Analyst*

That's very helpful. Thank you. And just one housekeeping one, on the scrip dividend will you be issuing that at a discount?

Julian Waldron - *Technip - CFO*

At 10% discount.

Amy Wong - *UBS - Analyst*

Great.

Julian Waldron - *Technip - CFO*

As per the press release, yes.

Amy Wong - *UBS - Analyst*

Okay, thank you.

Operator

Fiona Maclean, Merrill Lynch.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Thank you, yes, it's Fiona Maclean at Merrill Lynch here. I have a couple of questions about the dividend. Firstly, can you clarify if you'll be delivering all of the new shares that may be needed for the subscriptions out of your existing treasury? And maybe you could confirm how many shares you do have in treasury at the moment?

And then secondly, the growth rate in the dividend that you've announced for 2014 was significantly higher than what we've seen in recent years. And given there has been a rebasing today, could you give us some help in how we should be thinking about modeling that dividend going forward? And also, should we also assume that having the choice between cash and a scrip is going to be a permanent feature? Thank you.

Julian Waldron - *Technip - CFO*

In terms of the scrip, Fiona, first of all, the scrip's optional, so we don't know how much of that is going to get taken up, we'll have to wait and see. In terms of delivering the shares, I would go back to one of the comments I made earlier, I think whether technically that's delivered in new or existing shares is I think for shareholders is going to be irrelevant, because we don't expect our fully diluted share count to change, because if we do issue stock for that scrip then we'd expect to neutralize dilution through buyback.

As far as treasury shares I can confirm to you the exact number. I think we have around 2m in treasury at the moment. Most of those are earmarked for existing employee long-term incentive plans. So if we were to neutralize dilution for example around the scrip we would need to go into the market and we will go into the market and do additional buybacks.

As far as the dividend growth rate is concerned, the compound average growth rate since 2008 is around 9%. I think every year over that period the increase has been I think around 6% at the low end and I think last year we did 10%. So we would say to you, what you see is what you -- is what we would hope you will continue to get, which is a dividend increase within that range, which is sustainable and to an extent predictable and which keeps roughly speaking in line with that compound average growth rate. That's what we're looking to do through the dividend.

Fiona Maclean - *BofA Merrill Lynch - Analyst*

Okay, thank you very much. That's all from me.

Julian Waldron - *Technip - CFO*

Thank you.

Operator

David Thomas, Credit Suisse.

David Thomas - *Credit Suisse - Analyst*

Yes, good morning, thanks for taking the question. I'll leave the inevitable question about the 2016 outlook which nobody else has asked, but put it in a way -- in this sort of way, which is that you've got a very strong backlog for this year. It's given you confidence about your EBIT for 2015 and obviously therefore we can work out what the implied margins are for 2015. With the -- what you have in the embedded backlog for 2016 and how much there is to cover, what should we be thinking about for 2016 margins in terms of the competitive environment and what you get in 2015 for execution in 2016? Should we be thinking about it being pressured downwards? Thanks.

THOMSON REUTERS

Julian Waldron - *Technip - CFO*

David, if only we'd taken one less call. You sort of pre-empted half of the answer in the way that you raise the question. We've got a two-year set of guidance for 2014 and 2015. And our focus really has to be on delivering two-years worth of performance as best as we possibly can. I think as we've highlighted this morning we are very pleased at this point with the way subsea is coming together over 2014-2015. I think every milestone that we asked the subsea group to hit last year they hit. There are much more headroom -- headwinds in onshore/offshore.

I think looking ahead to 2016 you can see the backlog that we have -- that we have booked or estimated for that. It's at a high level and I think -- not that I like necessarily looking at consensus the -- the EUR6.4b that we have estimated for 2016 is a historically very high level of coverage relative to consensus. And I think the only other point that I'd make is what's inside that backlog is, as far as we see it today, high quality, diversified, good risk, good reward projects in line with what we're currently delivering, for example in subsea.

Now, what happens over the next 12 months before we go into 2016 and give guidance for 2016 I don't think either of us will sit here and talk about in detail. But we think with the order intake in 2015, the quality of that order intake, we're in as solid position as we could hope to be. And certainly a lot more solid position than generally looking at forward year two and indeed forward year three.

There are clearly some things which are not in that backlog, not all of Yamal is in that backlog, not all of our services is in that backlog. The income from the PLSVs in Brazil is not in that backlog. So there's a lot more secured than just the EUR6.4b gives. Obviously there's some work to do over the next 12 months to firm up, but we feel we're in as solid position as we could reasonably be, and certainly better than we've been historically. And the underlying portfolio, as I said, is one that we look at and feel that if we execute it well it's going to be a good contributor for the Group.

David Thomas - *Credit Suisse - Analyst*

Great. You just raised a point, if I can just quickly ask on this, because backlog for 2015 execution is very strong. Am I right in saying that backlog doesn't include the likes of services and the Brazil PLSVs? So actually if you include those you're really very well covered against consensus for 2015 revenues?

Julian Waldron - *Technip - CFO*

Correct.

David Thomas - *Credit Suisse - Analyst*

Great. Thanks very much.

Julian Waldron - *Technip - CFO*

Thank you very much, everybody.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you very much and have a good day.

Kimberly Stewart - *Technip - Head of Investor Relations*

Ladies and gentlemen, this concludes today's conference call. Many of you that were waiting to ask a question I'm sorry we didn't have time. But we'll be meeting with many of you in Paris today and in London tomorrow and we look forward to that. But in the meantime you will be able to access a replay of this call within about two hours. And if you have any questions the investor relations team will be contacting you very shortly. Once again thank you for your participation and please enjoy the rest of your day.