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PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's fourth quarter and full-year 2013 conference call. As a reminder, this conference call is being recorded. (Operator Instructions).

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

Thierry Pilenko - *Technip SA - Chairman & CEO*

Good morning, ladies and gentlemen. Thank you for participating in Technip's conference call. I'm Thierry Pilenko, Chairman and CEO of Technip and with me are Julian Waldron, Arnaud Real and Virginie Duperat from the finance team, as well as Kimberly Stewart, [Michel Chante], David Tadbir of the investor relations team. I will turn you over to Kimberly who will go over the conference call rules. Kimberly.

Kimberly Stewart - *Technip SA - Head of IR*

Thank you, Thierry. I would like to remind participants that statements made during the conference call 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 release and an audio replay of today's call at technip.com.

I now turn you back to Thierry who will go over the fourth quarter and full year 2013 highlights.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, now many of the elements in today's proceedings were already presented to the market in our call on December 17 and as you can see we met or realized objectives for 2013 and currently have no change to our guidance on 2014 and 2015. Julian will go through the 2013 results and comment on CapEx, cash flow and costs. I will then spend some time to go through how we see the macro outlook for Technip's business. As you will see, we continue to be positive about Technip's ability to win projects and about our visibility on our clients' intentions.

First of all moving to slide 5, I'd like to start with the fourth quarter 2013. Having revised our expectations down for subsea and upwards for onshore/offshore in October, we have met all aspects of the guidance as you can see on this slide. Consensus was aligned to our revised guidance and so we believe we have met market expectations as well.

On slide 6 we summarize some of the key factors in 2013, we actually delivered a strong growth in revenue, sustained a good level of profitability at operating and net income level and, very importantly, we were awarded EUR12b of new orders in 2013. Our net cash position of EUR663m was also very strong at yearend.

So strategically we have a record backlog level that remains profitable and diversified. This is, we believe, a great position from which to start the 2014/2015 period.

We continue to invest in people, our global footprint, and in assets during the year and also put in place a series of strategic alliances with customers and industrial partners to reinforce our long-term leadership, I'll come to that in a few minutes.

So confident in our prospects we are able to recommend an increase in our dividend for our shareholders, namely a 10% increase to EUR1.85 per share.

Now I will turn you over to Julian.

Julian Waldron - *Technip SA - CFO*

Thierry, thank you very much and good morning, everybody. So I will start on slide 8 with the fourth quarter operational highlights. I've got two pages on subsea, the first which focuses on all regions worldwide and then the second is a particular focus on the Gulf of Mexico.

So on slide 8, two North Sea projects finished at the start of the quarter and we've also finished in the Gulf, Jack and Saint Malo towards the end. As we indicated would be the case, there were a few projects with substantial offshore operations in the quarter outside the Gulf and accordingly vessel utilization was 69% in the quarter compared to 78% a year ago for that reason.

Against that, as you can see, there's a very large number of projects towards an active offshore campaign, both in 2014 and 2015.

The subsea operating margin for the fourth quarter 2013 was 13.5% and therefore 14.3% for the full year, compared to our guidance of around 14%.

If I can move in some detail to slide 9 on the Gulf of Mexico. As you will recall, we have seven distinct projects and the execution plan has to be to work on all of these in parallel. The Deep Energy started working in November and has since completed two major offshore campaigns laying rigid reel pipe and umbilicals in three trips. The Deep Blue has always been working intensively on the projects. Other vessels are currently working; they are in fact, as we speak, in the process of spooling for the next campaigns in Mobile.

Our clients continue to be constructive in working with us through both our and their schedule issues and accordingly the financial assumptions we set out in December are confirmed. Just to remind those we expected around EUR100m of revenues from these projects in quarter one 2014, that expectation remains valid. We do not expect to record any profit against these projects and that expectation also remains valid. In conclusion, we are where we projected to be.

If I can turn to onshore/offshore on slide 10, the segment delivered revenue and profitability in line with our expectations which, as Thierry said, were raised in October. Revenue grew strongly in the fourth quarter, up 38%, operating profit up 27% and the only comment I would make on operations is that we started to handover Jubail for our client in quarter four which added to revenues.

On slide 11 we set out the Group profit and loss statement on an operating profit level. Revenue for the full year grew 14%, as we mentioned, despite some adverse currency movements in translation. Those translation effects reduced growth by about 4%.

The operating margin was lower year on year and that's, of course, due to the impact of subsea in the fourth quarter.

I'd like to make a point on costs, operating costs at this point. They've risen over the last few years as you know. The drivers have been on the one hand, the growth overall of the Group, some external events such as social tax increases here in France and the cost of employee incentive plans. On the other hand, we've also made specific investments, particularly in R&D and in growing our national content strategy. And lastly, as for a number of years now, the time taken to sanction projects has progressively lengthened, we spend more on selling and tendering.

Now I think we believe that these factors are becoming less important and we therefore expect our operating costs to flatten out and potentially drop slightly in 2014 versus 2013. There are some specific actions that we're able to take in this regard, notably, for example, to capitalize on the series of IT system upgrades that we've made over the last two years.

Also our strong backlog enables us to be more selective and thus have some additional discipline in controlling our selling and tendering spending going forward.

Looking on slide 12 profit and loss to net income, net income grew 4%, earnings per share grew by a similar amount and this reflects the share repurchase program that we have that neutralizes the employee incentive plans. We said a year or so back that net income and EPS would start to track each other more closely and we're now delivering on that commitment.

Financial result was negative; this is largely IAS 32 -- or 21, 32 and 39 costs, essentially hedging effectiveness. It's more pronounced in this quarter for a couple of reasons, first because our backlog is much bigger but also the currency movements, as you'll recall, are already on one direction and have been quite substantial year on year.

Tax was at the bottom end of our expectations at 25% for the year and this reflects where we're making profit at the moment and with the differential tax rates in those countries.

If I now turn to slide 13 I want to spend a moment on cash flow. In the first half we had cash outflows and we started to having positive working capital in quarter three as we had forecast. Now in October we said we expected this positive trend to continue and so it did, we had a EUR686m positive working capital movement in the fourth quarter. This was essentially due to customer payments, advances and milestones on projects and this, I would argue, is logical and quite good news when you bear in mind some of the following points.

Our backlog has grown substantially and we have been clear when we've had questions on it over the last year or so that we see no structural shift in the payment terms on our projects. We believe the industry is still largely having customer advances coming through on new projects and that's true for Technip.

Next, our projects are progressing so as they pass milestones you see this both in the revenue growth but also in the cash flow. So even if our profits in our projects according to our accounting methods are backend loaded, the cash flow you would expect to be more frontend loaded and I think that's what you see in the strong yearend cash position.

So on slide 14 gross cash rose to just over EUR3b reflects the operating cash movements that I've just mentioned and also the raising of three private placements in quarter four. We raised EUR355m of debt at about a 4% interest cost for maturities between 10 and 20 years and that's part of our ongoing strategy to extend the maturity of our financial debt.

Concerning CapEx, CapEx was EUR556m net in 2013, so around about our guidance of EUR570m. Most of this was the milestone payments for the Deep Energy, the Deep Orient and the manufacturing plant at Acu and Newcastle.

We also accelerated our asset and vessel disposal program in the second half and we intend to continue this. We've closed on the sale of another vessel in fact this week and this is an important part of our flexible and prudent CapEx strategy which I'd like to cover it in a little more detail on slide 15.

Now as a general rule we'll maintain full control of key differentiating assets such as manufacturing plants, our high-end S-lay and reel-lay assets. Other differentiating assets and notably those on long-term charter can be owned and controlled flexibly and, as you know, most of those are in joint ventures today.

Other assets that we need on projects will generally be acquired either on medium or short-term lease or on a spot basis, there's no change in that part of the strategy and in some cases we will lease with an option to buy. Older assets will be sold and if and when critical will also replace those and with replacing we're likely to look to upgrade as well for future prudence.

As I mentioned we sold three vessels in 2013 and we've got another one sold earlier this week. Now as you know we have some important vessels notably in diving and construction which are reaching the end of their lives. We've commissioned two replacement vessels to prepare for that end of life in a way which fits the strategy I've just outlined. So a diving support vessel, similar yet probably with some additional innovations to the Skandi Arctic which, as you know, is 50% owned by us. This new DSV will replace probably in time one of the older diving vessels that I mentioned.

And then secondly, a vessel to replace one of our heavy construction vessels, the Deep Pioneer. She will be built by a third party and we have a long lease on that vessel with an option to buy.

Overall, we intend this strategy to maintain flexibility and prudence in our capital spending with a focus on keeping our high-end fleet renewed and the right mix of ownership, control and flexible costs.

Overall, looking at 2014 we expect CapEx to fall modestly from 2013 levels and we'll fine tune the amount of the year as we've done previously.

The last thing on this slide, I note that we will do a quick teach-in in April about the first-time implementation of IFRS 11, which I think is important for ship owners.

So just to conclude quickly on slide 16 on asset delivery. We started up three new vessels which expanded our capacity in 2012/2013. In 2014 we'll add manufacturing capacity in Acu and Newcastle and in 2014 to 2015 we'll bring on three new vessels, one leased, two 50% owned. And 2016 and beyond, as you can see, we have two replacement vessels and then the chartered vessels with Petrobras. Between the long-term charter contracts that we have and the strong backlog we think there's very good visibility on the utilization of these assets.

So I'll close on dividend and guidance on 17. The dividend, given, as Thierry mentioned, the confidence we have and the visibility we have, it seemed to us appropriate to recommend a 10% increase in the divided to EUR1.85 per share. This is a little higher than our compound average growth rate over the last six years.

And then last on slide 18 we confirm all and every aspect of our guidance detailed on December 17, including based on what's happened since in terms of order intake and project performance.

I'd also just like to reconfirm what we said about the first quarter in subsea. On December 17 we said we expected a 5% margin on flat revenues year on year and that's reiterated without any change today.

We did get a couple of questions this morning whether we had any additional color on onshore/offshore in the first quarter. We don't have any material project completions as far as we can see, we'd expect revenues up year-on-year, maybe 20%, 20% plus, so that would imply revenue somewhere between EUR1.2b and EUR1.3b, and seen as we don't have any project completions probably a margin of 6%, 6.5% in the quarter.

With that I'll turn back to Thierry.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Julian. My part of the presentation will now focus more on the order intake and the client trends. I know that this has been the focus for many of you over the past couple of months. We have been and remain positive in our perspective with good reason as I will show you.

First on slide 20, the fourth quarter order intake was robust and very well balanced, about EUR1.6b in each segment, so it's a very good book-to-bill. And amongst the larger projects were the T.E.N. subsea development in Ghana, the CP Chem downstream investment in the US and the SK316 offshore and subsea, it's a combined project, it combines both offshore and subsea development, in Malaysia.

Less substantial but strategically important is the project management consultancy, an order which has been won in Kuwait. PMC is actually an important new business area for us and these competencies in PMC were significantly strengthened by the Stone & Webster process technology acquisition in 2012.

On slide 21 we set out three ways of looking at our backlog diversification. First, geographically we are well spread across our regions.

By market split you can see the importance to us of offshore and subsea work and as we indicate about 40% of the shallow water projects are platform projects, 60% subsea. By contrast about 90% of the deep water projects are subsea.

Now looking at by clients we have a good balance between the super majors, the national oil companies and other large and small operators with whom we do business.

On slide 22 we set out the data on contract size that we have shown to you before. So within the EUR8.6b subsea backlog, the largest single contract remains Moho in Congo. In onshore/offshore Prelude is less substantial in backlog than it was because the project has been progressing. There is nothing material in our backlog for Yamal LNG at this stage. So overall we continue to be able to build our backlog with a wide range of projects.

Now looking forward, in fact our client CapEx continues to increase even if at a more moderate rate than in the past decades. Some things remain very clear in our industry, among them the fast depletion of older reservoirs, the abundance of new finds potentially to replace them and the long term trend towards more gas production, plus the importance of shale oil and gas to the US onshore market.

For some years now, larger projects have taken longer sanction but recent actual project awards as well as announcements by our clients confirm that our clients remain focused on moving most of them forward. More and more they are actually engaging deeply with the supply chain in the definition and the implementation of fit-for-purpose solutions, I'll come back on that later on.

On slide 23 we have highlighted three areas where we see spending as robust in the short to medium term and where Technip is well placed to benefit.

I'll start with subsea. First of all, we have the proving out of major new finds such as the pre-salt in Brazil. Proving out means also the technical solutions to enable them to be developed cost effectively such as the use of flexible pipe in deep water.

In addition, we can look ahead to new basins openings up such as Indonesia and East Africa. Some of these are classic deep water plays, some are more technically challenging deep to shallow developments for example.

Plus we have seen the early signs that subsea processing is growing fast, it offers benefits to our customers in terms of overall investment costs and [life] reliability and efficiency and the Asgard project is an excellent example on how Technip can play a leading role in that space.

In offshore and onshore, LNG remains very important for Technip. We continue to expect long-term demand for gas to grow and prices in Asia remain robust. We believe in the next couple of years we will see more final investment decisions for LNG and Floating LNG.

Now the shale gas revolution in North America is also creating multiple opportunities for the longer term growth of both domestic downstream industrial plants and potentially LNG for export. This is really a multi-year opportunity for the industry. Technip has the technologies, track record, regional presence and customer relationships to actually capitalize on these mid-term opportunities.

Now we also see things in the much shorter term, opportunities in the near term. Thanks to our early involvement in many projects we have good visibilities on our customers' objectives and intentions. In fact, this give us confidence about some areas of sustained project awards and potentially order intake growth in the coming 12 to 18 months.

Among these are new [new term] opportunities and we can notice that we have several projects which are at a very early phase, engineering phase, in the Gulf of Mexico, in the Caribbean and in Canada, particularly offshore, for developments beyond 2015.

Now we continue to see a momentum in Brazil where pre-salt subsea system awards and necessary assets to develop them are in high demand.

We were very clear in December that we still saw good opportunities to take projects based on our customers' intentions and our technology and since then we have seen some customer announcements, such as Yamal LNG and [Yankrik] in Indonesia which go in that direction. So the momentum is still solid and I think we are well-positioned.

Now if we look at our strategic direction we think it's going to allow us to win good projects more often than not because of the early involvement and elements of technology other than a pure competition on price. I'm not going to go into all the details here but I would just highlight the ethylene and hydrogen technologies, the high-end flexible products, the fact that our manufacturing and products are differentiators and we have a strong record for delivering vessels, manufacturing plants, a strong track record in major projects execution and a good track record in obviously LNG and Floating LNG.

Last but not least I think it's important to notice that we now have close to 40,000 people and we have been developing our engineering centers and our execution centers much closer to our clients, being involved at the very early stage with the conceptual technology and FEED resources.

So we will continue to invest in these strengths to make sure that we drive a diversified and profitable backlog.

So on slide 26 one of the most important developments of the last few years actually has been the establishment of long-term partnerships. In fact, Technip has been an attractive partner for our clients and for industrial partners who take a long-term view in technology. I'll just highlight here what we've done, for example, with Sasol on GTL, BP on the PTA, Heerema as an industrial partner for ultra deep water development and also our recent agreement with Huanqiu and COOEC in China which allows us to have access to both offshore and onshore projects in very strong alliances.

So on slide 27 we have our estimated backlog schedule which at the start of 2014 stands, as I said before, at a record level giving us a relatively high level of visibility. For example, if we take subsea, our 2014 guidance was three-quarters covered by our yearend backlog, so 75% coverage which is excellent. And if we take 2015 revenue for which we guided to well above EUR5b, you can see that at yearend 2013 we already have nearly EUR3b in the subsea backlog for execution in 2015.

So this visibility enables us to look forward confident in our, first in our strategy framework, but also to set realistic and achievable objectives for revenue and profit for 2014 and 2015.

Now moving to slide 28 to show how we have started the year. As you can see our order intake in January and early February was strong and diversified. So the momentum continues and we do expect to add more projects during the rest of the quarter and this view does not include Yamal LNG which I expect will still take a couple of months to finalize.

Now looking at our priorities for 2014 they are very clear. They are to maintain a diversified and profitable project portfolio, to demonstrate our execution capability continuing to deliver our projects safely and reliably, to pursue investment in people, technology and national content and deliver our planned assets, to continue to provide customer value-added and fit-for-purpose engineering, notably at a very early stage in the project lifecycle.

We expect the result of this to be a very strong reinforcement of our leading position in our industry.

I will now turn the call over for your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Geoffroy Stern, Kepler Cheuvreux.

Geoffroy Stern - *Kepler Cheuvreux - Analyst*

Yes, good morning. Given how bearish the market is on E&C players, it's good to see you are still remaining positive on the outlook. Still I have a question with regard the bidding activity, given the expected moderate rate of CapEx growth, do you see some contractors desperately looking to secure work i.e. do you see them more aggressive at the bidding stage?

And a related one to the bidding activity, how much oil companies are pushing you to take more risk and risks that you are not comfortable with actually? Thanks.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, two good questions, thank you, Geoffroy. First of all about bidding activity, I think we haven't seen a major change in the bidding activity over the past three to four months. We did have some signals from clients that they were going to have more client discipline -- more CapEx discipline sorry. We see that many of the projects on which we've been working, sometimes for more than a year, are now moving forward.

Do we see more aggressiveness from the competition or you used the word desperate, I would certainly not use that. We do see in certain areas like we have seen before, say onshore, for example, in the Middle East we have seen more competition over the past four or five years for onshore developments. In subsea developments we have seen a couple of new entrants that are generally focusing on the simple jobs but for the jobs that require technology and for the projects that are, I would say, pretty large we still see the same type of dynamics. We haven't seen a major change.

Now when it comes to oil companies pushing risk, I would say at the moment other than talking about risk we see oil companies actually engaging with us to make sure that we can design production systems, platforms, plants and so forth, in the best possible manner so that we have fit-for-purpose solutions. So actually rather than talking about risk pushing this way or that way we are actually engaging on how can we make sure that the projects which sometimes we have considered as marginal projects can move forward with the right solutions. So I would not say that there has been any major change in the risk movement over the past three to four months.

Geoffroy Stern - *Kepler Cheuvreux - Analyst*

Okay, just a follow-up if I may with regards to your expectation in terms of order intakes this year. Would you say that it will potentially be a bit more backend loaded this year and to what extent we could see a book-to-bill of around 1x this year? Thanks.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Well, you know we don't guide on order intake and so we are not going to start that, but what I can tell is that for two years in a row we've been able to win about EUR12b of orders which is a book-to-bill which is much greater than 1 and if I look at the opportunities that we have in the pipeline we still see that we should have good momentum both onshore/offshore as well as subsea.

Geoffroy Stern - *Kepler Cheuvreux - Analyst*

All right, thank you very much.

Operator

Tahira Afzal, Keybanc.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

Thank you very much and congratulations on your strong cash flow and sort of being back on track.

Julian Waldron - *Technip SA - CFO*

Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

I guess my first question is more macro. As you look at the shale development cycle and (inaudible) in the US do you feel it is going in terms of pace as planned? Or are you seeing the projects being a little more staggered that you initially thought?

Thierry Pilenko - *Technip SA - Chairman & CEO*

I'm sorry, I missed the first part of your question.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

Oh it's, if you look at the shale-oriented projects for the downstream, polyethylene projects, would you say they're going as you originally thought in terms of timing or do you see them being a little more staggered?

Thierry Pilenko - *Technip SA - Chairman & CEO*

I think they are probably a bit more staggered but we never, a lot of projects were being talked about in parallel for quite some time in the US, whether they are LNG projects of downstream petrochemical projects. I never believed that those projects would happen all at the same time and, in fact, because of the resources, because of the CapEx discipline and the reprioritization we can probably see that these projects are going to be more staggered which is something that we always anticipated. A little bit similar to what has happened in other parts of the world where you couldn't have all the projects moving forward in parallel, but you're right, we see that, yes.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

Okay and the second question is to Julian. Julian, when you gave the update in December you also mentioned in the first quarter the revenues coming from larger projects that were on a deferred status in terms of profit recognition and some costs related to Acu. I assume those have also stayed intact in terms of where you are now versus December?

Julian Waldron - *Technip SA - CFO*

Hello, Tahira, thanks for the question. Yes, they have. Within the first quarter we'll have around about EUR300m of revenues from those early stage projects which is the same number as we indicated in December. And we'll have some costs from Acu and from vessel downtime of maybe EUR25m, EUR30m and that's how you go from a more normalized quarter to the low first quarter we'll have and also how you rationalize as well the uptick that we expect from quarter one to quarter two. We indicated that we expected margins for quarter two, quarter three, quarter four 2014 to fall within a range of 13% to 15%. That remains valid, that hasn't changed. So, all of the details around the guidance for 2014 that we gave in December remain unchanged today.

Tahira Afzal - *Keybanc Capital Markets - Analyst*

Thank you very much.

Julian Waldron - *Technip SA - CFO*

Thank you.

Operator

Guillaume Delaby, Societe Generale.

Guillaume Delaby - *Societe Generale - Analyst*

Yes, good morning, three questions on the same subject which is cost control. So, Julian, you mentioned that you expect operating costs to flatten in 2014. I'm a little bit confused because given the fact that your staff is going to, has increased from roughly 36,000 end of 2012 to 40,000 end of 2013 I would like to know how is it possible?

And also I would like to ask you two questions regarding what kind of level of SG&A could we get in 2014?

And also I saw that you increased research and development expenses in Q4 2013 to around EUR25m. Should we take that, let's say, as a normalized quarter expense in terms of R&D? Thank you very much.

Julian Waldron - *Technip SA - CFO*

Guillaume, thank you. They sound like questions for me so I'll give Thierry's voice a rest. Operating costs, operating costs for people to execute our projects, so the cost of sales above gross margin, revenue is going to rise in 2014 and, as we've said in 2015, so the costs to serve those projects will by definition and the number of people we need will by definition go up. What we want to start to do is to extract economies of scale from the business and there are a number of areas in which we can do that. We also see some of the cost pressures around selling and tendering which come in below the gross margin level, we see those pressures flattening out as well.

So it's the OpEx, if you will, between gross margin and operating profit that's in my commentary, I said I thought the pressures were beginning to flatten off and we would look to bring that in stable or even down 2014 compared to 2013.

Guillaume Delaby - *Societe Generale - Analyst*

Sorry, Julian, so you mean SG&A let's say could be stable in, or even down, in absolute terms not relative?

Julian Waldron - *Technip SA - CFO*

Correct, sir.

Guillaume Delaby - *Societe Generale - Analyst*

Okay.

Julian Waldron - *Technip SA - CFO*

So to follow on for your second question we want to continue and we will look to continue to increase R&D. I think quarter four [2014] was probably a little higher than an average run rate. We did have some qualifications of products and things to do in quarter four so there was a little more spending.

But we want to continue to push R&D up for all the reasons that Thierry said to you. We think bringing technology both onshore, offshore and subsea to our customers is a good way for us strategically to cement our position and to take projects, so we'll continue to do that.

So I'd expect in 2014 R&D to go up and SG&A to be flat to down. I'd expect to -- for the Company to work to continue on that trend over the next couple of years.

Guillaume Delaby - *Societe Generale - Analyst*

Thank you, Julian, it is very useful. Thank you very much.

Julian Waldron - *Technip SA - CFO*

Thank you, Guillaume.

Operator

Ryan Kauppila, Citigroup.

Ryan Kauppila - *Citigroup - Analyst*

Yes, good morning, a few questions from me. On the selling and tendering, the hope for cost savings coming through. To what extent is that that you're being asked to tender less, if at all?

Secondly, if you could just provide a little update on Yamal and maybe a near-term calendar for how you see that progressing?

And finally, Brazil continues to be a land mine for contractors. A lot of different excuses get presented from the industry. How do you see that market? How have you seen it develop over the last six months? And I guess relative to when you sanctioned a lot of your ongoing investment there how has the pace of activity changed if at all?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, well, I'll have Julian answer the question on selling and tendering and I'll take the Yamal and the Brazil question.

Julian Waldron - *Technip SA - CFO*

So, Ryan, thanks for the question. I think overall we see bidding activity in the market as relatively little changed over the last three, six or 12 months. Bidding activity remains we think for the industry, in good shape as we've mentioned.

What we want to do, just as regards Technip given that we have strong backlog, given that we are at -- that we've been working on a number of interesting, exciting opportunities for quite a while now which give us some visibility on the projects which could come into our backlog over the next 12 months. We see an opportunity for us to be selective in the way that we bid in the market. But I think my comment was very much a Technip specific comment. Thierry?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, I'll start with Yamal LNG so this project first of all what I want to say that we don't have official contract in hand at this stage. We are negotiating the contract but in fact in our backlog at the end of 2013 the backlog for Yamal was very small because what we've been doing so far was a process which is called open book estimate, with which we had -- we were estimating cost and execution plans and so forth so, not much at the end of the fourth quarter 2013.

So we expect the award should happen in the next couple of months. We are currently negotiating the terms and conditions but the momentum in terms of mobilizing people for this project is picking up. We have about 500 people mobilized on the project today. And if you followed some of the equipment manufacturers' announcements some of the long-lead items such as turbines and compressors have already been ordered by the client and so the project is moving forward.

But in terms of execution Technip will be the leader and we will have two -- well, we have two partners in the joint venture. Technip is at 50% and two Japanese Chiyoda and JGC have 25% each. So the project is progressing but we haven't recognized anything in our backlog as per our backlog recognition, only when we have a contract in hand.

Now when it comes to Brazil if I understood well you said Brazil is a land mine for contractors. And I think we should not generalize these type of statements, because at Technip we are very successful in Brazil. We love our clients in Brazil. And if you look at what has happened over the past few months we were not only given the opportunity to bid successfully on the PLL ridge, you know we have at the moment six vessels that we are building in joint venture, two of them with Odebrecht, two -- four with DOF. So we have good momentum with these long-term contracts for pipe-lay vessels.

We have also received the first orders for the ultra deep water development with flexible pipes on Sapinhoa Norte in the first quarter of 2014 which allows us to fill the Acu plant. And we are bidding on a couple of projects for rigid pipes. So as far as we are concerned we continue to see Brazil as a country with a lot of opportunities. Many of the FPSOs that are being built are going to be put in operation over the next 12 to 24 months and they will all require a lot of flexible as well as rigid pipes for some of them.

And you've seen that some investors have now taken a significant share in a field like Libra for example and we can expect that such a large field like Libra will require a lot of developments and we will see Total, CNBC and Petrobras, and Shell moving forward on this Libra project.

So we certainly don't share that view that Brazil is a difficult country. We continue to see good opportunities over there and we make money in Brazil.

Ryan Kauppila - *Citigroup - Analyst*

Great. And just on that last one is it safe to say then that you haven't seen a deterioration in the operating environment over the last 12 months?

Julian Waldron - *Technip SA - CFO*

Yes, it would be a mistake I think for both of us to say that. We've seen no change and we continue to think that we give a good service and good technology to Petrobras. And we think that the relationship there is very strong and we see no reason why that shouldn't continue. And it hasn't changed over the last 12 months either.

Ryan Kauppila - *Citigroup - Analyst*

Great, thanks a lot.

Operator

Phillip Lindsay, HSBC.

Phillip Lindsay - *HSBC - Analyst*

Yes, hi, good morning, two questions from me please. First one is on shareholder returns and usage of cash. So I suppose the dividend increase is of course welcome. But looking ahead it looks like you're going to be moving into a phase of significant free cash flow generation and your CapEx is coming down. So how are you thinking about how best to use the cash? And what are your thoughts around future dividends, buybacks and other uses of cash like M&A?

And then the second question is around the North Sea, I just want to get a feel for how the North Sea season is shaping up. We know you'll be busy on some larger jobs there. But what is the outlook for some of the smaller jobs, tie-back work and the like? And what indications are you getting from your customers there? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

So, Julian will take the question on shareholder returns and I'll answer the North Sea question.

Julian Waldron - *Technip SA - CFO*

So, Phil, thanks for the question. We set out a number of things around the shareholder return policy. The first is that the first and foremost use of cash is to pay the dividend and look to grow it progressively. And when you look over the last six, seven years we have a compound average growth rate that was 8%, is now 9%. The dividend this year is up a little faster than that.

We have increased that dividend regardless of the absolute amount of net income. And looking back at 2008, 2009, 2010, we felt we had a strong enough business to continue to drive that dividend up. So our view is to continue to give a dividend that is progressive and that gives visibility and a certain amount of security to our shareholders.

Second, just immediately around the shares has been to use cash to neutralize dilution from employee share plans. That we did during 2012, 2013 and we continue to do. So I think those two will be the principal areas of direct returns.

I think beyond that we continue to have obligations on the CapEx that we've got. I think CapEx, as I mentioned, will drop a little 2014 on 2013. Absent any new decisions it's likely to drop 2015 on 2014. In 2016 you do get the remaining milestone payments on the four DOF vessels for example, so -- sorry the four Petrobras PLSVs.

So I think the CapEx is going to be in line with what we wanted to do which is to start to bring it down. But there are still some lumpy payments out there in front of us.

M&A is not in our minds at the moment. As Thierry made very clear the priority over the next year is to deliver and execute safely, reliably to the benefit of customers, partners and employees and also for the benefit of shareholders, so that that guidance for 2014, 2015 is what we deliver. But I think that's very much our focus at the moment.

What happens beyond that? We still see good opportunities in our industry so I think we'll cover that ground when we get to it. But those are our near-term objectives in terms of shareholder return. I think we're delivering those and our near-term priorities in terms of operational focus. Thierry?

Thierry Pilenko - *Technip SA - Chairman & CEO*

So, on the North Sea outlook, first of all, what I'd like to say is if we look at the period 2009, 2010 to today we have seen a tremendous growth in the activity in the North Sea, to the point that the North Sea region has more than doubled its revenue over that period.

So that growth was fueled by two types of -- or three types of project. First of all, classical standard I would say, tie-backs for marginal fields, then some developments which required very high technology such as a heated pipe-in-pipe for example. And the development of much larger fields like -- and therefore larger projects such as Quad 204 for BP. And we've been able to play in the three different segments of activity in the subsea and the North Sea.

We have also been able to get into more platform work with, for example, Martin Linge platform for Total or Aasta Hansteen Spar which is the biggest spar ever built for Statoil in the deeper waters of the North Sea. So now the growth is probably going to be less spectacular than in the past three years. But if we look at the new discoveries in the North Sea, Canada area, you can see that some of the designs for the recent discoveries such as Johan Sverdrup have been decided. And that's going to push more activities in the years to come.

So the visibility remains pretty strong and I think we're going to see some activity shifting from the traditional North Sea field to Canada. For example, Statoil has made what I think is the biggest discovery in 2013 offshore Canada in terms of number of barrels. So we will probably see here a much more diverse set of projects geographically. But it continues to be a strong business.

Phillip Lindsay - *HSBC - Analyst*

Okay, super useful, thank you.

Julian Waldron - *Technip SA - CFO*

Thank you.

Operator

Rob Pulleyn, Morgan Stanley.

Rob Pulleyn - *Morgan Stanley - Analyst*

Yes, good morning, gentlemen, just a couple of questions from me please. First of all, could you give a little bit of color on how the working cap could develop through 2014 given you obviously discussed that at length earlier for the year just gone?

And secondly looking at the guidance, when you published the guidance in December the onshore, offshore comment was subject to no large contracts being secured and yet Yamal is likely to come in the next two months. Does that mean we could see some evolution to that guidance once Yamal has been awarded, because I imagine it might be margin dilutive in the first year or two? Or is that margin guidance fairly solid even if Yamal comes in as planned? Thank you very much.

Julian Waldron - *Technip SA - CFO*

Rob, thanks very much for that, I'll deal with Yamal first. We don't know at this stage what Yamal will mean for our order intake. And please don't take any of the numbers or any of the comments I'm about to give as any indication, because we don't know at this stage. If we did we'd try to be more helpful, but we really don't know where we're going to stand.

But if it was a good-sized order, but modest, so for us a large order is about $1b, I doubt if it would make any difference, if it was, I'll take an extreme number, $10b, of course it would, it would make a difference to the revenue. And as you correctly said we do not recognize margin in the early stages of projects.

Those are facts. That's what we do. We won't change our margin recognition policy on Yamal, I don't think that's the right thing to do for shareholders. More than that, which is a statement of principle, we just don't know at this stage and we'll know as we get into quarter two. So we'll come back to you as we said. And that's why we called that out in December as being an unknown.

Rob Pulleyn - *Morgan Stanley - Analyst*

Fair enough.

Julian Waldron - *Technip SA - CFO*

As far as working capital is concerned I think there are a few issues or a few areas which are also a little bit unknown. One is the speed with which we take orders. As Thierry I think has made clear, we expect 2014 to be a good year of order intake. The timing of that clearly is client dependent even if we do have good visibility on the types of projects that we can take. So milestone payments or advance payments on new projects are difficult to predict at this point.

We were better than we expected to be at year-end. And I would expect some of that to roll off as we move forward on some of these major projects during the course of the year. So I'd expect working capital over the year to be neutral. Maybe if some of the advance payments are more back-end loaded on new projects it could be slightly negative reversing some of the outperformance in quarter four.

Forgive me for not being more explicit, but I think those are the puts and takes at this point.

Rob Pulleyn - *Morgan Stanley - Analyst*

Thanks very much Julian, that's very helpful. And just one follow-up question if I may, sorry a bigger picture question. I know this was a question earlier on pricing trends and risks, etc. But I really wanted to know about variation orders. Historically this has been an area of substantial incremental work for contractors, which I understand has been very lucrative. Will there be more pressure from oil companies on variation orders going forward given the constraints they're operating under? Or do you think that that's not likely to change shall we say? Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

I'm going to answer this question, because first of all I think this is grossly exaggerated the idea that there are variation orders and that we make more -- significantly more profit on variation orders than on the main contract. I would say variation orders depend first and foremost on the maturity of the project when we get into the project. And I would say the more complex and the larger the project generally the more we have a chance to have variation orders.

But I think what our clients will want to do is to make sure that we have, when we get into a project that we have the feed and then detailed engineering which is as detailed as possible. So that we minimize not the variation orders but we maximize the good execution. So I don't think there is a major change here in policies from our clients.

Rob Pulleyn - *Morgan Stanley - Analyst*

Okay, thanks very much gentlemen.

Operator

James Evans, Exane BNP Paribas.

James Evans - *Exane BNP Paribas - Analyst*

Hi, two questions if I may. Firstly just on the Global vessels, particularly the older ones. I just wondered how many more are remaining. And if I go back 18 months to two years ago I think you were a little bit more optimistic that we may be able to see some of those utilized maybe more than we'd expected at that time. So I just wondered what's changed over the last couple of years with respect to those.

And secondly more on the industry really, what can you do -- can you do anything on supply chain costs specifically in subsea in this sort of slightly lower growth environment to maybe pass on some of those savings to your customers and improve the economics on the projects? Thanks.

Julian Waldron - *Technip SA - CFO*

James, thanks very much for that. On the older Global vessels some of the vessels were leased and some of them were owned. Some of the older owned vessels were -- in the case of one of them I think it was 40 or 42 years old. So I think those vessels were really based on what we want to do with vessels, where we compete, were getting beyond the stage that fitted with our strategy.

We did say when we bought Global that we would take some time to look at that and see if we couldn't, in some areas, use them. For some of those vessels the answer to that is no. For some the answer is yes. We still retain some owned vessels. They support our construction business for example in the Gulf of Mexico. They support a good diving business in the Gulf of Mexico. And some of those vessels have moved out of the Gulf now which is where they were traditionally based and are in the North Sea for example helping our operations there.

I think we acquired 13 or 14 vessels and we've disposed of four, sorry five, and I would expect us to dispose maybe one more during the course of the year. Some of the remaining are on leases. We'll see as those leases come up for renewal what we do.

James Evans - *Exane BNP Paribas - Analyst*

Sorry, and on the supply chain costs do you see any chance for moderation there?

Thierry Pilenko - *Technip SA - Chairman & CEO*

I would say in the subsea supply chain there are several aspects. And on the installation side we are using our own fleet but also fleet of third party vessels. And I would say there is now enough capacity in third party vessels to see our costs are plateauing or even in certain cases, particularly in the North Sea even going down. If you commit for longer-term on these vessels, so I think that that's a good thing for making the projects more cost effective from an installation standpoint.

Now, when it comes to the raw material for flexible pipes for example or rigid pipes, I would say on rigid pipes it's flat to slightly down. And on flexible pipe the raw material which are some very specialized steels and chemical products, we have stability of the prices.

Operator

Henry Tarr, Goldman Sachs.

Henry Tarr - *Goldman Sachs - Analyst*

Hi, thanks I just had a couple of questions. The first one really is about the impact of greater early engagement with the supply chain from your customers and moving to a fit-for-purpose model. For you as contractors how do you see that impacting the contract model and then margins and risk? So can we see more open book style contracts going forward? And do you think that lowers the risk for you of taking on some of these contracts? And potentially does it lower the margin as well? Or how do you see the dynamic working through there?

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, it's a very good question actually. So this early involvement allows us to align with our customers not only on the technical solution but also on the risk. So, one way to reduce the overall cost of projects is to make sure that the risks are taken at the right place, so that we avoid as a contractor, (technical difficulty) up our contingencies in case there are risks that are unknown at the time, or less known at the time of the award.

So by engaging with the customer at early stage not only we can design something that could be more cost effective but we can also look at that risk-reward strategy. So it can impact the contract model in the sense that several of these contracts can start, for example, with an open book estimate. Then with -- where we start on a reimbursable model and then we convert when we are more sure of the ultimate cost, the risk and of the technical solution. This is, for example, something that we have done with floating LNG and this is why we converted floating LNG in different structures as the project evolved.

So I think it is this early involvement for us is critical. This is why we are putting so much effort in building up, whether it's onshore, offshore with process technologies which are involving our engineers very early on, the technology with petrochemical or refining companies. And in more upstream when we design, for example, the field layout with one of our affiliates called Genesis, we are capable of proposing solutions to the customer which are more fit for purpose.

After that obviously the customers may decide to continue with Technip or to open a tender. But that early involvement has one very important advantage to us, is that we can at some stage bring solutions that have been tried and successfully with other customers in similar environments. That's why -- although this activity is not hugely material, we're talking just a few hundred million, it is critical for the long-term success because it helps build the relationship and not just act on bidding on a classical tender for EPC.

Henry Tarr - *Goldman Sachs - Analyst*

Okay. Great, that's very helpful, thank you. I just had a couple of other quick questions, probably for Julian. One, how much of the current cash balance is prepayments or customer milestone payments?

And then secondly just on the tax rate, I guess it was lower this year. How should we think about that evolution looking into 2014?

Julian Waldron - *Technip SA - CFO*

Henry, thanks. On the tax rate I think we've always said it will be in the high 20s. So there was a little bit of benefit from some geographic differences. I still think high 20s is the right place to model for the long-term.

In terms of advances we had probably a very low level. I think we were around EUR200m of net construction contracts. We're up around EUR1b at the end of the year. So there we go, that gives you an idea of the swing that you've got in terms of customer advances and the milestone payments. And, of course, within those payments you have both things that we're committed to spend on projects, but also things that we're not committed to spend on projects like contingencies and profit.

Henry Tarr - *Goldman Sachs - Analyst*

Great, thank you.

Operator

Christyan Malek, Nomura.

Christyan Malek - *Nomura - Analyst*

Hi, good morning, gentlemen, just two questions if I may. First I guess directed towards Thierry on the outlook. A very comprehensive view on 2014 and 2015 but I just saw two questions within on pricing and supply. How confident are you that pricing will stay where it is given the supply outlook -- the supply [decisions] in 2014? And is there risk that as the year progresses that could surprise on the downside as your competition get more aggressive?

And then the second question, Thierry, on that point is the majors have talked about cutting costs, putting in cost constraints, cost control whether they have different ways of putting it. But ultimately that has yet to filter through meaningfully into how they -- into their discussions with yourselves. So how is it you're so confident on the 2014 and then 2015 margin outlook when we've yet to see what they actually have to say about pricing and particularly in the context of supply?

And I'll wait for the second question on Julian later.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Okay, well two good questions, Christyan. First of all, I don't think we have seen any meaningful change in pricing yet, it may happen but we haven't seen it yet. Okay, I would like to say also that you have to differentiate between the activities in onshore, offshore and the activities in subsea. In onshore, offshore the pricing will highly depend on the, for example, in North America depend on the capacity to actually execute projects with the right construction capacity. And I think here we probably continue to see that in North America these prices are moving up and the costs themselves could be moving up for onshore projects in North America.

Now will we see competition more aggressive? As I said before if I move to upstream we have seen for example for the simpler jobs in the North Sea and to some extent in the Gulf of Mexico some new entrants who have been quite aggressive. But the number of projects that we have today and the requirement for higher technologies or more sophisticated technologies is such that generally for the more complex projects there is much less competition and therefore pricing is still holding.

Now, have we seen the complete impact of what the clients are talking about? Probably not, our clients have been talking about reducing their costs for the past three or four months. And their budgets are still showing, or some of them, an increase, even if it's more modest than in the previous decade.

And what we hear from our clients is that they want to reduce the exploration cost, find ways to reduce drilling cost and work with us to try to find fit-for-purpose solutions. So in fact contrary to what we had seen maybe in the period 2006 to 2008 where the pressure was just reduce your costs across the board, or reduce your price across the board. I think now we see customers who are much more willing and much more active to engage with the supply chain.

And I think this is something we know how to do at Technip because we are very close to our customers in many different geographical areas. And we should be able to find solutions which are more cost effective. And I think over the next three to six months we will be awarded projects where we have demonstrated that we can really work with our customer, look at the technical solutions, look at the local content and potential cost of the local content, and reshape the entire projects to make it more cost effective.

So it's going to be slightly different pressure from what we have seen in 2007, 2008. I would say probably a more constructive relationship between customers and the supply chain.

Christyan Malek - *Nomura - Analyst*

Thank you. And just a second question on capital discipline. Given the confidence you have in 2015 why aren't you returning cash back -- more cash back to shareholders? Why can't you take CapEx down meaningfully and start to return a lot more back? I know you've touched on this before, but why can't you be more aggressive in returning cash back?

Julian Waldron - *Technip SA - CFO*

Christyan, I think the returns policy that we've set out is one that we set out five or six years ago for the long term. And we think it's important to maintain that for the long term and that's what I think we're doing.

As for what happens in 2015, 2016 we're not there yet. But I think there are a couple of comments to make. First is yes we do have the visibility in the backlog on where our business is going over the next two years. But as Thierry said in some of his comments we expect over that period the actions we're taking to result in greater leadership. We are very enthusiastic as Thierry said again in his comment about the long-term potential in many areas of our business, whether it's subsea, whether it's in LNG, whether it's in the downstream, whether it's in the technology area.

I think the jury is out at this point whether there are going to be attractive investment opportunities in the business over that period. Sitting here today we see no reason why there would not be. So I think your question assumes if I may a major slowdown in the industry on a long-term basis. At this point that's not what we see.

We see a robust industry over the long term and clients willing, even today, to work with us hand-in-hand to make their projects go forward on a basis that's acceptable to them and from a pricing, and risk perspective that's acceptable to us. And we don't see any shift in that materially over the last few months.

Christyan Malek - *Nomura - Analyst*

Very clear. So we can assume that there won't be any meaningful drop in CapEx and the run rate you've [thought will have run] for 2014, 2015 is decent level to work off as opposed to a meaningful fall?

Julian Waldron - *Technip SA - CFO*

I think, let me go back to if I may what I said earlier on about CapEx. We expect CapEx to fall modestly 2014 compared to 2013. We expect CapEx to fall 2015 compared to 2014. However, we have milestone payments to complete vessels notably the Brazil PLSVs in 2016. So you have a three-year profile of CapEx which is set out on slide 16 which has some commitments attached to it.

What we have said in addition to that is that at the moment we don't see the need to increase our capacity. So we won't see the need to add vessels. We see the need to renew older vessels. But we don't see the need to add because we've added a lot of capacity over the last three, four, five years. That capacity is what's going to be available to execute the backlog at the record level that we currently have.

So again I think there's a certain amount of coherence between the way the backlog has gone, the way we've brought on new capacity and the CapEx that we have to complete bringing on that new capacity. What additional decisions we take in two or three years time I think that's speculation at this point and I think we'd rather not speculate. I think we'd rather remain grounded on the visibility that we have.

Christyan Malek - *Nomura - Analyst*

Thank you very much, I appreciate it.

Julian Waldron - *Technip SA - CFO*

Thank you.

Thierry Pilenko - *Technip SA - Chairman & CEO*

Thank you, Christyan. Okay, well thank you very much, ladies and gentlemen, and thank you for attending this conference. And have a good day.

Kimberly Stewart - *Technip SA - Head of IR*

Ladies and gentlemen, this concludes today's conference call and we would like to thank all of you for your participation. As a reminder a replay of this call will be available on our website in about two hours. You're invited to contact the investor relations team should you have any questions or require additional information. Once again thank you and please enjoy the rest of your day.

Operator

Thank you for your participation in today's results conference call. The replay will be also available by dialing for France +33 (0)1 72 00 15 00 or UK +44 (0)203 367 9460 or for USA +1 877 642 3018 using the confirmation code 285363#. The replay will be available for two weeks. Thank you and good bye. You may now disconnect.