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PRESENTATION

Operator

Ladies and gentlemen, good morning, everyone, and welcome to Technip's third quarter 2016 results conference call. As a reminder this conference call is being recorded. (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 S.A. - 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, Group CFO; Virginie Duperat, the Deputy Group CFO; as well as Aurelia Baudey-Vignaud and Elodie Robbe-Mouillot of the Investor Relations team.

I will turn you over to Aurelia who will go over the conference call rules.

Aurelia Baudey-Vignaud - *Technip S.A. - 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 a press release, an audio replay and a transcript of today's call at Technip.com.

I now turn you over to Thierry who will go over the third quarter 2016 highlights.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Thank you, Aurelia. I will go through the highlights of the quarter referring in each case to our strategic pillars. First our clients. We executed a number of projects well in the quarter and this supported a rise year on year in our profitability to close to 10% at the operating level.

Second on cost structure, our profitability was also supported by our efficiency programs. We are on track to deliver EUR900 million of the full EUR1 billion program already in 2016, ahead of schedule.

Third, the Technip balance sheet remains very strong with EUR1.8 billion of net cash. Fourth, the EUR1.5 billion order intake shows the capabilities of our broad-based offer. We have also renewed the non-backlog work that we have in hand.

Last, on the merger we have completed most of the necessary regulatory milestones and are now able to announce the shareholders' meetings that will take place on December 5(sic - see slide 3 " December 5") . This should allow us to close the merger earlier than expected in 2017, as early as January.

Now moving to page 4, let's look at some key figures in details. First the order intake at EUR1.5 billion was actually in line with the average of the last four quarters. Revenue was EUR2.9 billion and this supports our revenue guidance upgrade for subsea for 2016.

OIFRA at EUR285 million was ahead of Q2 and only slightly behind last year's record quarter. So profitability, as I mentioned, is better than last year. And lastly, cash flow reflects, as expected, strong operations in the quarter.

Now moving to page 5 more detail on the order intake and projects -- significant projects have been involved in on this quarter. The order intake is balanced and diversified and shows our ability to use our global footprint to position ourselves and win attractive projects based on technology, early involvement, client intimacy and security in project execution.

For example, the Jebel Ali Refinery was built by Technip in 1999 and we are very proud to be involved with the major upgrade and expansion of this refinery today planned by ENOC.

For the Dvalin project in subsea, this is a complex tieback, one of the promising areas for new orders that we had previously identified. We talked about long tieback before. And we will install a 15-kilometer pipe-in-pipe, which is a key technology differentiator of Technip.

Last and on the right, the Lancaster development is a Technip and FMC Technologies alliance project. We expect at least one additional project this year as you know. But this is of course a first for us. The way Hurricane describe the approach of the alliance, early involvement, building a phased approach, ensuring optimization of the whole project, is a very powerful illustration of what we want to achieve in our merger with FMC Technologies.

With that I'll have over to Julian.

Julian Waldron - *Technip S.A. - Group CFO*

Thierry, thank you very much and good morning, good afternoon, everybody. I'll go through the P&L and the cash flow, then turn to cost reduction and end on backlog and on guidance.

So on page 7 we'll start on the P&L. And the main elements on which I'd like to focus are the margins. The EBITDA margin increased by 12 basis points in the quarter compared to last year but has increased by close to a full percentage point year on year for the first nine months.

The operating margin increase was 36 basis points in the quarter but again a full percentage point over the first nine months. And we think this reflects the solid execution across the portfolio as a whole and also our cost reduction efforts.

Now we delivered these margins on revenues down 6% in the quarter and 7% over the nine months. And excluding currency effects just for quarter 3, revenue would have been down 3% but OIFRA would have risen.

Now within the segments subsea margins were sustained at 16.4%. We had one project of size completed, that was T.E.N. in Ghana and this one was ahead of schedule. But I would remind you that equally we still have projects either in their early phases such as Kaombo or Jangkrik which have significant offshore campaigns next year. Or in the middle of offshore campaigns like Moho.

The onshore/offshore results show a continued good trend of stability and profitability in the segment thanks to the hard work of the teams across the projects.

And I continue to believe that the performance here in the segment shows the ability of onshore/offshore to deliver the 6% to 7% adjusted margins that we've consistently targeted. And all of that on a negative capital employed.

Turning to page 8, cash flow was in line with our expectations. Cash flow from operations was strong. Conversion from OIFRA to cash was about 100%. The working capital outflows reflect the application of advances to projects. And you can see that from an accounting point of view in the fact that the net construction contracts balance declined sharply during the quarter as it should do, and that other working capital is in fact positive.

CapEx has been well brought down over the first nine months. It was only EUR97 million although we'll have some additional spending over quarter 4, we're still tracking below our initial 2016 target excluding the buy or lease decision on the Deep Explorer.

And last but by no means least, you'll see that we've carried through our share buy-back commitment and spent EUR136 million to repurchase shares in the nine months to date.

So on page 9 -- I'm not going to go back in detail over all of the aspects of the cost reduction plans that we have in place. I'll confirm that we have executed all the actions necessary to deliver the EUR1 billion and that 90% of that will be completed by the end of this year. I've commented earlier about the positive impact of the plan on our margins and would like to go in detail across two areas to illustrate this.

First, SG&A. The Q3 costs were 17% below those of a year ago. The run rate today is around EUR500 million so that's again around 15% below the 2014 levels. And we're not quite finished.

Second, the fleet. During the quarter, we returned the Olympic Challenger to its owner and we estimate that will have taken a good EUR200 million out of OpEx from the fleet by the time we finish the exercise this year.

Now on the other side throughout the cost reduction exercise I would like to just reaffirm two things. First that we've maintained and want to maintain our focus on R&D. So, R&D spending year on year is maintained for example.

And secondly, it's critical for us to maintain our core competencies. In many cases, we've done this by regrouping them around our main operating centers in Kuala Lumpur, Rome, Paris, Aberdeen, Oslo, Houston and Rio. What's clear is that we might still need to go further in cost reduction and we commented on this in July in more detail.

We continue to work intensively given that we have progressed so well on the initial plan. And we're well prepared to go further should we need to across a wide range of areas. We're also able to integrate this additional cost reduction into the synergy plans with FMC Technologies.

So if I can turn now please to page 10, order intake and backlog. As Thierry mentioned the overall level was in line with recent quarters and trends. Within subsea the largest order was Greater Enfield and within onshore/offshore it was the Jebel Ali Refinery.

Backlog in subsea now stands at over EUR5 billion with over half for execution in 2017. The backlog in onshore/offshore stands at over EUR7 billion with EUR3.6 billion of that earmarked for 2017. We have nearly EUR4 billion of work booked for 2018 and beyond.

Now as usual this does not include non-backlog elements which were at EUR2.1 billion at the quarter end compared to EUR2.2 billion at end June. Now of course part of the end June number found its way into revenue in quarter 3 and we've been able to replenish that. Most of the replenishment came from a diversified group of projects. There's very little from Yamal in fact this quarter for example. And I think this is a strong sign of our ability to renew our backlog notably in onshore/offshore through a mix of early engineering involvement, reimbursable work and PMC for example.

So last some comments on guidance. And I'll first comment on 2016. Onshore/offshore guidance remains unchanged in every respect and our subsea guidance has improved. We now expect revenues to be above EUR5 billion and adjusted OIFRA around EUR700 million for 2016.

And second, we've given some initial color on expected adjusted revenue and profit for Technip on standalone basis for 2017. And just to focus on the two critical points. We expect to be able to sustain subsea margins next year and we expect profit in onshore/offshore to increase, which also implies firmer margins.

And our ability to give that initial color is based on our current backlog, our current prospects, our cost reduction plan and of course appropriate project execution.

And with those comments I'll turn back to Thierry.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Thank you, Julian, and now I'll talk about our projects and about the business environment. So let's start with the Yamal LNG project in Siberia which is the largest project in our portfolio. The headline says on page 13 of the presentation we have achieved our 2016 objectives on the project and paved the way for the delivery of Train 1 in 2017, which corresponds to the Phase 1 of the project.

On the picture, for those of you who can access the slide deck -- you can see this is the central control building module. In fact, this was originally two modules but we engineered them to be combined and then ship as one module, reducing time and cost. This is actually the longest module we have manufactured -- 103 meters long although neither the largest or the highest module.

So overall 78 modules have sailed away and we are about a month ahead of schedule in getting them to the site in Sabetta in the Yamal Peninsula. This has in part been facilitated by using the Northern Route to Sabetta. It is quicker, it is safer and therefore less costly. We are also well mobilized on site in Sabetta with over 10,000 people on site just for our portion of the project.

On page 14 I'd like to have a special focus on PLSVs in Brazil. As you may know we had four vessels operating in Brazil at the start of the year. The charters of the Skandi Vitoria and Skandi Niteroi were renewed, showing the importance of Brazilian flags, those two vessels are Brazilian-flagged. vessels.

We delivered a new vessel to Petrobras, the Skandi Acu in August and she is already working flat out. It's 650-ton lay vessel which is actually the highest tension capacity in the world, the most capable vessel of this type in the world. So the Skandi Acu has an eight-year charter and her sister ship, the Skandi Buzios, with the same capacity will arrive early 2017.

So again, our differentiating vessel capabilities, of which some absolutely unique worldwide remain key in Brazil notably for the pre-salt development which is a strong focus of our client as you know.

Now turning to page 15 and to the market outlook. First, I'd like to come back to what I mentioned last quarter, the shift in client focus from what to stop to what to start. So yes, our clients remain focused on their cash flows and returns and short- term priorities are unchanged as they must ensure completion of committed projects, preserve dividends or royalties and pursue their own internal restructuring.

That said, coming back to my earlier comment, as all the industry agrees, the current investment levels are insufficient to sustain production and we see significant production declines. Our clients are trying to see what to start. And this is where we see some pockets of demand growth particularly in subsea.

For example, greenfield projects, field extension and tiebacks in areas such as the North Sea and West Africa. There are some larger projects too in East Africa or in Brazil, for example where the quality of the resources means the projects have either strategic value or very good breakeven points. So overall I think we are getting progressively more busy at the front end reflecting both the attraction of the combination with FMC Technologies to clients and the modest improvement in client confidence.

Now moving to onshore/offshore. The picture is slightly more positive. The market remains quite robust with a number of opportunities. This is true in the Middle East, North America and Asia Pacific. I think the Jebel Refinery award this quarter shows that we are capable of winning projects based on execution capability and not just price. We continue to work hard on early works, for example for the Midor Refinery in Egypt which we see possibly being FID'd in the next few months.

Moving to page 16, previous page described the opportunities broken down between our two segments. But increasingly the projects we are winning are integrated. This trend has been a topic of discussion with almost all our investors over the last six months since we announced the merger with FMC Technologies. However, it has been clear for some time that our clients are willing to work in a much more integrated way with their contractors.

Most of the larger projects in our portfolio today are structured in this way covering the provision of technology, conceptual design and then equipment as well as project management across subsea, offshore and onshore scopes. So this trend is real, we believe it will continue and we believe our merger with FMC Technologies will accelerate it.

Now turning specifically to the merger, we are on track for 2017 -- early 2017 completion. In August, September and October we have achieved a very significant number of milestones. For example, the filings with the SEC and the AMF in France are now effective. We have achieved antitrust clearance in most jurisdictions and foreign investment approval in the US and France. So accordingly, we can now plan for a shareholder meeting -- shareholders' meeting on December 5 in Paris and Houston at the same time.

So the integration process is going very well too. We are well advanced in communication and communicating the successive layers of the organization. The additional work necessary to roll out the synergy plans has also a substantial momentum.

But most importantly I have seen that the client reception to the merger continues to be excellent. As I noted earlier, we have our first alliance project, Hurricane, and we expect our first alliance integrated EPCI very shortly.

So, in conclusion I would like to say that even in this difficult environment, Technip continues to execute its strategy to create value. Our positioning with customers, early stage involvement, technology, equipment, valued project management, all help sustain our profitability and our order intake.

We have been very effective at reducing our cost and we continue to have one of the strongest balance sheets in the industry. All of these aspects of our strategy have been present over the last several years.

Now looking to the future, we are finalizing our strategic merger with FMC Technologies, which I believe will add more value to our customers, take our leadership position further and create more value for all our stakeholders.

With that I will turn over for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) . The first questions come from Amy Wong at UBS Limited. Madam, please go ahead.

Amy Wong - *UBS Limited - Analyst*

Good morning. I had a couple of questions please. The first one is on your subsea margin guidance. Currently a very strong performance in the quarter and actually very strong guidance for 2017 as well. Can you talk about some of the moving parts in that margin and how much of that is attributed to the maturing mix of the progress of your projects? How helpful is that in terms of your margin? And maybe offsetting that, some of the leading-edge pricing for some of the spot work we would expect to be at lower margins. So can you talk us through some of the moving parts of that margin and I'll have a follow up question to that, thank you.

Julian Waldron - *Technip S.A. - Group CFO*

Amy good morning, it's nice to talk to you, thank you for the question. So I think -- and actually I'm going to say it mainly of course for subsea but also a little bit for onshore/offshore. But let's look at the facts. The facts are that we've cut EUR1 billion from our cost base, we've taken our fleet down by half. We continue to win projects that give utilization for vessels and for manufacturing plants. And all of those things along with good project execution are the key drivers of profitability across our business but of course in subsea.

I think doing those things is what we said would help us sustain margins and I believe that's what we're seeing in 2016 and that's what's reflected in the guidance for 2017. Nothing more.

Amy Wong - *UBS Limited - Analyst*

All right, okay. But just a bigger picture question in terms of some of the integrated FEED work that you are together performing with FMC. Are you actually seeing the pie now actually increasing in terms of your ability to cut costs out and actually making more products economical or do you see your -- the cost base reduction of the two companies actually just giving you advantage to be able to price projects competitively?

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

That's a very good question, Amy. I'm going to take this one. The answer to that is yes. We are now involved in more than 17 projects which are integrated projects at early stage. And as we said we would expect one of these to be transformed into integrated EPCI by the end of this year.

We have won a project like Hurricane, which is something we've been I think very fast tracking when we presented the combined offer that was present all along through our Forsys subsea joint venture. So I think the appetite for integration is there.

Now let me tell you one thing. On every single project that we have been working on we have been able to identify cost savings. And this is why our clients like our approach. This is why our clients were positive and very positive about the merger between FMC Technologies and Technip. It is because we have been able to innovate, we have been able to reduce costs and we have been able to secure projects. So we are slowly, slowly getting projects back into the economic equation I would say -- or space -- and getting momentum.

So does this mean that the pie will increase? Well, if you have marginal projects that become real projects of course that increases the pie. Now for us the key is to make sure that ultimately we are chosen as an alliance. And I think what we have seen over the past few months and particularly with the recent award is that this is working.

Amy Wong - *UBS Limited - Analyst*

All right, that's very helpful color, thank you very much and I'll turn it over.

Operator

Thank you. Mr. Bertrand Hodee of Kepler Cheuvreux, please go ahead with your question.

Bertrand Hodee - *Kepler Cheuvreux - Analyst*

Yes, hello, everyone, thank you for taking my question -- two if I may. Firstly, in deep offshore or in offshore in general it seems like long tieback opportunities are gaining traction. I wanted to have some color on that.

And also on technology differentiation, you are claiming that you are a clear leader in ETH pipe-in-pipe technology. A lot of your competitors are also claiming they can do that. Can you give us why do you think you have a clear edge on that technology?

And finally, in terms of greenfield opportunities that you see in the next let's say 12, 18 months, what is missing in your view for a greenfield project to be launched? Is it cost that needs still to come down or is it a question of affordability from clients? Thank you.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Okay, thank you Bertrand, three good questions. First about deep offshore long tieback -- or tieback opportunities in general. I think we are started to see that trend coming already a couple of quarters ago, I think we've communicated around that. We said this is the type of market that we see developing. And actually the award of Dvalin which is the project that we were describing earlier is a good example of 15 kilometer tieback in the North Sea.

So what our clients want to do here is to start projects which are relatively -- a short execution timeframe, taking advantage of existing production facilities and developing easy to develop one, two, three wells, bring them back to existing facilities with these long tiebacks.

Now when you do these long tiebacks and that jumps to your second question actually, you need to have extremely good flow assurance and the right technologies to ensure that you have perfect flow during the life of the field. And this is why any system that is either isolating the fluid from the seawater in terms of temperature or helping reduce the formation or prevent the formation of hydrates, any system is obviously welcome. And it's even more important when you have long tiebacks as you have pressure drops and the higher risk of a formation of hydrates. So this is why, for example, electrically heated pipe-in-pipe is important.

Now do we have competition in that space? Yes, other competitors are claiming they can do it. We are the only ones who have done electric traced heated pipe-in-pipe rolled -- on a reel -- sorry on a reel. Not rolled but reeled. And I think this is -- what the difference is is that we have a track record here. Now that -- the technology is something which is going to be important, as I said, for these long tiebacks. Therefore, I do expect that we're going to see probably some competition coming. But it is not something easy to do.

And I give you an example on Dvalin. We were not the lowest bidder, Dvalin is a pipe-in-pipe. It's not electrically heated but it's pipe-in-pipe technology. It's long and we were by far not the lowest bidder but we were giving the client a higher security in terms of project execution.

Now going to a greenfield project because I think as I said we see some greenfield projects. I think the clients are starting to get more comfortable with the cost. And I'm talking about the overall cost here. It's about drilling, it's about well services, so well construction in general. It's about subsea and it's also about when it's needed, about platform cost. So the overall -- for upstream the overall cost environment is getting more reasonable. And as you could see in the North Sea in particular but not only, in Brazil as well, we are getting to breakeven levels that are way below the current cost of oil.

Now what I think we need to see more momentum in greenfield it is a little bit more confidence in our clients. It's a matter of confidence. I think all the elements are there. The rebalancing between supply and demand is there. The fact that the stock in the US -- the oil stock in the US -- are going down -- oil storage is going down. The fact that costs are in the right environment. Slowly, slowly this is going to improve the confidence of our client. I would say the confidence is firming up but we are not yet in an area where they are ready to jump on particularly the largest CapEx programs.

Bertrand Hodee - *Kepler Cheuvreux - Analyst*

Thank you.

Operator

Thank you. Mr. James Evans, Exane BNP Paribas, please go ahead with your question.

James Evans - *Exane BNP Paribas S.A - Analyst*

Yes, good morning, thanks for taking my questions, two please. Firstly, Julian, I just want to come back to the subsea margin for next year. I just wondered if you could talk about how much lower the fixed costs are as a percentage of revenues? Because obviously with the cost saving trend it's a little bit better than we all expected. So, if you provide any clarity on that, it would be very useful. Just -- and I just wanted to come back and remember 2013, 2014. I remember us all being disappointed on margins as you talked about incremental procurement or no margins at the front end of contracts. To what extent is that supporting you next year? Because obviously underlying EBITDA margin is up 200 basis points -- is a very good performance.

And secondly seeing as electrically trace heated pipe-in-pipe is the new rigid versus flexible debate, how many projects do you expect to be awarded or are you tracking for next year that could use this technology? Thanks.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Julian, you want to take the first one?

Julian Waldron - *Technip S.A. - Group CFO*

Yes, I will try. So the EUR1 billion first of all is all out of the fixed cost base. And the fixed cost base back in 2014 was EUR4.8 billion -- EUR4.7 billion, EUR4.8 billion. So that's the fixed cost base that we're attacking. In addition, of course, the variable cost is project related. So that flexes with your revenue and it flexes pretty much a dollar for dollar with your revenue.

Splitting between onshore/offshore and subsea is not so easy to do and the principle reason for that is because we operate on a shared service model across all of the territories in which we operate. Therefore, the two segments share a lot of their fixed cost base.

I think though the underlying point that I'd like to make is we still in 2016 have projects for example like Kaombo which are not offshore. So in 2016 there is a mix of revenue from projects in the middle of their lives towards the end or at the end. But also still revenue coming in before the offshore phases have happened.

So there's a mix and there will be a mix again in 2017 in that respect. Projects get handed over to clients but those projects -- the process of handing over to client can be a staggered process that can take place over a couple of quarters, then you have the warranty. All of that is therefore quite a lengthy period of closing out and finishing the project.

So I don't think there's anything in quarter 3 for example which I would view as being particularly exceptional. I think as we look into 2017, if we can control our costs well, there is still an opportunity for us to take additional business, as Thierry mentioned. Some of that additional business will, we are quite sure, brings additional utilization already in 2017, either of manufacturing plants or potentially of vessels.

The last assumption is that we need to continue to execute our projects well but I think the 2016 performance and our confidence in 2017 is a mix of all those things, backlog, prospects, costs, and good project execution.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Going back to your question about how many projects. I am not going to give you a number of PiP pipe-in-pipe projects. We are working on several, but what I can tell you is that we see opportunities in the North Sea, we see opportunities in West Africa. I think the market in West Africa -- and I said that before -- is moving from a very large project market to a market which is going to over time look a little bit more like the North Sea.

There are a lot of existing capabilities and floating facilities that can be used, where you need to bring more new production as the current production is declining on the older fields. So West Africa, particularly in Angola, is an area of development for tiebacks. We are going to see that in Australia, as companies will want to extend the life of the LNG plants. They will want to feed that through pockets of gas that are -- that do not require very large platform developments.

Now what is really interesting is that most CEOs of the major oil companies are talking about tiebacks. So this is (inaudible) that necessarily was not there or not in their main focus a few years ago. But I have been meeting with many CEOs of major oil companies over the past few months and all of them talked about tiebacks. All of them talked about how quickly they can bring some of these stranded reserves back into existing facilities. Of course at the right cost, at the right price for us, but I think this is something which is going to be probably different from maybe the previous cycles where we are going to see these type of projects coming first before we see the large greenfield projects.

James Evans - *Exane BNP Paribas S.A - Analyst*

All right, thanks, guys, and good job.

Operator

Mr. Phil Lindsay, Credit Suisse.

Phil Lindsay - *Credit Suisse - Analyst*

Yes, good morning, gentlemen, impressive stuff. I have got two questions, maybe two and a half. The first one is on Hurricane, can you comment on what else you brought to the party for that project such as balance sheet, and could this be a theme for the alliance to get projects away with some of your smaller customers, I mean clearly you have the balance sheet to do it but are you willing?

Then a broader question on that theme, can you talk to the change in cash flow dynamics on projects that you have got in your portfolio and projects that you are in discussions for?

Then the second question is really around the longer-term intentions for the subsea fleet. So you have halved the fleet, which is great, you have taken a big chunk of OpEx out and as you say the rationalization of that fleet is now done. But I'd just like to probe around the strategy here, so when we look at offshore construction markets there's clearly no shortage of boats and kit. So do you think that you can extract sufficient value from the fleet that you have got, and what looks to me like a very over-supplied market, so have you got enough differentiation in your fleet overall? Thank you.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Maybe, Julian, you can take the first question and I'll talk about the fleet then.

Julian Waldron - *Technip S.A. - Group CFO*

Forgive me, I'm not going to talk about Hurricane, Lancaster specifically but we don't see our balance sheet as a key to unlocking projects that wouldn't otherwise have made sense. I think generally, and I have heard a few things over the last day or so about cash flows on projects, some of those comments I think being onshore driven as well as offshore.

I would just like to reiterate I think what I have said for a few quarters now. We see no structural change in the way that our projects are structured from a cash flow point of view. That is pretty much everywhere across the board.

Last comment would be around what we do to help our clients. Financing sources for clients today are certainly more varied than they were a decade ago. The source of project financing money or the availability of project financing money is good but the requirements of banks to make those project financings work is certainly more complicated and more demanding than it was a decade ago.

So, for example, tying your procurement strategy in with export credit financing or export credit guarantees is a critical part of making a project work. That is nothing to do with balance sheet, that has entirely to do with skills in financing, which the financing teams within Technip certainly have, and tying those skills with procurement, which I think we as a Group do exceptionally well. You have seen that work on a number of projects, both offshore and onshore, over the last few years and at the source of some of the early stage projects that we have in our pipeline today. So I hope those comments were useful.

Phil Lindsay - *Credit Suisse - Analyst*

Extremely, thank you.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Now moving to the fleet, first of all ,you realize that our fleet rationalization did not start yesterday. We actually started assessing the market back in 2013 and this is when we decided to exit from the low-end commoditized size market such as shallow water diving, shallow water pipe lays, and so forth. That market was grossly oversupplied and also extremely competitive with little differentiation so we exited from that.

So we are now with a fleet which has been modernized, rationalized, with key assets. As you have seen, we have released also some leased assets that were less capable than our current fleet, such as for example, the Skandi Achiever was a vessel which is a diving vessel but single bell. Our clients in this market in particularly preferred the dual bell type of vessels for safety reasons and efficiency reasons.

So definitely, there is a shift of the market towards the [iron] assets. This is not true just for subsea by the way this is across the industry. You see that in drilling, you see that in seismic, clients are moving towards the iron asset when there is oversupply. But it's not just about the assets, it's about project execution as well.

So this is why -- and I don't want to name specific vessels or companies but you can have very good assets and state-of-the-art assets but if you don't have the project management teams, the back-ups, the experience, the track record, generally clients don't necessarily come to you. We have seen this happening in the recent past. I could come back to the project that we just won in the North Sea when we were not the lowest bidder but we were chosen because of our track record for this tieback of 15 kilometers.

So it's -- iron also doesn't necessarily mean very big vessels, it also means vessels that have the versatility that can work in different conditions and in different types of projects. I think this is also what we favor in our strategy, the versatility and the flexibility. This is why we have had very good utilization. So yes, the market is -- there are plenty of vessels on the market but clients want to have insurance that they have project teams that can deliver. It's not just about the vessel.

Phil Lindsay - *Credit Suisse - Analyst*

Okay, that's been extremely helpful.

Julian Waldron - *Technip S.A. - Group CFO*

Thank you, Phil.

Operator

Mr. Jean-Luc Romain, CM-CIC Securities.

Jean-Luc Romain - *CM-CIC Securities - Analyst*

Good morning. In the recent years, you have managed to realize about 20% or 25% of your turnover from contracts found in the same year. Do you expect that percentage to increase in the next few years, even the trend of more tiebacks?

Julian Waldron - *Technip S.A. - Group CFO*

Jean-Luc, good morning. I think it's a very good question in the current market. I think over the last couple of years when you have heard us speak we have -- for example, the traditional question at this point of the year would be your historic rate of coverage for full year one revenue is around 70%, does that hold true?

I think going into a downturn, when you want to be selective in order intake that holds less true. I think as you look to an environment where you think you're going to be the enabler for projects to go ahead where your customers are gaining confidence, where the pricing for customers has reached a level that they are comfortable with, then again those old metrics begin to come back and play.

So whereas I think we have been very cautious 2016, 2016, our experience maybe over the last few months and therefore looking ahead, is that there are projects that you can win which bring revenue and utilization in a very short time. Bahr Essalam was one of those projects for example, one in 2016 that will bring utilization in 2017 and there are other opportunities like that.

So I think you are right to raise the point but I think the traditional rule of thumb will be more valid over the next couple of years that it has been over the last couple of years.

Jean-Luc Romain - *CM-CIC Securities - Analyst*

Thank you.

Operator

Mr. Mukhtar Garadaghi, Citi.

Mukhtar Garadaghi - *Citi - Analyst*

Good morning, gentlemen, thanks for taking my questions, three if I may. So first of all, could you quantify how much of the shadow backlog -- the EUR2.1 billion that you have currently is attributable to 2018? Is that a significant number just thinking about Yamal, etc.

My second question is on FLNG, any color you could provide on how big the Coral could be to Technip, at least in relative terms? But more importantly, how are you thinking about what your competition is doing, particularly Schlumberger, Angola, in terms of introducing simplified Quantum, etc.? Do you see that competitive landscape shifting in any way?

Finally, unannounced intake this quarter, at least to me, appeared quite low. Is there anything that is happening in that market in terms of some of the framework, flexible orders you were booking, or some of the brownfield work, do you see any shifts there? Thank you.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Thank you very much, Mukhtar. I will take the FLNG question first. So you mentioned a very specific project which is the Coral project in Mozambique, so again I believe the FID on this project should happen pretty soon. You have seen probably the announcement by Eni and BP that there is an agreement now for the gas.

The project design, is well advanced. Actually, we have been involved with hundreds of engineers on this project over the past few months to make sure we were making the design and the cost more robust. So we generally don't give you an order of magnitude, of the order intake, but I will tell you that this is a project where we are in a consortium with Samsung Engineering, who are going to be fabricating the FLNG and delivering the hull in particular and then the modules. We are with JGC as an engineering and project management partner. So we are going to divide that project among the three of us and I will let the client talk about the size of the investment but it is a sizeable project for Technip.

So now going into competition on floating LNG. Well, we are the only ones today who have been able to deliver world-class, high-capacity floating LNG in the world. The first project which is 1.2 million tons per year project is PFLNG, Satu, in Malaysia. It is now being hooked up and in the final commissioning phase before it goes for a - ready for startup, so it is very well advance.

The other one is the Prelude for Shell, which is going to be installed in offshore Australia and where we are in the commissioning phase. So this is -- we have a lot of experience with these type of projects. When you are dealing with gas, this is something which is very, very serious technology.

I mean, yes, we can certainly find areas where we can reduce costs, particularly if we can standardize, and we have learned a lot about what could be standardized through the experience of the first two floating LNGs. But it is one thing to have a cheap solution, it is another thing to have clients who are ready to take the risk of cutting corners with a gas project.

Now, I am not saying the other solutions are necessarily cutting corners, but what I am saying is clients will want to have a very, very safe solution. One of the key elements on this project, like any other project, but particularly on gas and on floating LNG, one of the key elements is safety and safety design. I think this is where Technip have a huge differentiation compared to its competitors.

Julian Waldron - *Technip S.A. - Group CFO*

So Mukhtar, on the other two questions, on unannounced backlog, no, there really is nothing to read into the quarter. There are some quarters when the opposite happens and because your client has not signed off on something you've had a lot this quarter, we didn't. There is no trend, there is no specific to call out there. It just is what it is to be frank.

In terms of the EUR2.1 billion, if I look at all of the elements of that and the projects underlying, there are pieces that go out actually probably to 2020. The amount for 2018 is significant but forgive I won't give you a number. I think what was positive for us in the quarter was our ability to renew it and also our ability to renew it across a very broad range of projects.

As I mentioned, the renewal was not really Yamal driven this quarter for example. It was driven by a lot of other things. So there are still pieces which are out there but not either in the backlog or in the shadow. So for example, the frame agreements on flexibles, those things give us additional confidence. So as I said, significant for 2018, and what was positive for us was our ability to renew across a broad base in the quarter.

Mukhtar Garadaghi - *Citi - Analyst*

That's very helpful, thanks for the details.

Julian Waldron - *Technip S.A. - Group CFO*

Thank you.

Operator

Mr. Michael Rae, Redburn.

Michael Rae - *Redburn - Analyst*

Yes, hi there, just two questions from my side. The first one is on the dividend, so I can see that dividend payments are suspended under the business combination agreement. So I am just wondering is the plan to complete the deal before the full-year results and then declare some kind of joint dividend which will be payable to all shareholders in 2017 to reflect the 2016 results.

And then the second question, I am just wondering, Julian, if you would be willing to venture any guidance for a year-end 2016 net cash? Thanks.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Julian, you answer the net cash question first and then I will take the dividend.

Julian Waldron - *Technip S.A. - Group CFO*

Yes, so, Michael, you know that I am always somewhat conservative about net cash because we are dealing with quite big amounts and if something comes in mid-December or mid-January frankly we don't care an awful lot in terms of the management of the project but it can make quite a big swing.

But I think if we end up somewhere around EUR1.5 billion at the year-end that would seem to me to be reasonable, maybe a touch less than that, and that would be bang in line with what I said at the beginning of the year would happen.

Michael Rae - *Redburn - Analyst*

Okay, thanks.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Okay, going to the dividend question. First of all, we are going to close early 2017 so obviously this is one of the decisions of the new Technip FMC Board about the policy that we will be implementing in 2017 and beyond.

What we have said so far about this policy is that we will be using both instruments, dividends and share buy-back, to what extent is not yet defined and I think this is the role of the Board. Management will make recommendation to the Board and the Board will decide what is going to be the distribution and the tools for the distribution in 2017.

Michael Rae - *Redburn - Analyst*

Okay, but do you think it is reasonable for shareholders to expect some kind of continuity of payment i.e. that you would declare what is effectively a joint 2016 dividend payable in 2017?

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

I won't say more than I said, whether we said that we would use both instrument, both share buy-back and dividends. Now the amounts are yet to be defined.

Michael Rae - *Redburn - Analyst*

Okay, that's great, thanks very much.

Operator

Mr. Mark Wilson, Jefferies.

Mark Wilson - *Jefferies - Analyst*

Good morning, gents, a question on long-term strategy if I may. It really seems like some of your longer-term strategy plans are playing out, now the downstream with Yamal, your Brazilian -- the water installation, Skandi Acu, and you mentioned just before, Thierry, the exit of the shallow water pipe lay.

So FMC Technip, Technip FMC obviously is the next step change of strategy. With regard to the offering of that combined entity, do you see there being additional capabilities outside of what is in Technip FMC that you would look to add on to really compete with the competition and address customer concerns? Here I am really talking about the reservoir, the data side of things that you have talked about before, thank you.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

Well, thank you very much for appreciating the strategy of Technip because I think what we have been building over years, many years, is a company which is built on technology, early engagement, and with a very broad portfolio of solutions which allows us to engage at the highest level in the client organization.

It is good that you bring up projects like Yamal, or before someone talked about Prelude or FLNG in general. I think all these projects are demonstrating that the value of integration, integration of different sets of skills, different capabilities, which allow us to offer something different from our competition. We have spoken a lot today about the subsea business and the upstream business but looking back at the Yamal project, the innovation that took place to deliver this project is actually phenomenal.

When you think about it this is the largest modularized project in the world, the largest project in Russia altogether and on a very, very tight schedule and we are delivering the modules in the first year, that was this year was really the critical year for module delivery and we are delivering that. So a project which is so far on schedule, on budget, and which has been a very strong contributor to the success of our Company but it's not the only project. We have Prelude, we have other projects of different sizes and including in the downstream. So I think this has worked very well for us, this diversity of activities, but the integrated solution is something that has worked very well for us.

Now the focus for Technip FMC is first and foremost to make sure that the integration is successful, it's on the right track now. As we said before, the organization has been announced, the teams are ready to work together as soon as we close and we have no overlap between our business and the operational teams and the operational regions and business units have been defined and are, I would say, in the starting blocks to start working together.

So this is the top priority for I would say at least the next year, the integration, and making sure that we get momentum and market in the integrated offer of Technip FMC. Now will there be opportunities to increase our portfolio of technologies, yes, certainly, but I don't see anything major at this stage. I see probably more bolt-on acquisition or alliances around certain technologies. Again, it's across the portfolio, it's not just upstream it is also downstream.

As of next year, we will have a new Board composed of Technip members and FMC Technologies members and this is going to be the role of this new Board and of the new Management Team to define the strategy going forward. But certainly, I think Technip FMC will be one of the companies that are going demonstrate how we need to work differently and better with our clients and that will drive the change that is needed in our industry. So we are not going to stop there.

Mark Wilson - *Jefferies - Analyst*

Thank you.

Julian Waldron - *Technip S.A. - Group CFO*

I think this is going to be our last question.

Operator

Robert Pulleyn, Morgan Stanley.

Robert Pulleyn - *Morgan Stanley - Analyst*

Good morning gentlemen, so just a couple of questions if I can, Julian. The first one is, at full year 2015 results you gave us an idea of the revenue you received shall we say from non-projects sources, i.e. technology, equipment, consultancy, and that added up to around about 30% of EBITDA. I was wondering where you were on the progress this year in terms of a like-for-like comparison, just to have an idea of the business mix.

The second one is, in the merger document the S4, I was just wondering, there seems to be some pretty confident projections from yourselves about the organic Technip business with a revenue number for 2018 of EUR10.3 billion and EUR1 billion OIFRA. I was just wondering to what extent we should consider those indicative. Thank you very much.

Julian Waldron - *Technip S.A. - Group CFO*

Rob, thank you, two very good questions. I will probably take the second one first. I don't think I am actually in a position really to add anything to what is written in the S4. The S4 states clearly the context in which those were put together, the way in which both sides looked at each other, how that contributed to the discussion and the negotiation over valuation.

I know that both sides feel that they put all of those things together in good faith but I don't think this it is appropriate to say anything more over and above what is in the S4. I think what we have done for shareholders, for Technip standalone, is both to try and give the update on 2016, both at the half year and at quarter three, with the upgrade that you've just seen and then continue to comment on 2017.

Now on 2017, we commented on onshore/offshore, right at the beginning of the year on how we expected profit in on off to rise 2015 through 2017. This morning's comments reiterate that and I think that's an important thing for shareholders to recognize. We had set out our stall to cut cost and drive the subsea business in what is clearly a more difficult market. Again, I think the comments we have given on 2017 this morning show that we are driving that program forward with success.

I think going to your first question, revenue is a bit more difficult to quantify because we probably had more this year from Yamal than we had last year. But I think in terms of underlying contribution, underlying profitability, we are probably equal or slightly more in terms of that TEC, technology, equipment and consulting contribution in 2016 than we were in 2015, which is as it should be and in line with the strategy.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

If I may add one thing here. I think it is important to notice that in spite of this downturn we continue to see, for example, a lot of interest in our process technology business. If I look at what we have won so far in that process technology business, we have won about 14 to 15 projects of different sizes which are early stage involvement and about 50% of these projects were around I would say brownfield or revamp activities of ethylene, nitrogen, or oil refineries.

About 50% around grass root developments which is really planting the seeds for potential developments in the years to come, which explains also why we have been talking about resilience in our onshore business in particular.

Robert Pulleyn - *Morgan Stanley - Analyst*

Thank you very much.

Thierry Pilenko - *Technip S.A. - Chairman and CEO*

To conclude, I would like to reiterate what we said before, so that even in this difficult environment Technip continues to execute its strategy to create value, that our positioning with customer, early involvement, technology, equipment, and high value project management helps us sustain our profitability and our order intake.

So again, we are finalizing our strategic merger with FMC Technologies. I believe this is going to add a lot of value to our customers, take our leadership position further, and create value for all our stakeholders. So thank you very much for your confidence and have a good day.

Aurelia Baudey-Vignaud - *Technip S.A. - 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 two hours. You are invited to contact Technip Investor Relations should you have any questions or require additional information. Once again, thank you for your participation and please enjoy the rest of your day.

Operator

Thank you for your participation in today's conference call. The replay will be available by dialing 33172001500 for France and Continental Europe or 4402033679460 for UK or 1-877-642-3018 for USA using the confirmation code 303880#. The replay will be available for 90 days. Thank you and goodbye. You may now disconnect.
