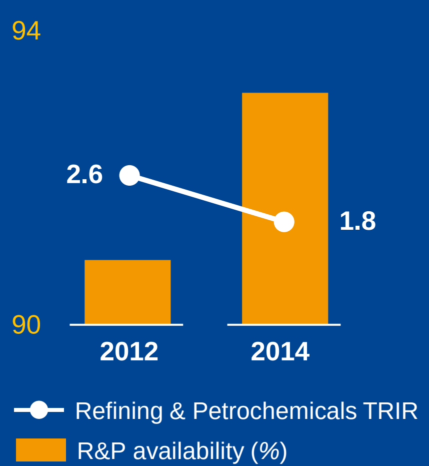
# 2014 Results and outlook

February 2015

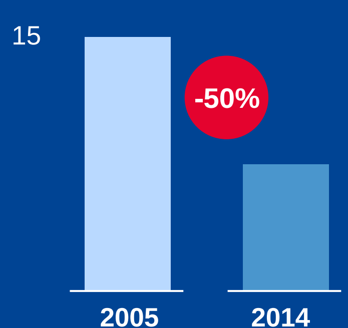
# Safety

# Safety and operational efficiency go together

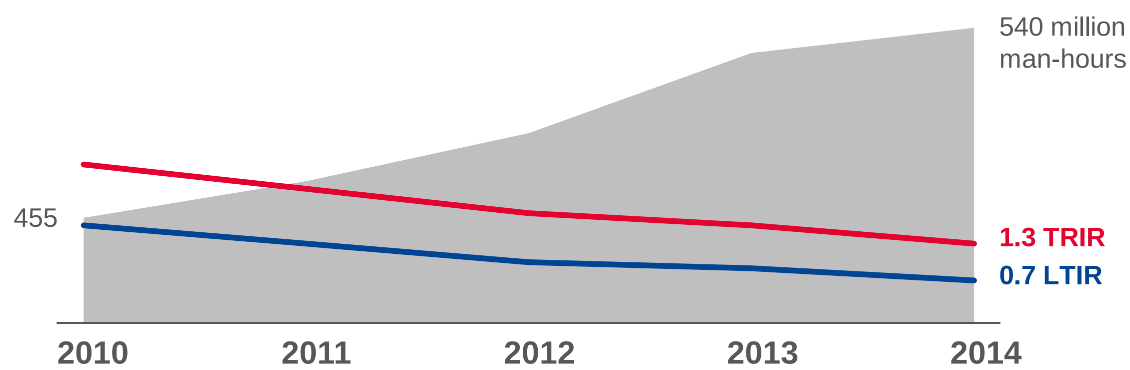
**Improving both safety and operational efficiency**




**2014 flaring target achieved**
*Mm$^3$/d, excl. start-ups*




Safety performance
*TRIR and LTIR**




Improving **safety performance** by 50% over past four years

Reducing costs **without compromising safety**

Enhancing efficiency by **reducing flaring** and monetizing associated gas

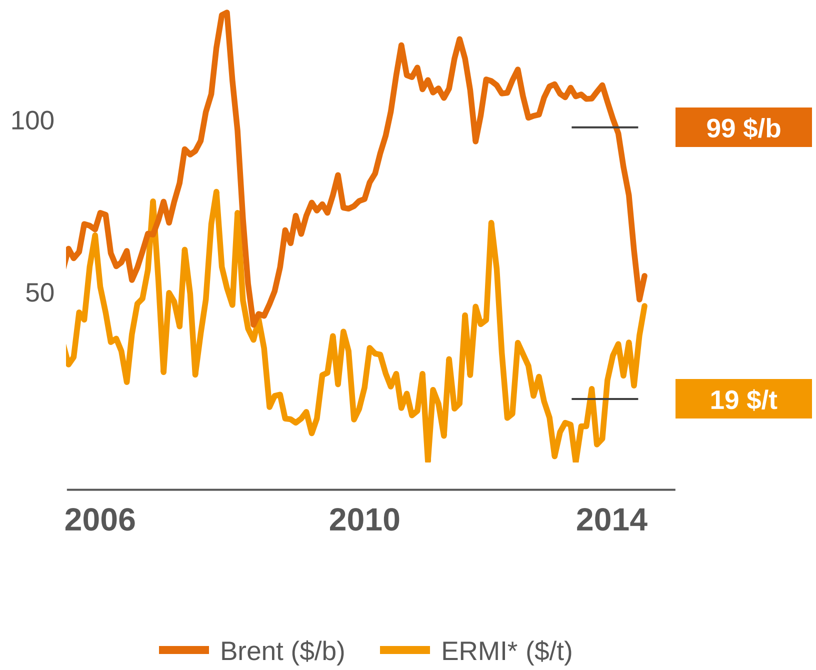
**Safety as a cornerstone of our strategy**

* TRIR: Total Recordable Injury Rate; LTIR: Lost Time Injury Rate

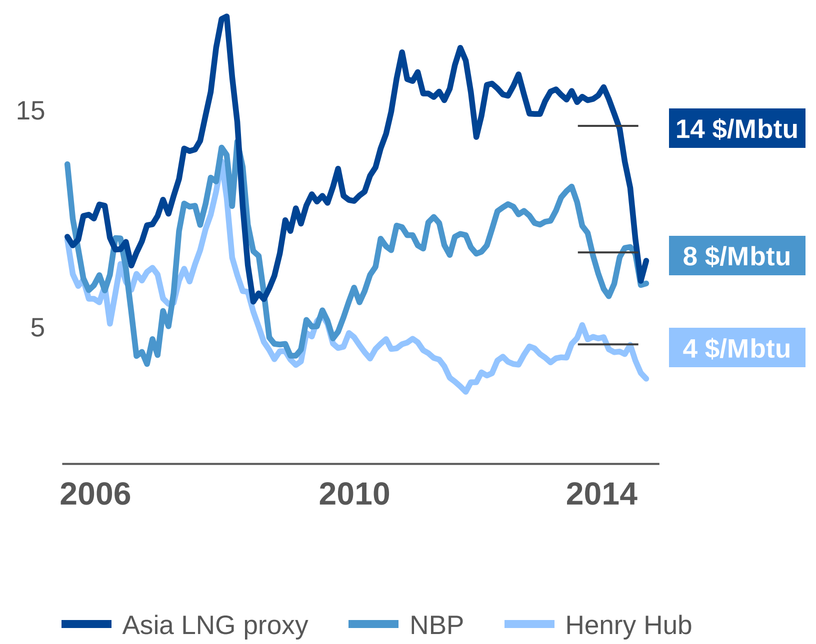
# Market environment

# Sharp oil price decline, return to volatility

## Brent and ERMI




## Gas

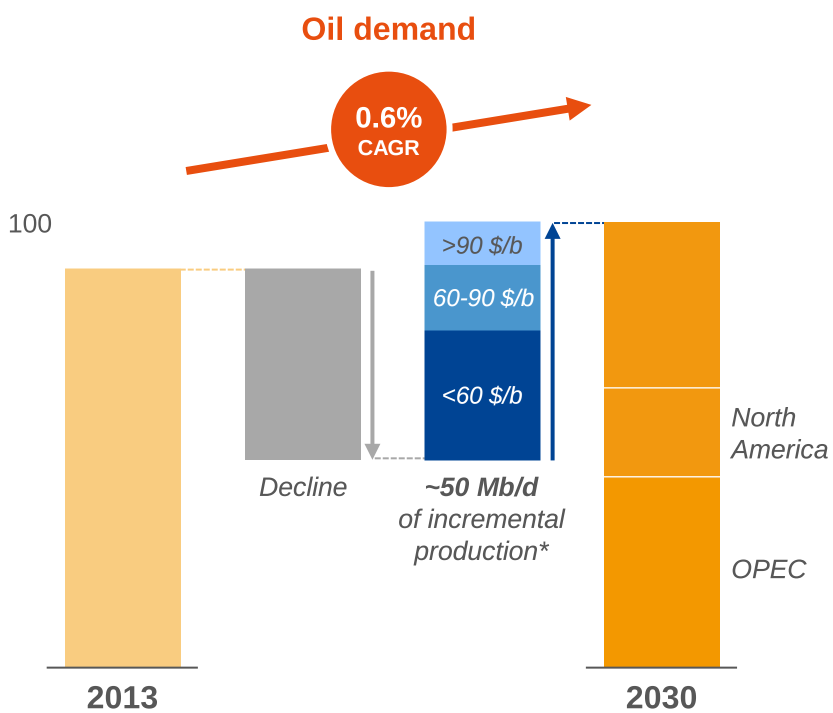



**Total's response is to reduce breakevens**

As of 6 Feb. 2015; * European Refining Margin Indicator

# Long term oil demand growth

Oil supply-demand
*Mb/d, crude and NGLs*




**~50 Mb/d** new production needed by 2030, driven by **decline rate** and **demand growth**

**~20%** of new volumes require **>90 $/b** in 2014 cost environment

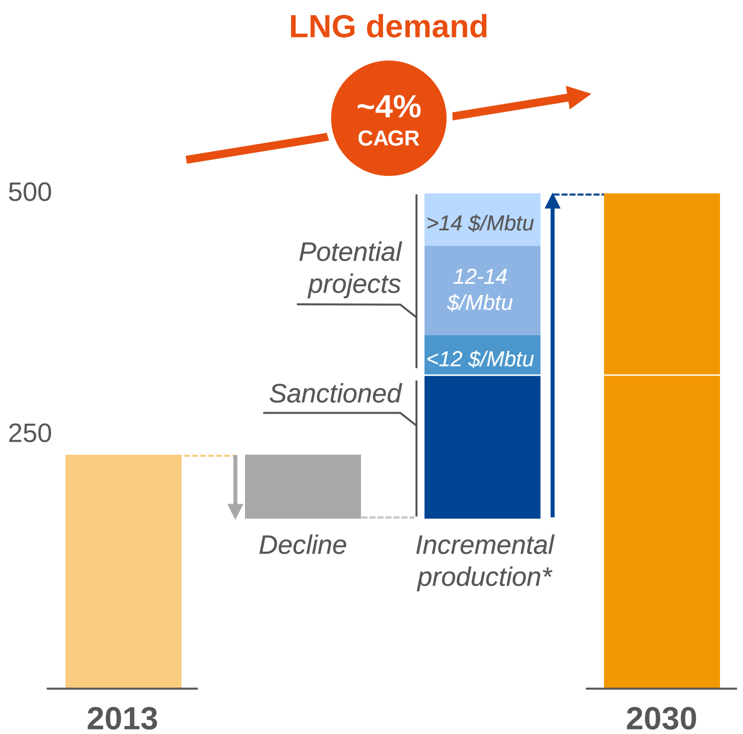
Marginal supply requires **high tech**, continuous **innovation** and significant **investment**

**Fundamental support for high long term prices**

* Breakeven for IRR 15% nominal

# Robust LNG fundamentals

LNG supply-demand
*Mt/y*




**Demand to double** by 2030,
most of **new supply not yet sanctioned**

New projects require **adequate LNG prices**

- New LNG countries
- US export economics

**Total well positioned**

- Projects already sanctioned with favorable price formula
- Low breakeven projects
- Integrated along the entire LNG chain with strong trading position

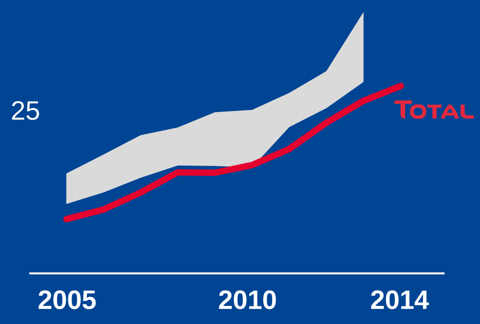
**High LNG prices required to encourage investment**

* Breakeven for IRR 15% nominal

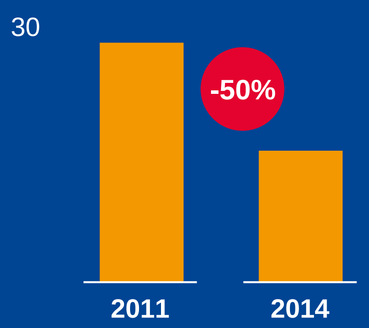
# Corporate outlook

# Capitalizing on resilient fundamentals

**Lowest technical costs compared to peers***
*$/boe*




**European Refining & Petrochemicals breakeven**
*$/t, on net operating income*




Leveraging Upstream strengths

- Lowest **technical costs** among Majors
- Expanding **cost reduction initiatives**
- Highest contribution from **PSC** among Majors
- Delivering cash **accretive start-ups**

Strong **contribution from Downstream**

- Restructuring **R&C** to keep lowering breakeven
- M&S providing **stable results** through the cycle

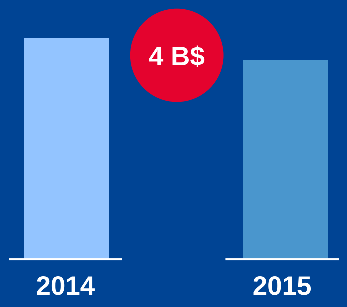
**Robust balance sheet**, prepared to temporarily gear up as necessary

**Resilient and integrated business model**

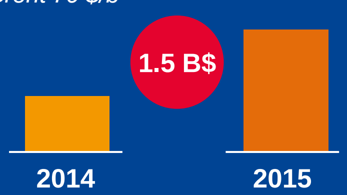
* BP, Chevron, Exxon, Shell - based on published data

# Strong response to 2015 environment

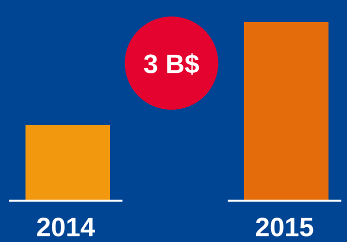
**Cost reduction initiatives on Capex, Opex and exploration**
*B$*




**Cash flow from Upstream start-ups**
*B$, Brent 70 $/b*




**Accelerated asset sale program**
*B$*




**~4 B$** cash impact from **cost reduction** initiatives

- >10% organic Capex reduction from 26.4 B$ to 23-24 B$
- 50% increase in Opex savings to 1.2 B$, including
  - recruitment freeze in Upstream and R&P
  - headcount reduction in M&S mature areas
  - 15% Corporate staff reduction by 2017
- 30% reduction in exploration budget to 1.9 B$

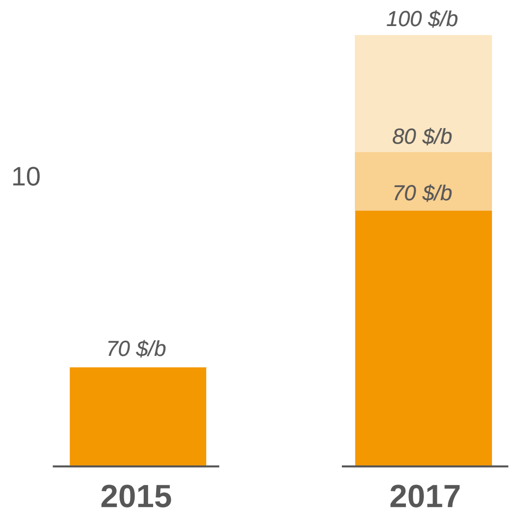
**~1.5 B$** additional cash flow from **Upstream start-ups**

**~3 B$** incremental **net asset sales** including
1.5 B$ accelerated 2015-17 asset sale program

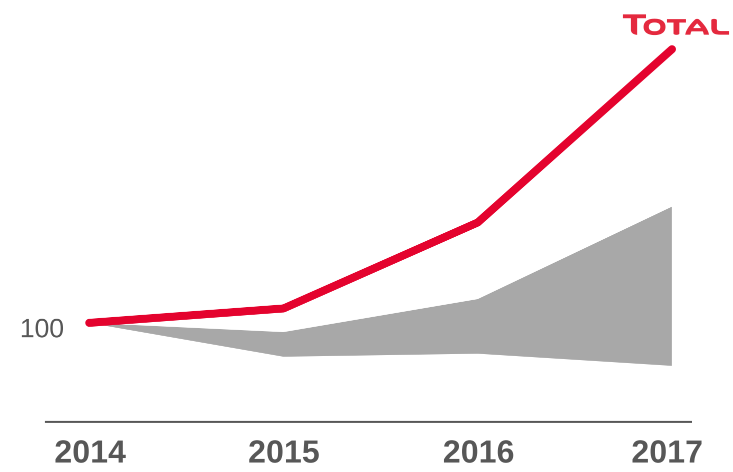
**8 B$ cash impact reducing breakeven by 40 $/b**

# Staying the course to deliver cash

Group free cash flow
*B$*




Upstream free cash flow growth compared to peers*
*Base 100 in 2014*




Objective to generate **>10 B$** free cash flow in 2017 with additional flexibility in case of lower oil prices

2017 **dividend** more than covered at 70 $/b

Leading cash flow growth driven by **accretive start-ups** and production growth

**Reducing Capex** as projects start up

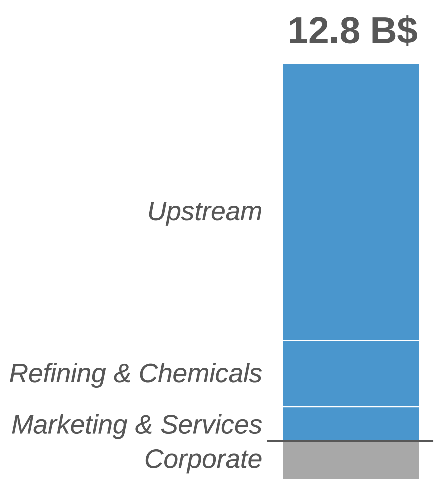
**Strong and resilient cash flow growth**

Free cash flow = cash flow from operations - organic investments - acquisitions + asset sales
* BP, Chevron, Exxon, Shell. Source Wood Mackenzie Oct. 2014 low price scenario

# 2014 results

# 2014 results

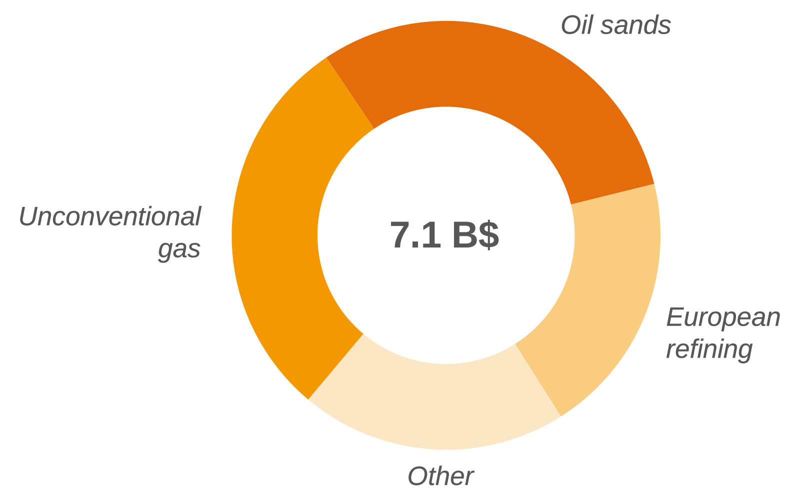
## 2014 adjusted net income




Return to **production growth** in 2H14 with CLOV start-up

Refining & Chemicals benefiting from **restructuring** and improved 2H14 margins

## 2014 after-tax impairments



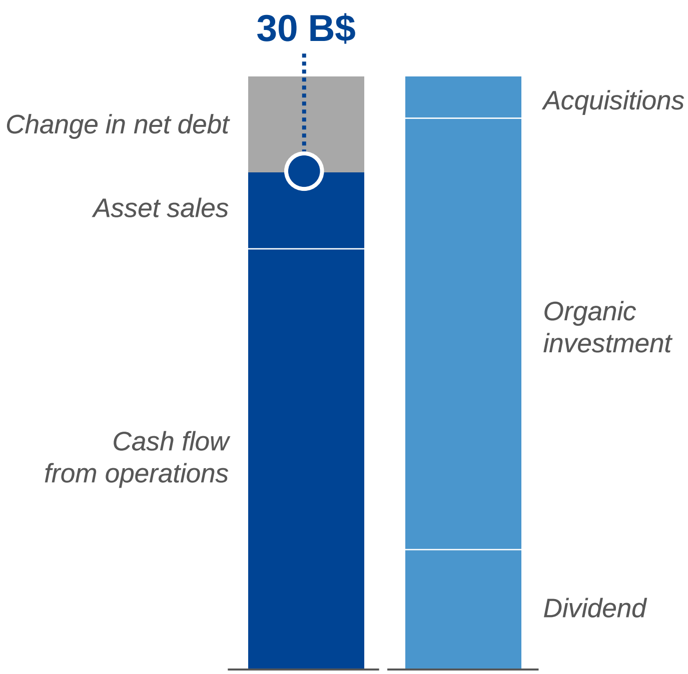

6.5 B$ after-tax impairment in 4Q14 due to **changing context**

2% impact on end-2014 gearing

**Results benefiting from integrated model, with one-offs reflecting current environment**

# 2014 cash flow allocation

2014 cash flow allocation
*B$*




**30 B$** from operations and asset sales

4.8 B$ asset sales closed

**Organic investment** reduced to
**26.4 B$** in line with 2014 budget

**31% gearing** excluding benefit of
4 B$ pending asset sales at end-2014

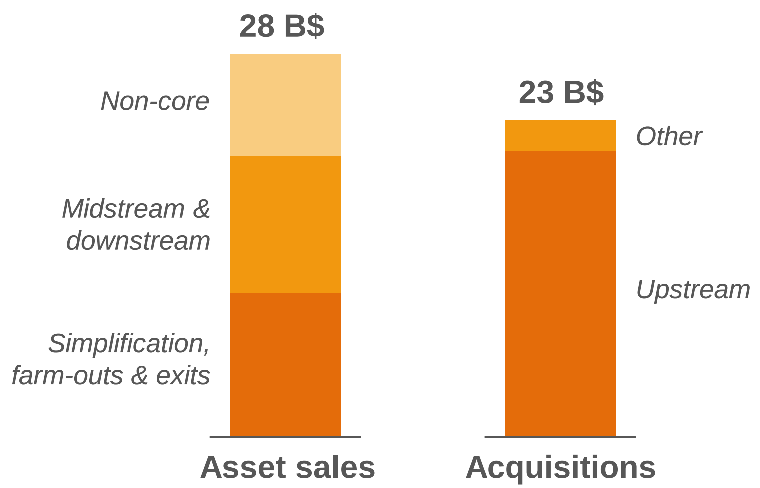
7.3 B$ dividend

**Strong dividend through intensive investment phase**

Asset sales including transactions with minority interests

# Actively managing the portfolio

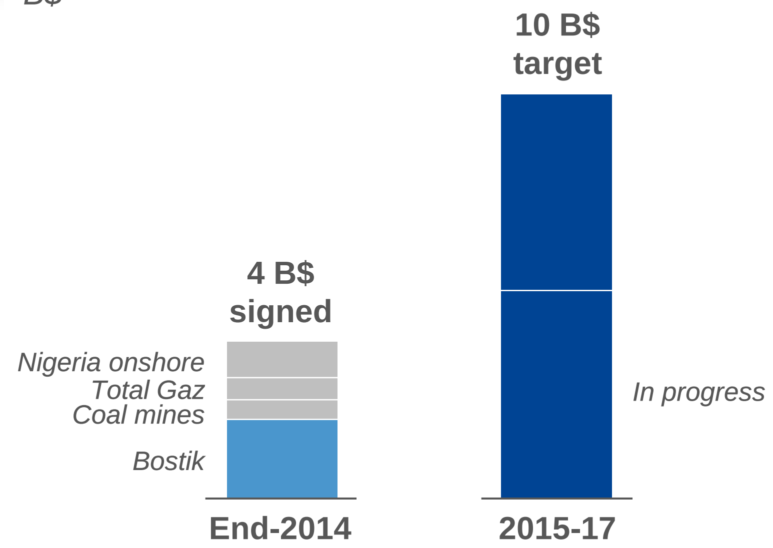
2011-14 asset sales and acquisitions
*B$*




Rejuvenating >25% of portfolio

2012-14 **target achieved**

2015-17 asset sales
*B$*




**Closed ~2 B$** Bostik sale early 2015

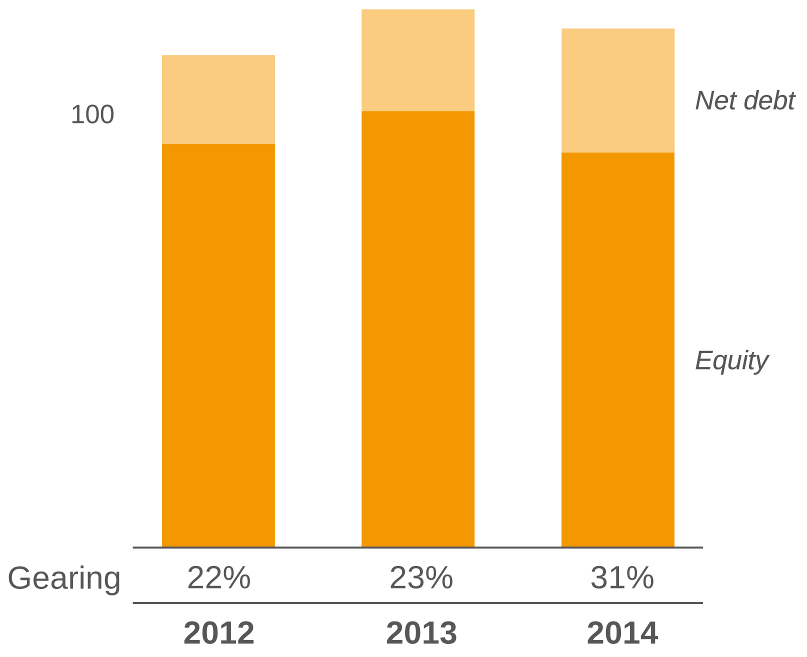
**Significant progress** on 2015-17 program

**High-grading portfolio and focusing on core assets**

Including transactions with minority interests

# Substantial liquidity and financial flexibility

Net-debt-to-equity ratio
*B$*




**Liquidity** established in advance of lower oil price

- >15 B$ net cash
- >10 B$ credit lines

**Access to financial markets** under favorable conditions

**Gearing** impacted by heavy investment phase and one-offs

**Flexibility** to control gearing

- Strong response to 2015 environment
- Proposed scrip dividend

**Well positioned to weather the storm**

# Upstream

# Increasing Upstream profitability

**Safety**, cornerstone of our strategy

**Delivery**

- Executing projects on time and on budget
- Growing production with major project start-ups

**Costs**

- Increasing Opex savings
- Enhancing capital discipline

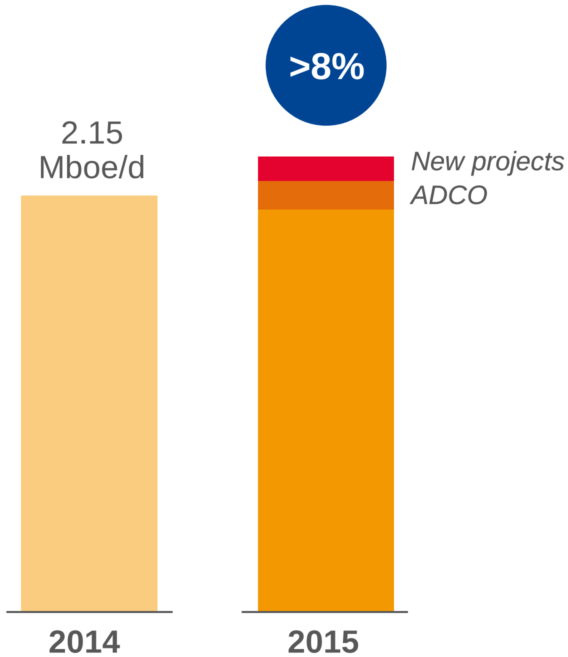
**Cash**

- Strong cash flow growth driven by accretive start-ups
- Dynamic portfolio management

**Accountability key to unlocking performance**

# 2015 production growth

Production




**8** project **start-ups** in 2015

- Including 3 already in production

**125 kboe/d** from new projects

- ~60% Total-operated
- ~60% deep offshore
- ~50% PSC

Successful entry into new **ADCO** contract

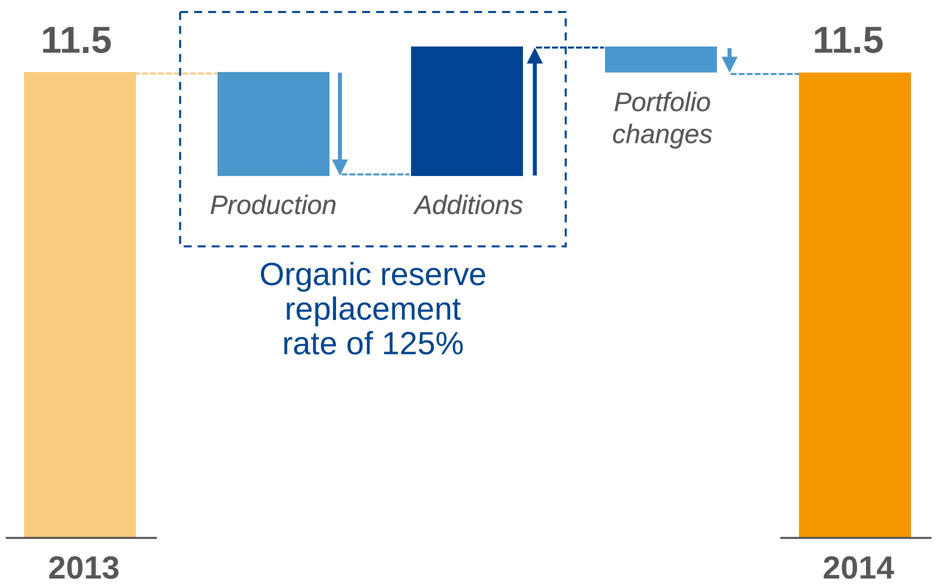
**~1.5 B$** additional cash from **new projects**

**Focusing on project execution and delivery**

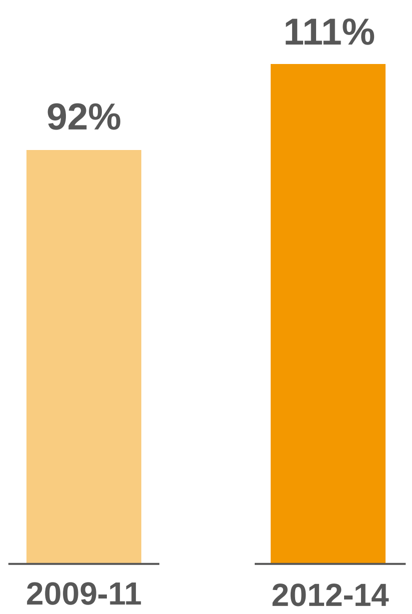
2015 in a Brent 70 $/b scenario

# 2014 reserve replacement rate of 100%

## Proved reserves
*Bboe at year end*



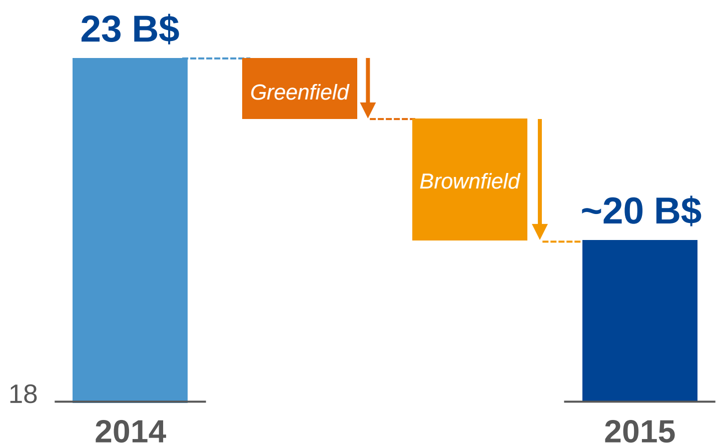

## Organic reserve replacement rate
*3-year average*



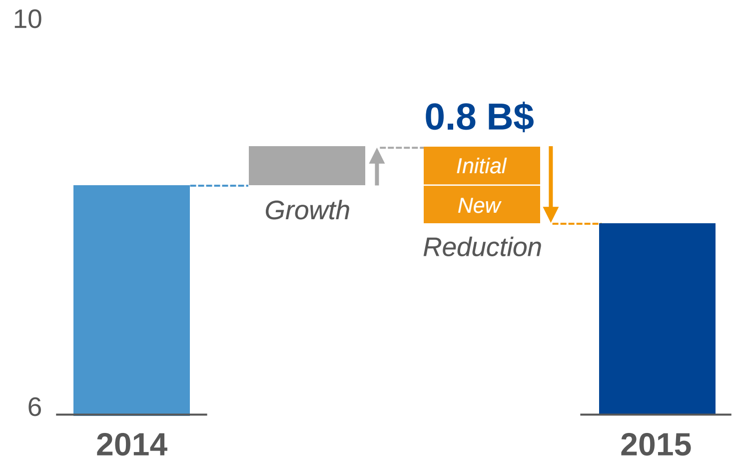

**More than 13 years of 1P and 20 years of 2P reserves**

# 2015 Upstream Capex and Opex

2015 Capex discipline
*B$*




2015 Opex reduction
*B$*




Reducing **greenfield** investment

- Utica, Zinia 2, Bonga SW…

Cutting marginal **brownfield** spend

- Mature West Africa, North Sea...

Doubling 2015 **Opex reduction**

- Reducing staff to ~15,500 end-2015, logistics…

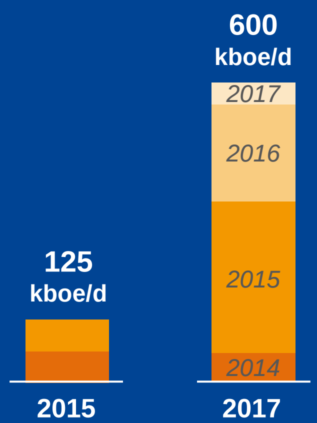
Taking advantage of **market conditions**

- Renegotiating contracts, service costs…

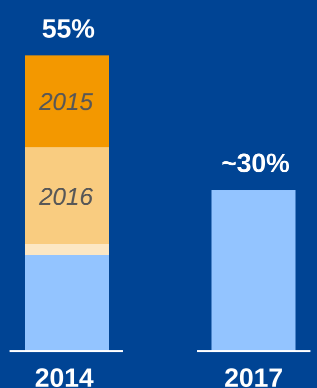
**Immediate and significant response to 2015 environment**

# Building momentum of cash accretive start-ups

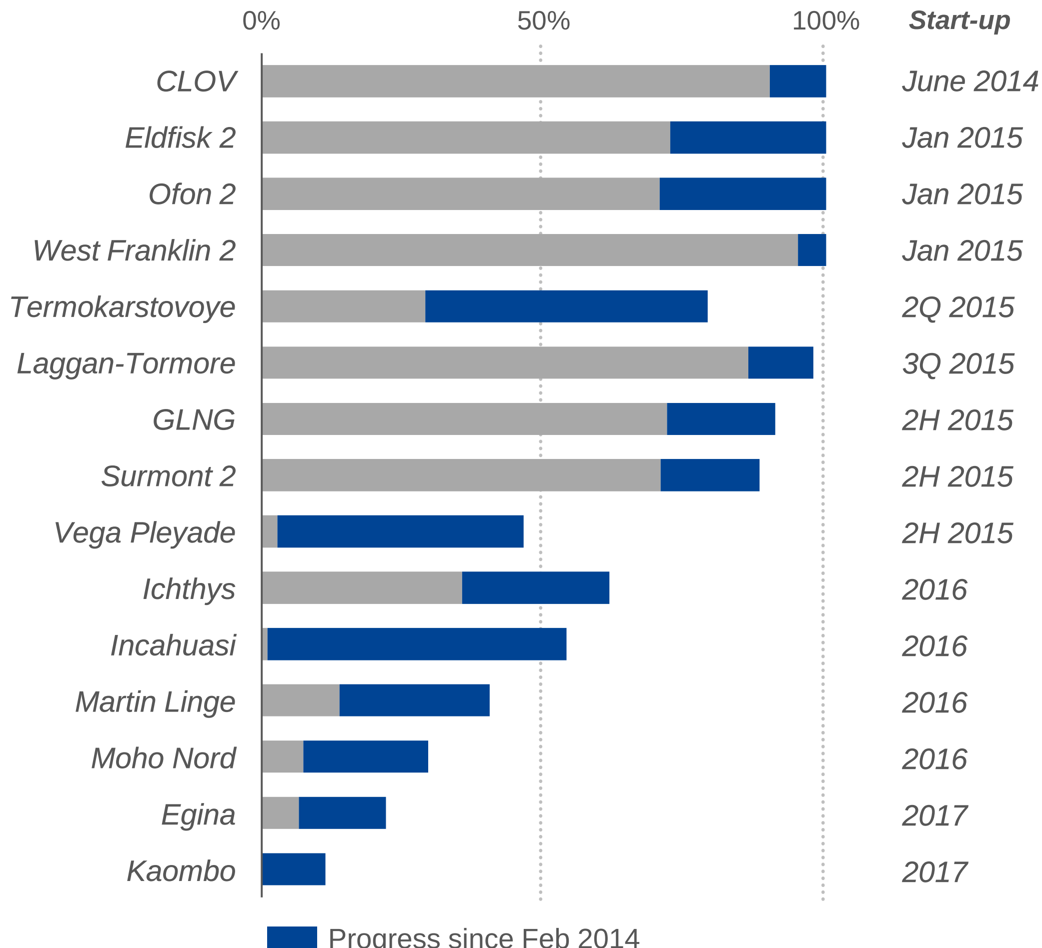
**New start-ups contribution to 2017 production***
*By start-up year*




**Share of non-producing assets in Upstream capital employed**



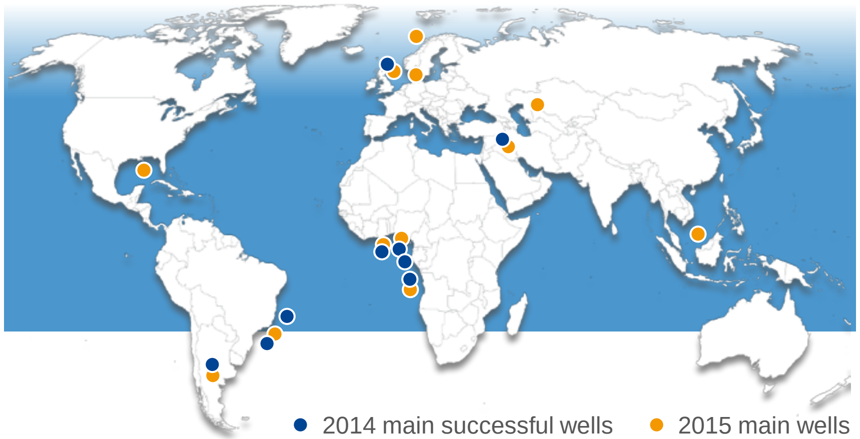

Start-ups contributing to 2017 production
*% EPC progress of major start-ups*




* Excluding Kashagan and Angola LNG

# Renewing long term resources

## Exploration




Capping exploration budget

- 2015 budget **reduced by 30%** to 1.9 B$
- More selectivity to **increase efficiency**

Ongoing **strategic review**

- Lessons learned from past 3 years

## Resource acquisition

**2.5 Bboe** added at **<3 $/boe** over 2012-14

Successful entry into new **ADCO** contract

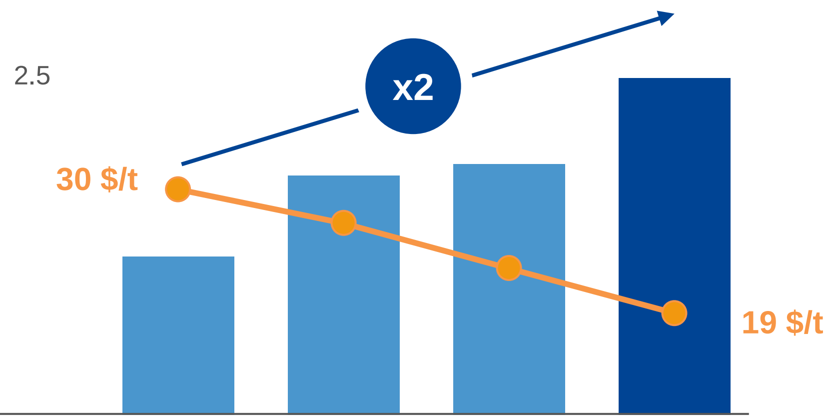
- 40 years of production with plateau at 1.8 Mb/d
- 10% equity interest with higher margins
- 1st among Majors, low entry cost

**Screening new opportunities with strict discipline**

# Refining & Chemicals

# Strong R&C results in volatile 2014 environment

R&C adjusted net operating income and European refining breakeven
*B$*




| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| ERMI | 17 $/t | 36 $/t | 18 $/t | 19 $/t |
| Eur. polymers | 395 €/t | 338 €/t | 418 €/t | 470 €/t |

Adjusted NOI — European refining NOI breakeven

Reducing European **breakeven <20 $/t**

Capturing high margins through increased **site availability** and **flexibility**

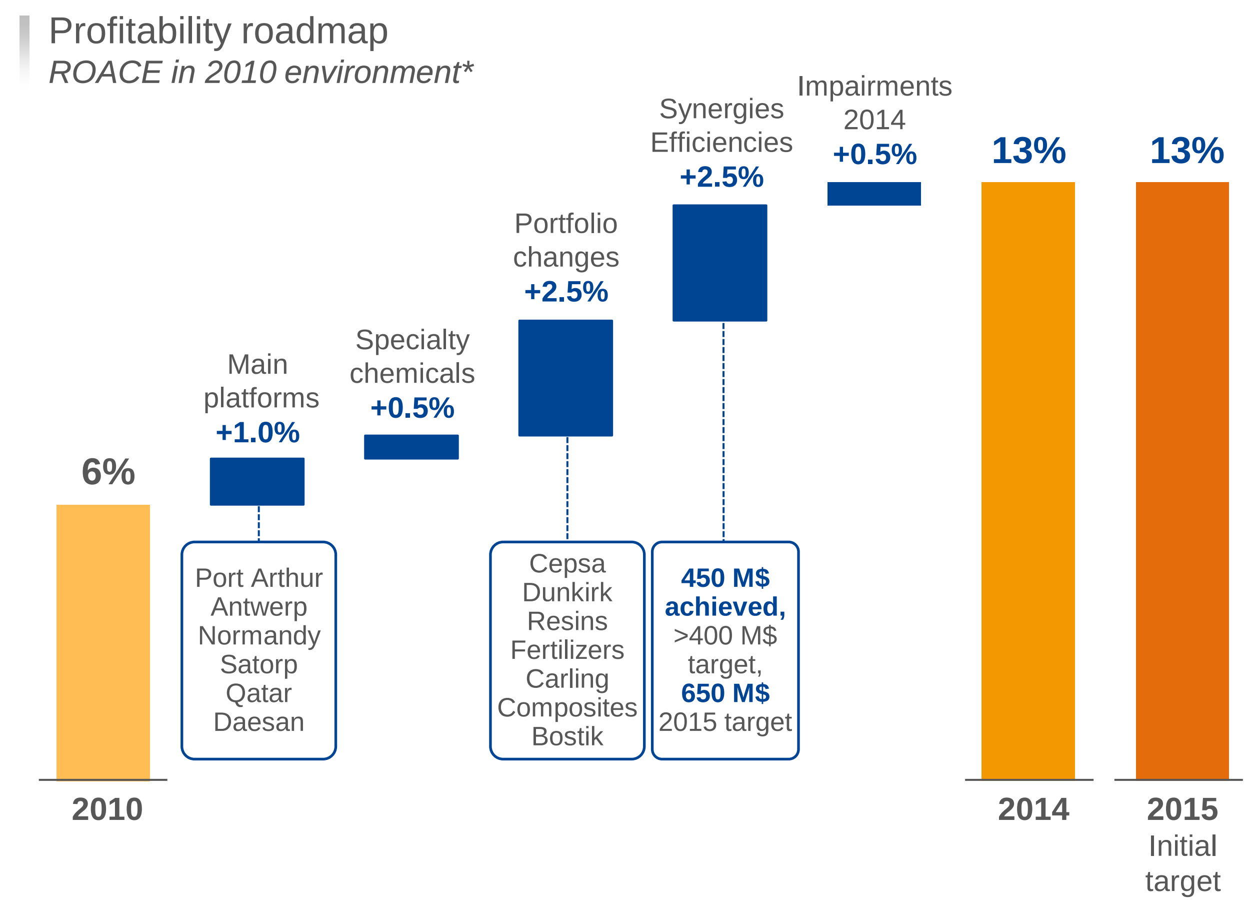
Delivering **cost saving** programs

**US operations** contributing strongly

Continuing to **divest** non-core assets

**15% ROACE in 2014 exceeding targets**

# Successful R&C restructuring program

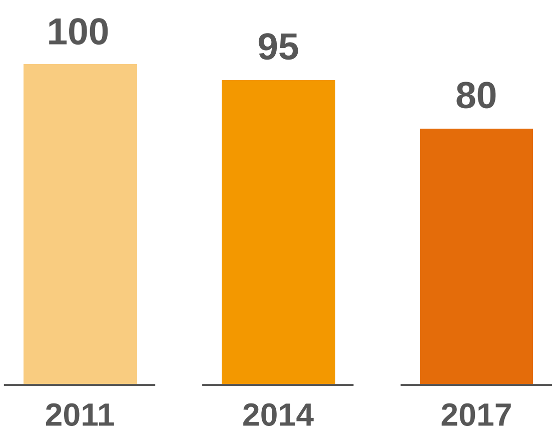



**Profitability target achieved 1 year in advance**

* ERMI 27 $\$_{2010}$/t, mid-cycle for petrochemicals, $/€ 1.33

# Ongoing European restructuring

Refining & Petrochemicals
European capacity index
*Base 100 in 2011*

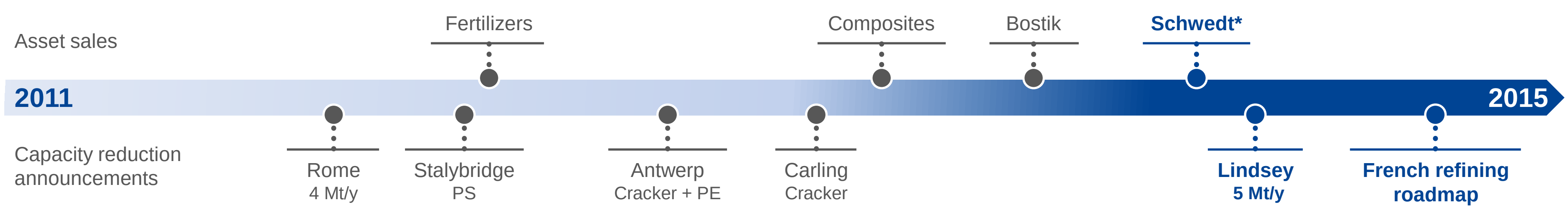



**20% European capacity reduction** 2011-17

- Closing a 5 Mt/y crude distillation unit at Lindsey
- Announcing in spring 2015 French refining roadmap

Relentlessly **enhancing competitiveness**

- Increasing availability, reliability and flexibility
- Further reducing costs and energy consumption



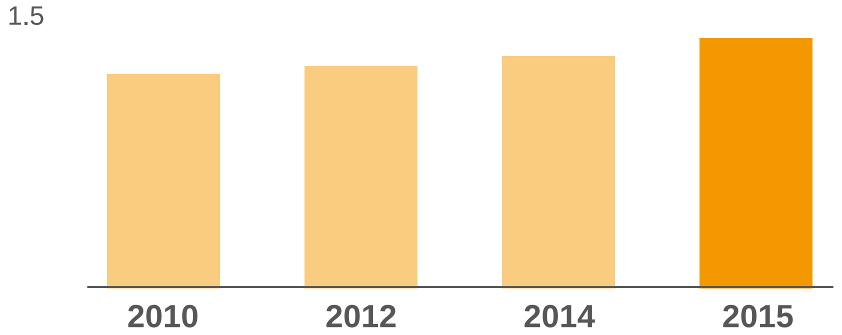

**Systematically tackling underperforming assets**

* Signed MOU

# Marketing & Services

# Solid and resilient M&S results


M&S adjusted net operating income*
*B$*




| | 2010 | 2012 | 2014 | 2015 |
|---|---|---|---|---|
| Brent | 80 $/b | 112 $/b | 99 $/b | |

Resilient **results increasing** through the oil cycle

Opex reduction plan and strict capital discipline

**1.8 B$** cash flow from operations in 2014

**Repositioning** towards growth areas and **expanding** highly profitable business segments

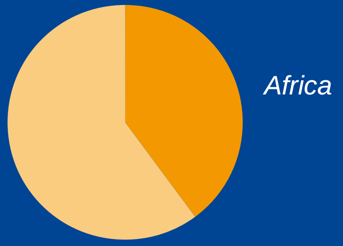
**Increasing market share 2012-14**
- Retail France from 21% to 23%
- Retail Africa from 15% to 18%

**Strong and growing contribution in a volatile environment**

* 2010-14 adjusted for open paper positions, excl. New Energies

# Differentiation through leadership in Africa

**2014 M&S net operating income**




**Total leading presence in Africa**


**Market leader** in Africa

- 41 countries, >4,000 service stations,18% market share
- Relying on local talent with proven track record

**Building on critical mass** to grow in Africa

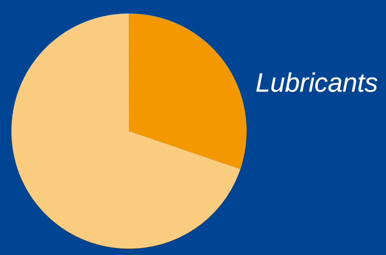
- 35% of M&S investments and 40% of net operating income
- Dynamic acquisition strategy
- Strong synergies from leadership position
- Developing digital solutions

**18% profitability** through high investment phase

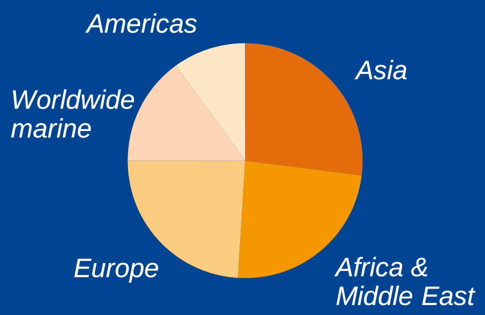
**Highly profitable position in growth-driven continent**

# Expanding high return lubricant business

**2014 M&S net operating income**




**2014 worldwide lubricant sales**




**Strong 2014 financial** performance

- 30% of M&S net operating income and >25% ROACE
- Low capital employed business model
- ~450 M$ cash flow from operations

**Outpacing market growth**

- Increasing market share by 10% between 2011-14

**Developing** a worldwide lubricant marketing segment

- Building major hub in Singapore
- Creating new partnerships with Korean and Chinese companies

**Growing our position as one of the top global players**

# Key takeaways

# Our strategy in 4 key words

**Safety**, the Group's first priority

**Delivery** of our roadmap in all business segments

- Executing Upstream projects and delivering production
- Reducing R&C exposure to Europe
- Expanding M&S in growth areas

**Cost** discipline more relevant than ever

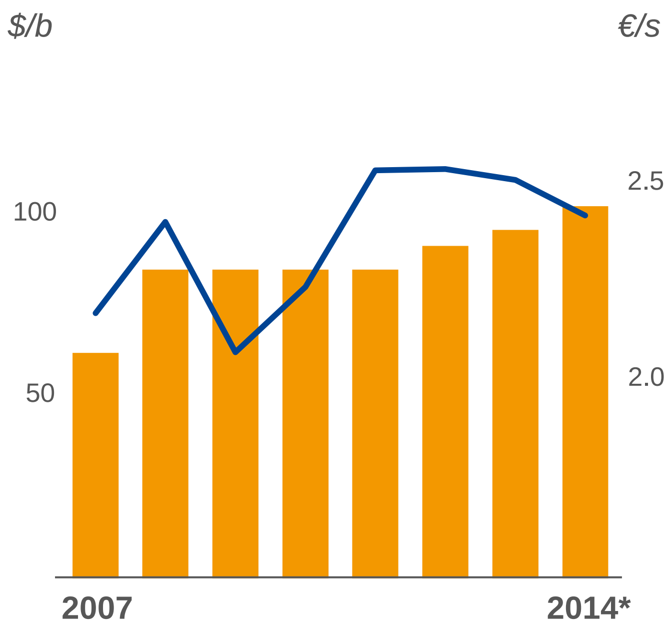
- Reducing Capex and expanding Opex reduction programs
- Constraining exploration budget to increase efficiency
- Right-sizing the organization

**Cash** generation to support shareholder return

**Focusing on cash to build a stronger company**

# Competitive shareholder return

Evolution of dividend and Brent




| Payout (%) | 39 | 37 | 66 | 50 | 45 | 43 | 50 | 58 |
|---|---|---|---|---|---|---|---|---|

Brent ($/b) Dividend (€/share)

Introducing optional **scrip dividend** in 2015*

- 10% discount to market price

Dividend policy of 50% payout on average

Strong **dividend** track record

**Committed to dividend through Brent cycle**

* Pending shareholder approval

# Addressing volatility and emerging stronger

Short-term **strong response** to environment

- >10% reduction in Capex
- 50% increase in Opex savings
- 30% reduction in exploration budget
- 8 B$ cash impact reducing breakeven by 40 $/b

Mid-term **staying the course** to deliver free cash flow growth

- 15 major cash accretive start-ups by 2017
- Growing contribution from more profitable Downstream
- Generating >10 B$ free cash flow in 2017
- Committed to competitive shareholder return

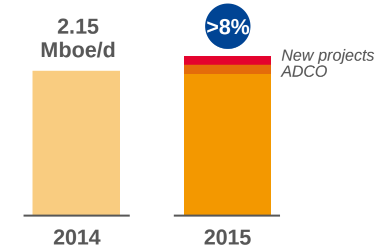
**Robust response to 2015 challenges and a clear path forward**

# Appendices

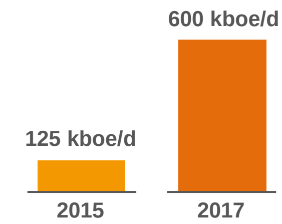
# Portfolio of major projects

| | Project | Country | Project | Capacity (kboe/d) | Share | Op | Status |
|---|---|---|---|---|---|---|---|
| 2014 | CLOV | Angola | Deep offshore | 160 | 40% | ✓ | Prod. |
| | Eldfisk 2 | Norway | Liquids/gas | 70 | 39.9% | | Prod. |
| | Ofon 2 | Nigeria | Liquids/gas | 70 | 40% | ✓ | Prod. |
| | West Franklin Ph.2 | UK | Gas/cond. | 40 | 46.2% | ✓ | Prod. |
| | Laggan-Tormore | UK | Deep offshore | 90 | 80% | ✓ | Dev. |
| | Surmont Ph.2 | Canada | Heavy oil | 110 | 50% | | Dev. |
| | Termokarstovoye | Russia | Gas/cond. | 65 | 49%* | | Dev. |
| | GLNG | Australia | LNG | 150 | 27.5% | | Dev. |
| End-2015 | Vega Pleyade | Argentina | Gas | 70 | 37.5% | ✓ | Dev. |
| | Angola LNG | Angola | LNG | 175 | 13.6% | | Dev. |
| | Martin Linge | Norway | Liquids/gas | 80 | 51% | ✓ | Dev. |
| | Incahuasi | Bolivia | Gas | 50 | 60% | ✓ | Dev. |
| | Moho Nord | Congo | Deep offshore | 140 | 53.5% | ✓ | Dev. |
| | Kashagan | Kazakhstan | Liquids | 370 | 16.8% | | Dev. |
| | Ichthys | Australia | LNG | 335 | 30% | | Dev. |
| | Egina | Nigeria | Deep offshore | 200 | 24% | ✓ | Dev. |
| | Kaombo | Angola | Deep offshore | 230 | 30% | ✓ | Dev. |
| | Elgin/Franklin redev. | UK | Gas/cond. | 35 | 46.2% | ✓ | Dev. |
| | Gina Krog | Norway | Liquids/gas | 95 | 30% | | Dev. |
| | Halfaya Ph.3 | Iraq | Liquids | 200 | 22.5% | | FEED |
| | Libra EWT | Brazil | Deep offshore | 50 | 20% | | Dev. |
| | Yamal LNG | Russia | LNG | 450 | 20%* | | Dev. |
| End-2017 | Fort Hills | Canada | Heavy oil | 180 | 39.2% | | Dev. |
| | Tempa Rossa | Italy | Heavy oil | 55 | 50% | ✓ | Dev. |
| | Ikike (OML 99) | Nigeria | Liquids/gas | 55 | 40% | ✓ | FEED |
| | Blocks 1, 2 and 3A** | Uganda | Liquids | 230 | 33.3% | ✓ | Study |
| | Surmont Ph.3 | Canada | Heavy oil | 135 | 50% | | FEED |
| | Bonga South West | Nigeria | Deep offshore | 225 | 12.5% | | FEED |
| | Elk-Antelope | PNG | LNG | 150 | 31.1% | ✓ | Study |

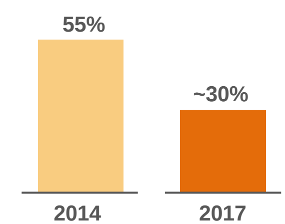
2015 production growth




New start-ups contribution to 2017 production***



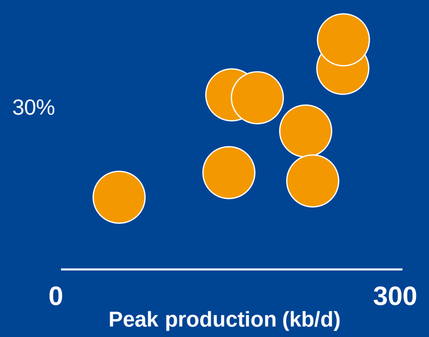

Share of non-producing assets in Upstream capital employed



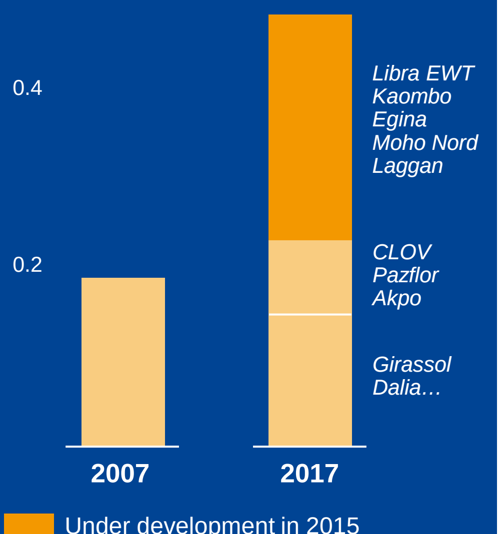

* Direct stake only; ** Total operates Block 1; *** Excluding Kashagan and Angola LNG

# Deep offshore, building on a core competence

**Elevated project IRRs**
*Total-operated projects**




**Deep offshore production**
*Mboe/d, Total share*




## **Leading position** among Majors

- **>10%** of Total's production, **>25%** of Upstream results in 2014
- **High tech** and **high return** projects
- Total to operate 10 FPSOs with ~1.7 Mb/d capacity by 2018

## CLOV delivered **on time** and **on budget** in 2014

- Ramp-up achieved ahead of schedule
- Innovative subsea separation
- ~1 B$ cash flow in 2015 at 70 $/b

## 20% stake in **Libra**

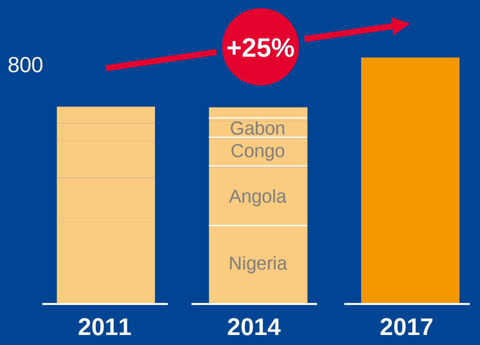
- **Largest discovery** in deep offshore
- Appraisal and testing program ongoing
- First oil in 2017 with EWT

**Reinforcing an industry leading position**

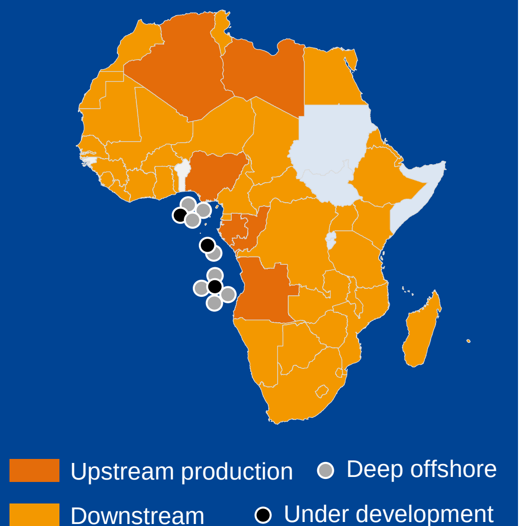
* Source Wood Mackenzie, Brent 90 $/b

# Total, a leader in Africa

**Total production in Africa**
*kboe/d*




**Total activities in Africa**




Largest producer in sub-Saharan Africa

Largest marketer in Africa, 18% market share

**#1 deep offshore operator,**
3 new FPSOs to start 2016-17

**Increasing production**
by 25% 2011-17

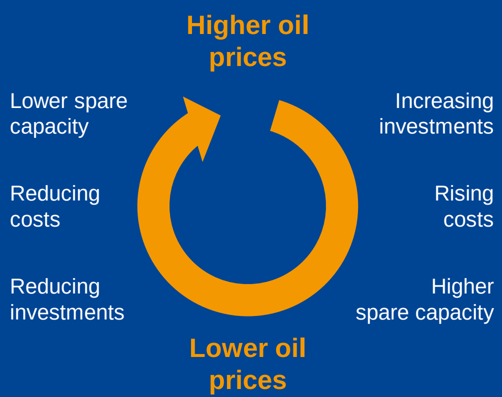
**18% profitability,**
**~40%** of M&S **results**

Leveraging critical mass to **capture African growth**

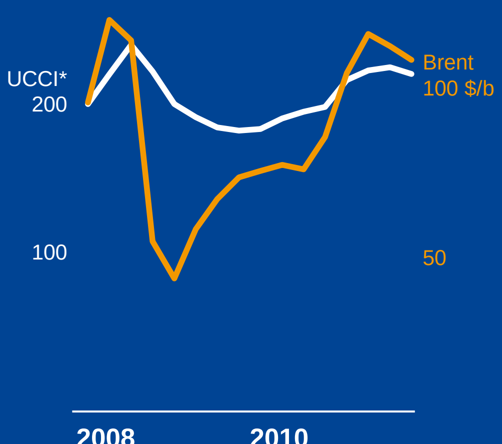
**Proven expertise in growth-driven continent**

# An industry accustomed to cyclical volatility

**Typical supply cycle**




**Previous cycle**




Sharp **oil price decline** driven by

- Excess supply mainly due to increased US production
- Lower demand expectation

**Short term** industry **reaction**

- Projects cancelled and delayed
- Capex and Opex reduction plans
- Downstream providing resilience to integrated companies

Timing of **oil price rebound** depends on

- Robustness of US shale business model
- Oil demand elasticity and GDP growth
- Innovation and improved energy efficiency
- Geopolitical factors and OPEC

**Price recovery needed to cover cost of marginal supply**

* Base 100 in 2000

# Disclaimer

This document may contain forward-looking information on the Group (including objectives and trends), as well as forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, notably with respect to the financial condition, results of operations, business, strategy and plans of TOTAL. These data do not represent forecasts within the meaning of European Regulation No. 809/2004.

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Neither TOTAL nor any of its subsidiaries assumes any obligation to update publicly any forward-looking information or statement, objectives or trends contained in this document whether as a result of new information, future events or otherwise. Further information on factors, risks and uncertainties that could affect the Company's financial results or the Group's activities is provided in the most recent Registration Document filed by the Company with the French Autorité des Marchés Financiers and annual report on Form 20-F filed with the United States Securities and Exchange Commission ("SEC").

Financial information by business segment is reported in accordance with the internal reporting system and shows internal segment information that is used to manage and measure the performance of TOTAL. Performance indicators excluding the adjustment items, such as adjusted operating income, adjusted net operating income, and adjusted net income are meant to facilitate the analysis of the financial performance and the comparison of income between periods. These adjustment items include:

(i) Special items
Due to their unusual nature or particular significance, certain transactions qualified as "special items" are excluded from the business segment figures. In general, special items relate to transactions that are significant, infrequent or unusual. However, in certain instances, transactions such as restructuring costs or asset disposals, which are not considered to be representative of the normal course of business, may be qualified as special items although they may have occurred within prior years or are likely to occur again within the coming years.

(ii) Inventory valuation effect
The adjusted results of the Refining & Chemicals and Marketing & Services segments are presented according to the replacement cost method. This method is used to assess the segments' performance and facilitate the comparability of the segments' performance with those of its competitors.
In the replacement cost method, which approximates the LIFO (Last-In, First-Out) method, the variation of inventory values in the statement of income is, depending on the nature of the inventory, determined using either the month-end price differentials between one period and another or the average prices of the period rather than the historical value. The inventory valuation effect is the difference between the results according to the FIFO (First-In, First-Out) and the replacement cost.

(iii) Effect of changes in fair value
The effect of changes in fair value presented as an adjustment item reflects for some transactions differences between internal measures of performance used by TOTAL's management and the accounting for these transactions under IFRS.
IFRS requires that trading inventories be recorded at their fair value using period-end spot prices. In order to best reflect the management of economic exposure through derivative transactions, internal indicators used to measure performance include valuations of trading inventories based on forward prices.
Furthermore, TOTAL, in its trading activities, enters into storage contracts, which future effects are recorded at fair value in Group's internal economic performance. IFRS precludes recognition of this fair value effect.

The adjusted results (adjusted operating income, adjusted net operating income, adjusted net income) are defined as replacement cost results, adjusted for special items, excluding the effect of changes in fair value.

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