

# Middle East Global Perspective

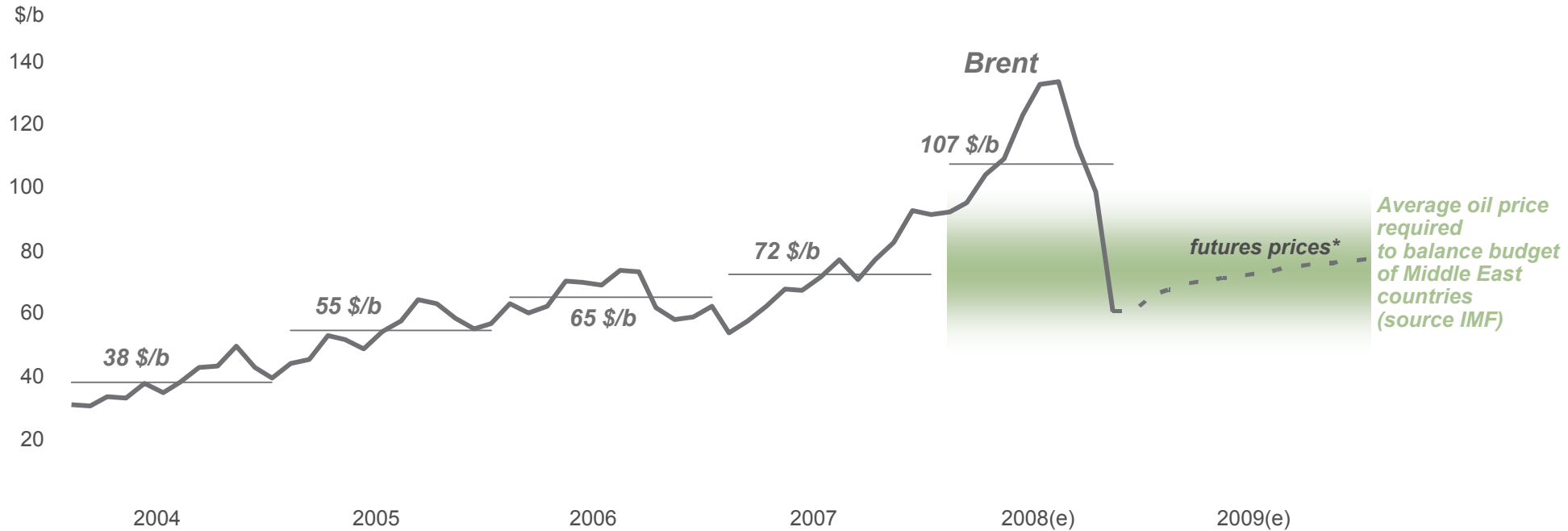
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**Yves-Louis Darricarrère**  
**President, Total Exploration & Production**



# Long-term energy supply and demand fundamentals

# Fundamentals to support the oil price



***Spare production capacity only in the hands of OPEC***

***Average oil price required to balance OPEC country budgets between 50\$/b and 100 \$/b***

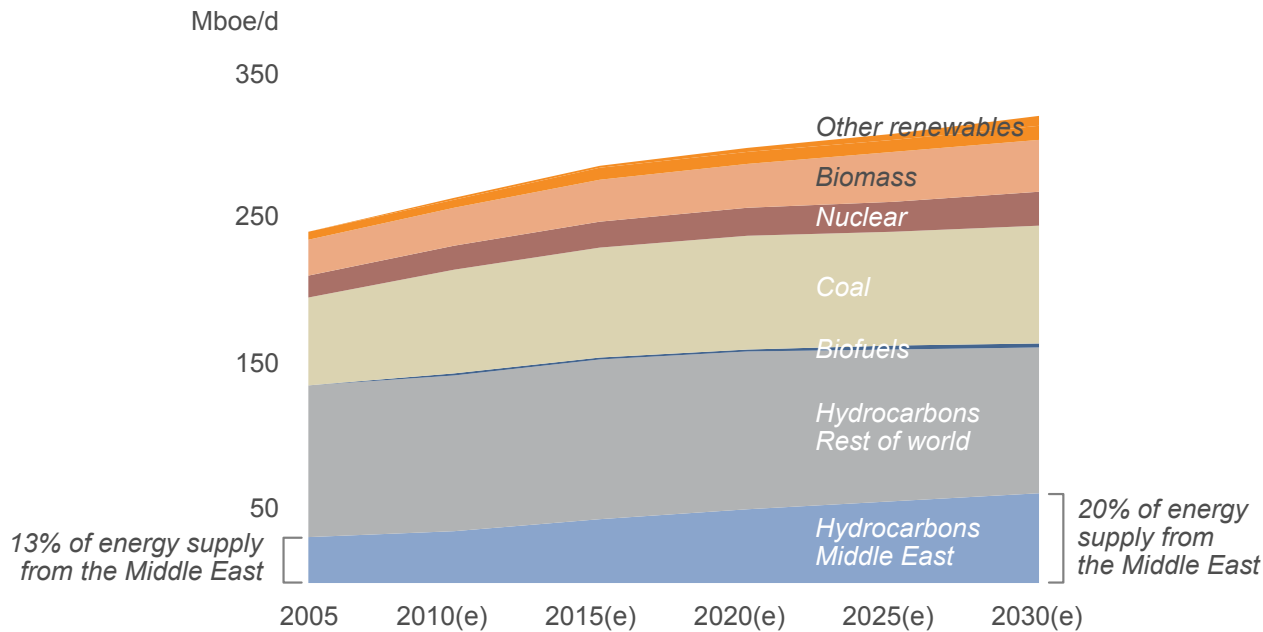
***OPEC using quotas to sustain oil price***

\* futures prices as of October 31

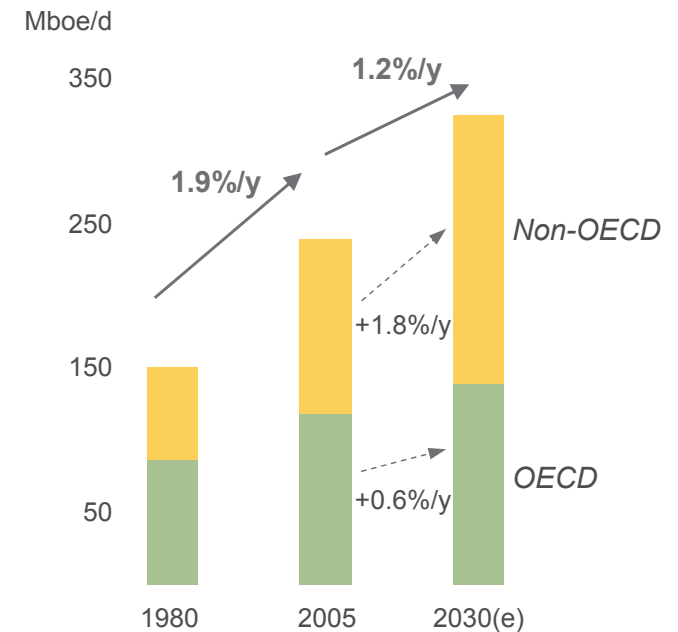


# Long-term energy supply constrained

Energy supply



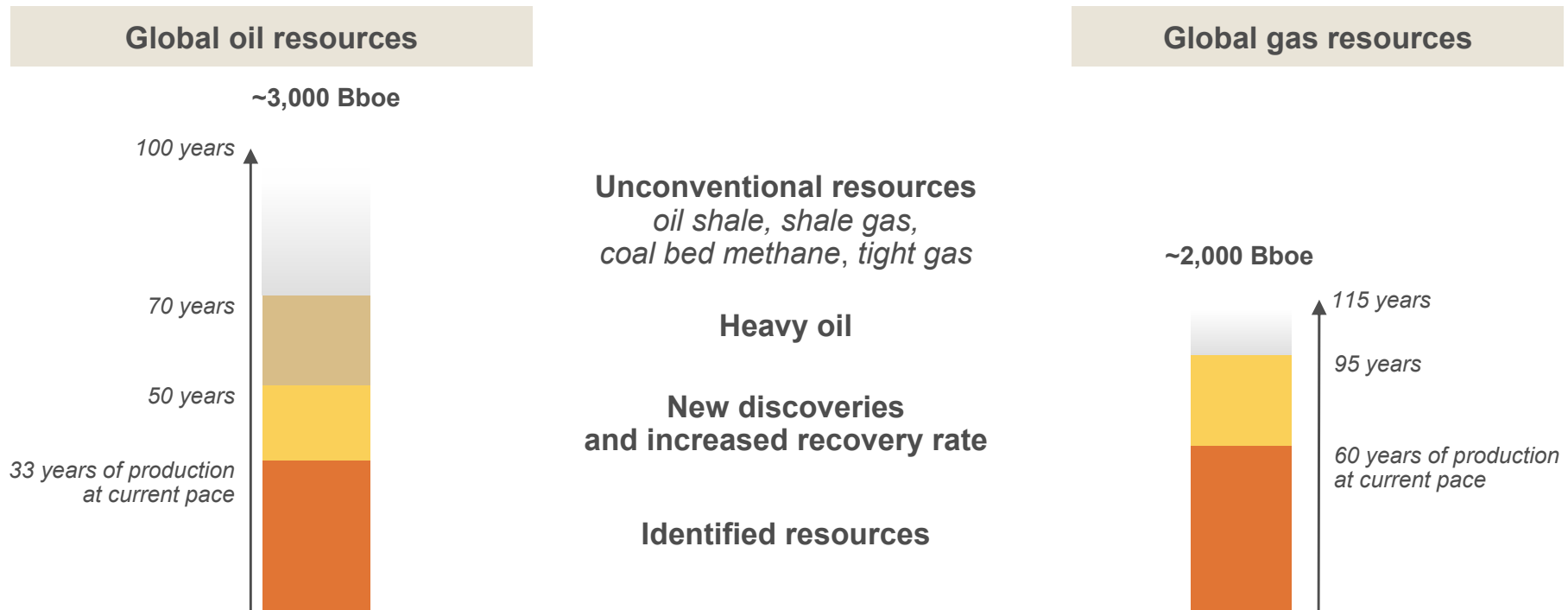
Energy demand



**Long-term energy demand growth mainly driven by Asia, the Middle East and constrained by supply**

**Increasing importance of the Middle East in the energy supply**

# Most of conventional resources in the Middle East



> **Around 1,100 Bb of conventional oil resources**

- 70% in the Middle East
- 80 years of reserve life in the Middle East

> **More than 30% of identified gas resources in Iran and Qatar**

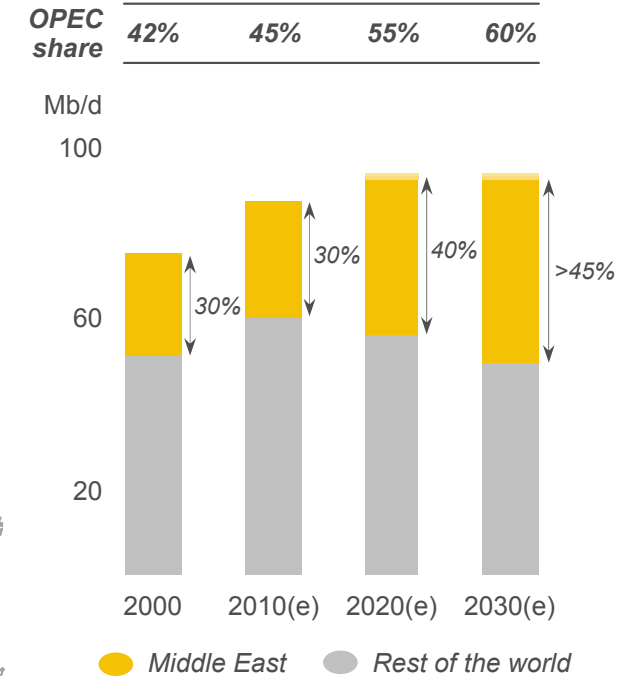
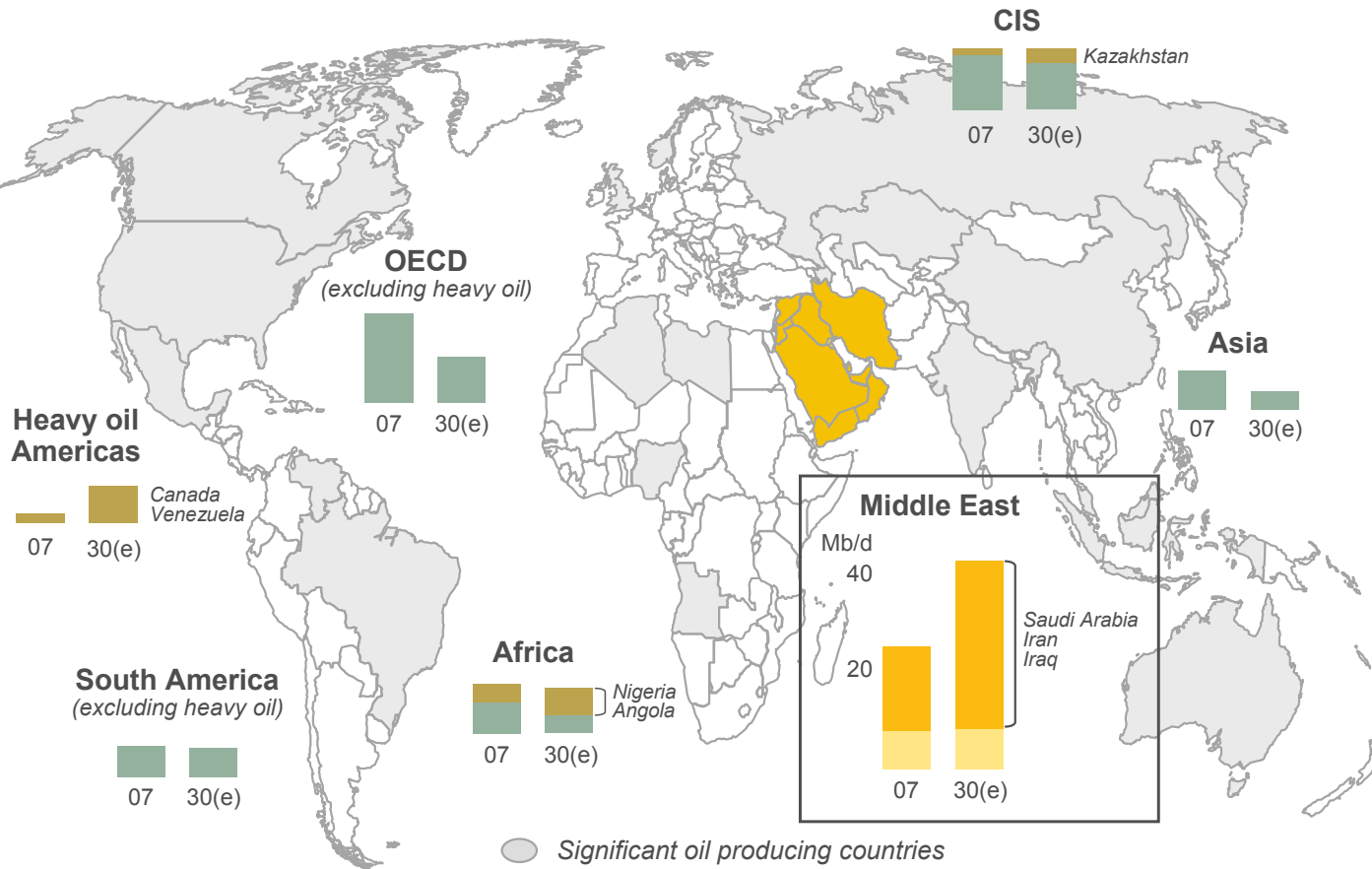
- > **More than 200 years of reserve life in the Middle East**

***Middle East relatively underproduced in comparison with other areas***  
***Oil and gas resources require increasing technological proficiency and higher capital expenditures to be brought onstream, even in the Middle East***

source : Total estimates

# Oil production to remain below 100 Mb/d through 2030

## Oil production



**Middle East is the only region where conventional oil production will grow over the long term**

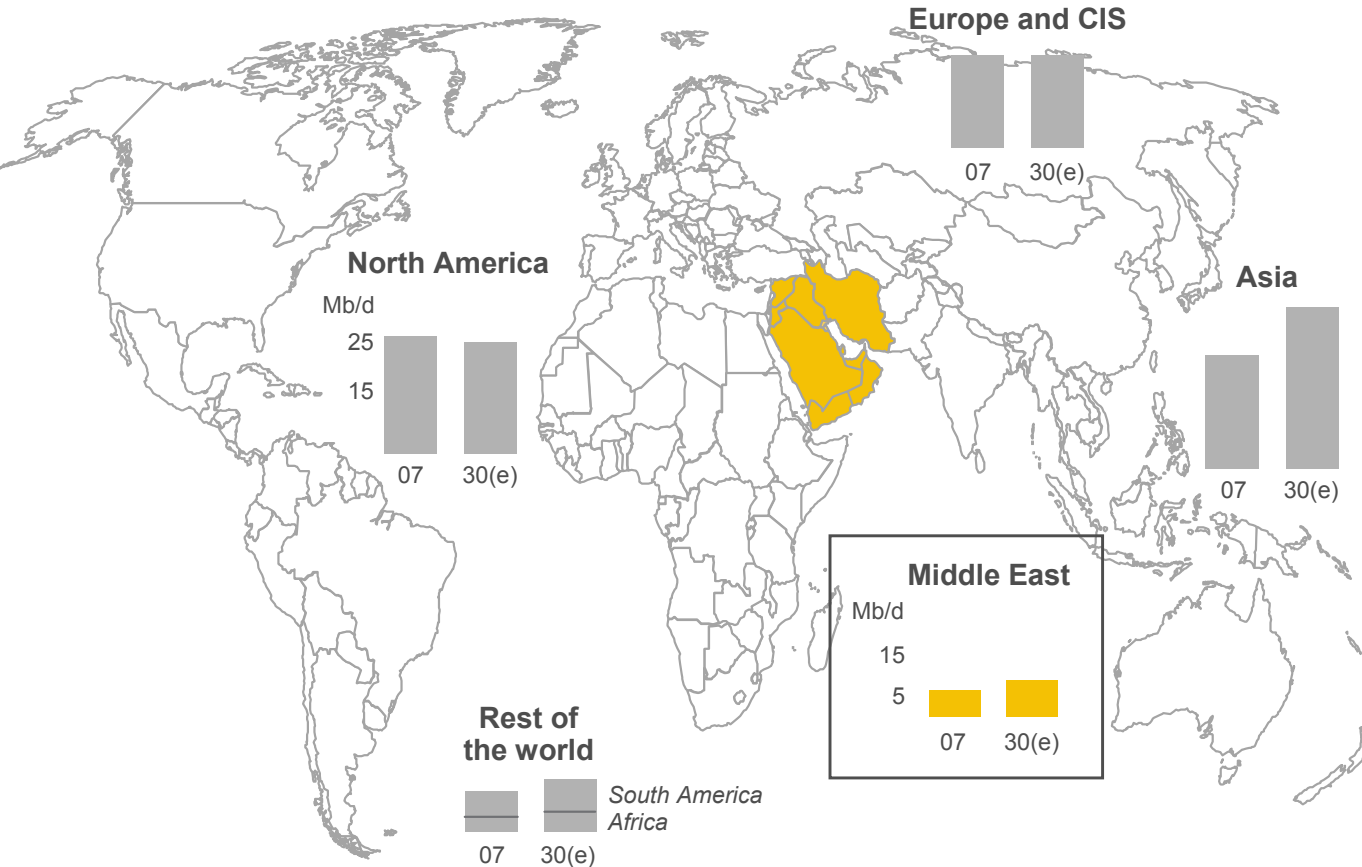
**Iraq should provide 45% of the additional oil production in Middle East by 2030(e)**

source : Total estimates

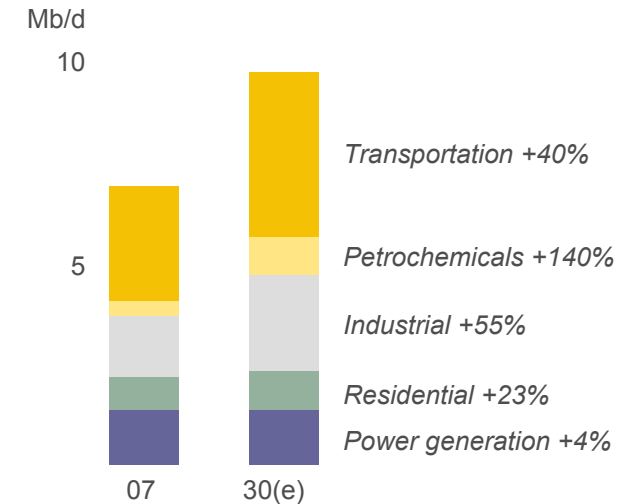


# Middle East demand driven by transportation and development of petrochemicals and industrial projects

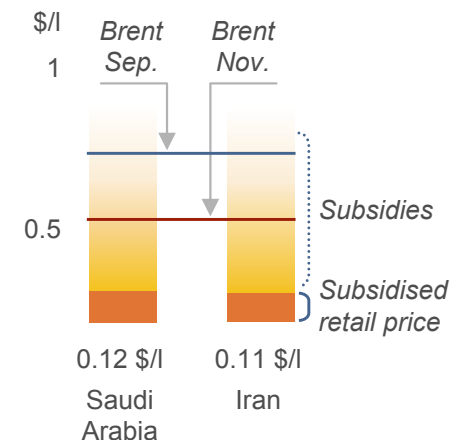
## Oil products demand



## Demand in the Middle East



## Middle East retail prices\*



**Strong fundamentals for sustained oil demand growth in the Middle East**

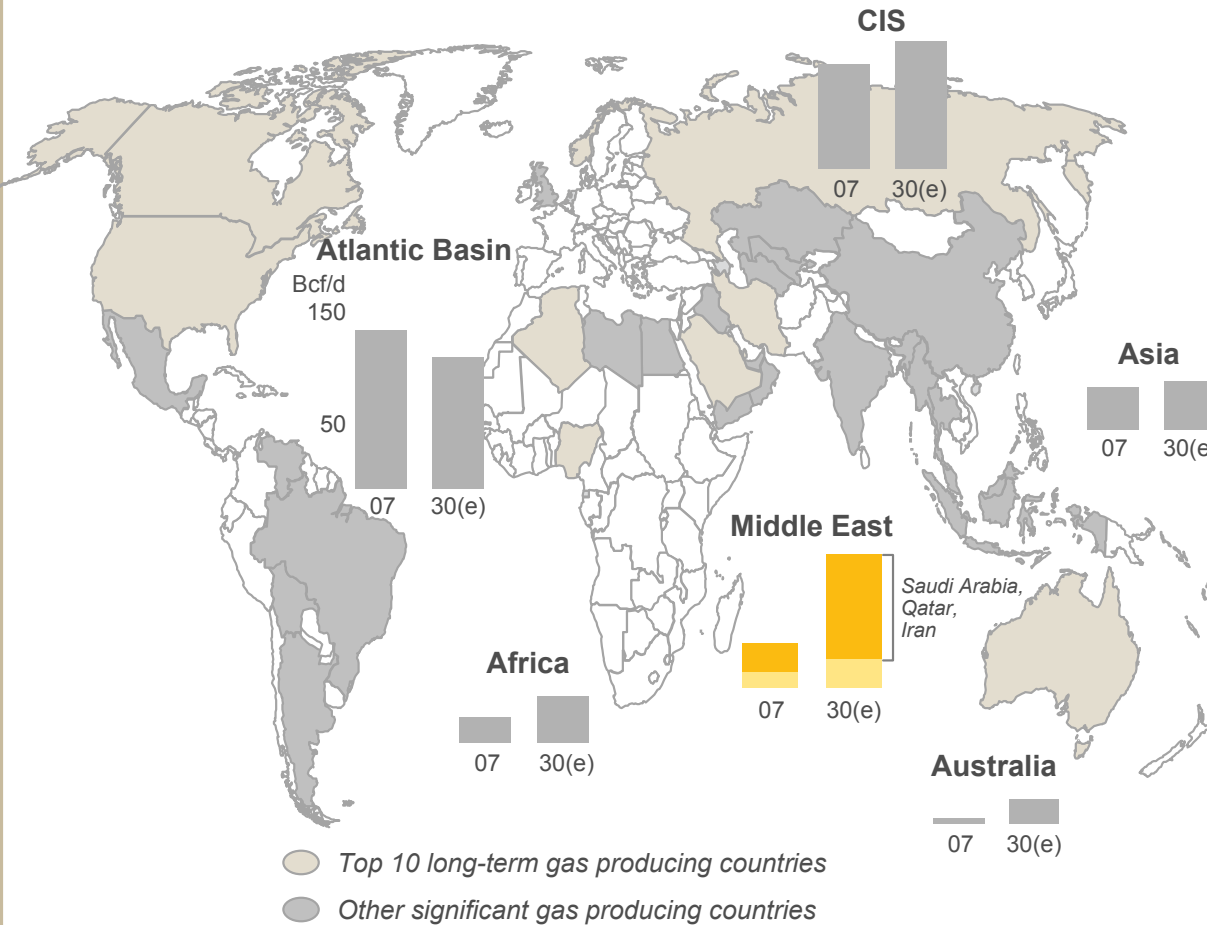
source : Total estimates

\* average monthly retail price September 2008



# Gas production to grow by 5% per year through 2030 in the Middle East

## Gas production

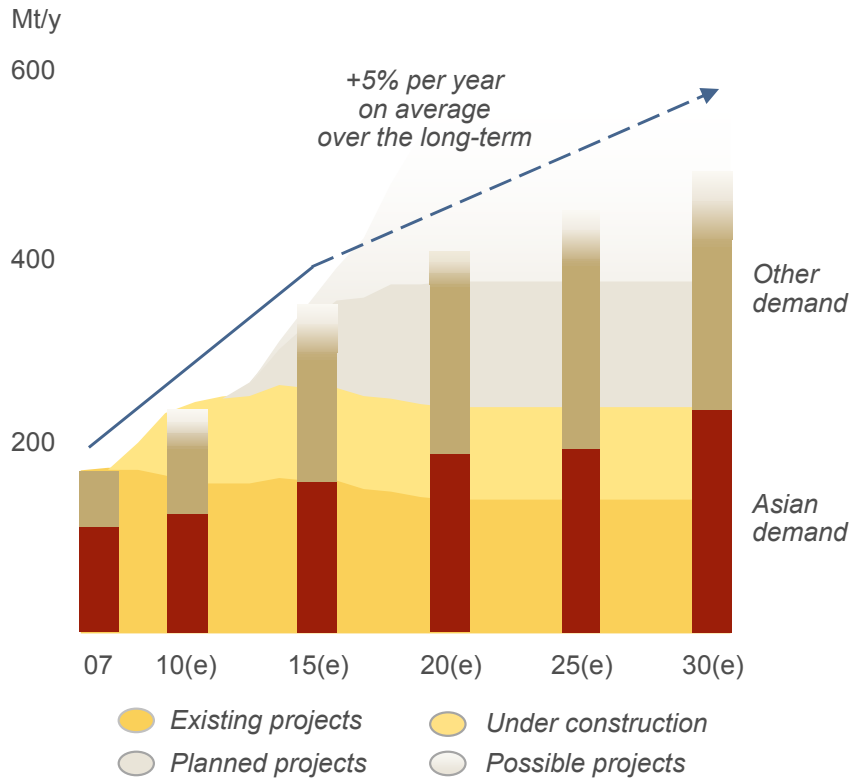


- Export capacity to be concentrated in Qatar and Iran
- Trans-border gas deals needed to support oil production growth

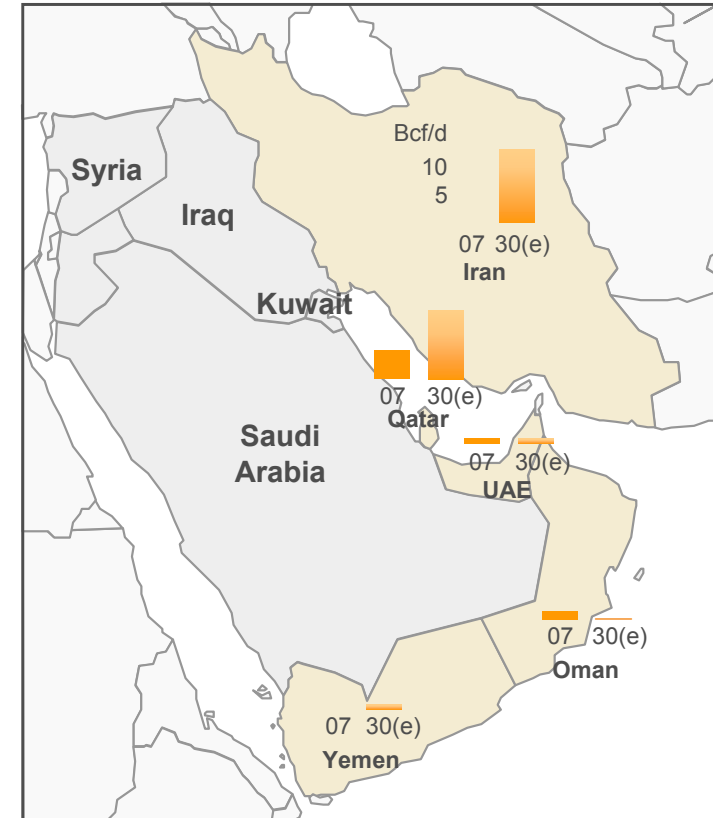
**Growth of gas supply driven by LNG expansion, mainly in Qatar and Iran**  
**Middle East gas demand mainly driven by domestic demand and reinjection**

# LNG : fastest growing segment of the industry

Global LNG supply-demand



LNG production capacity in the Middle East

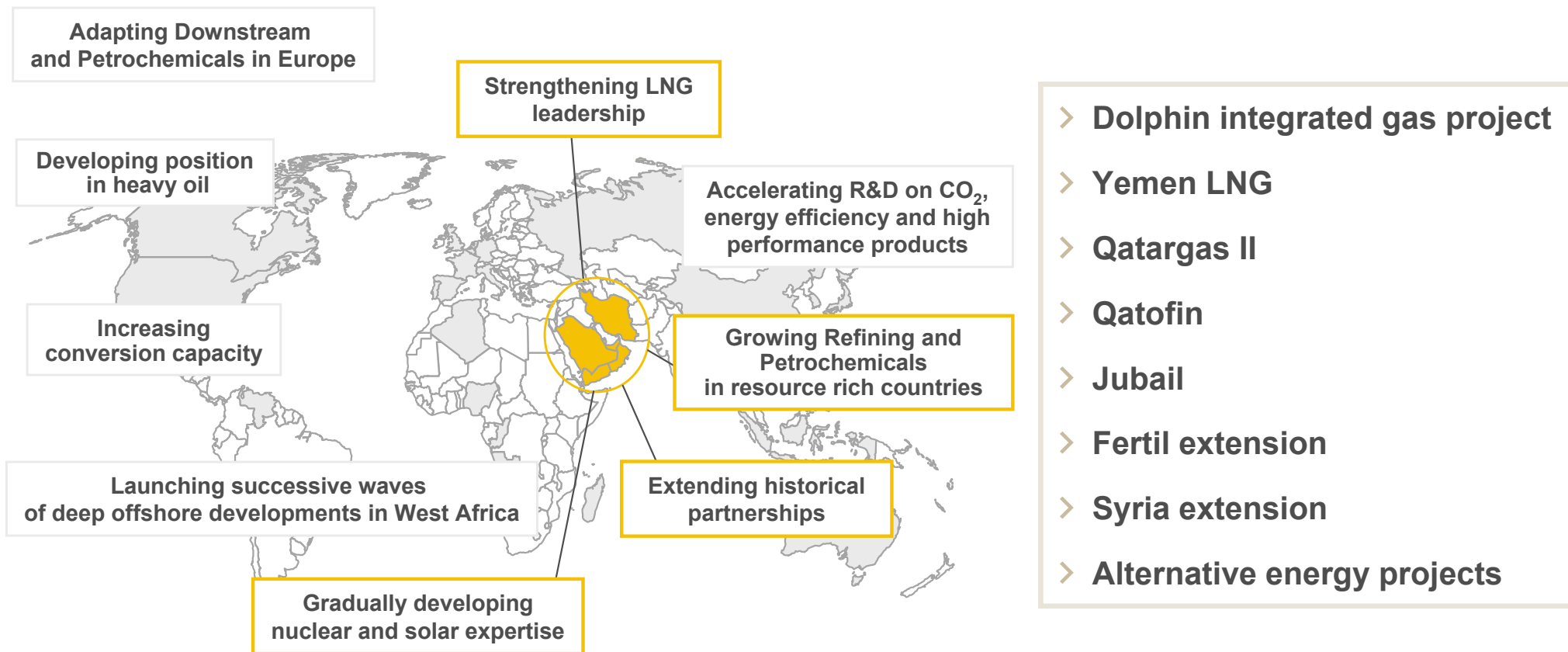


## Constraints on the pace of development of liquefaction projects

**LNG could represent more than 30% of Middle East gas production in 2030(e)**

# Growing Total in the Middle East

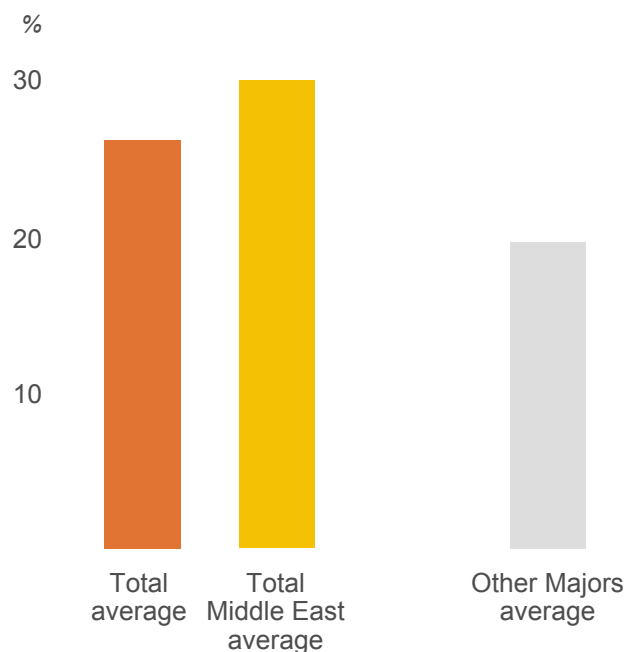
# Integrated growth strategy well adapted to regional trends



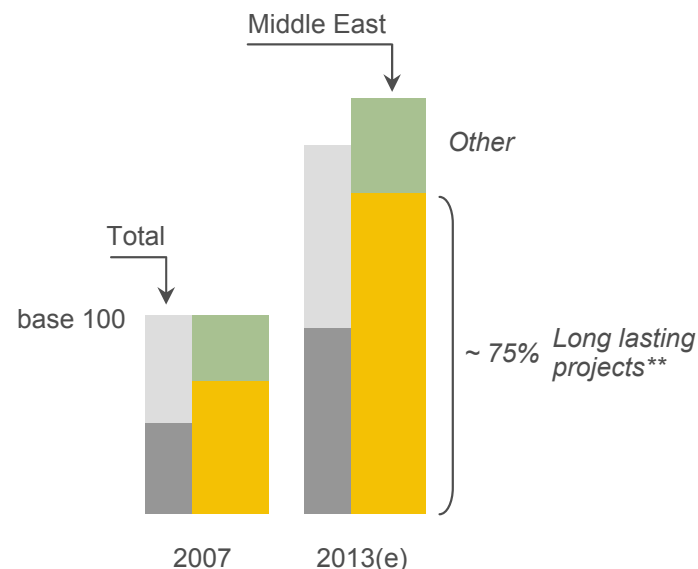
***Creating strategic partnerships with NOCs***  
***Incorporating CSR policies in all major decisions***

# Investing in the next generation of legacy assets

**2004-1H08 investment program**  
(Capex / Capital employed)



**Capital employed\***



***Business segments' ROACE between 27-32% since 2004***  
***Middle East profitability in line with Upstream segment***  
***Long-term projects with strong cash flow generation to represent more than 75% of Middle East capital employed in 2013(e)***

\* in B\$, as of December 31

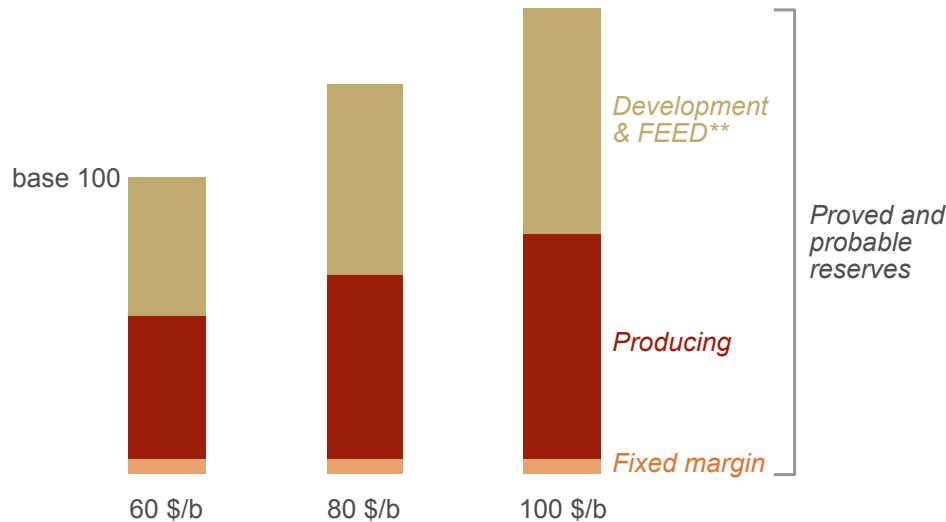
\*\* LNG, Dolphin and key Refining and Petrochemicals assets for Middle East ; LNG, heavy oil, Kashagan and 11 key Downstream and Petrochemicals assets for the Group



# High value Middle East portfolio

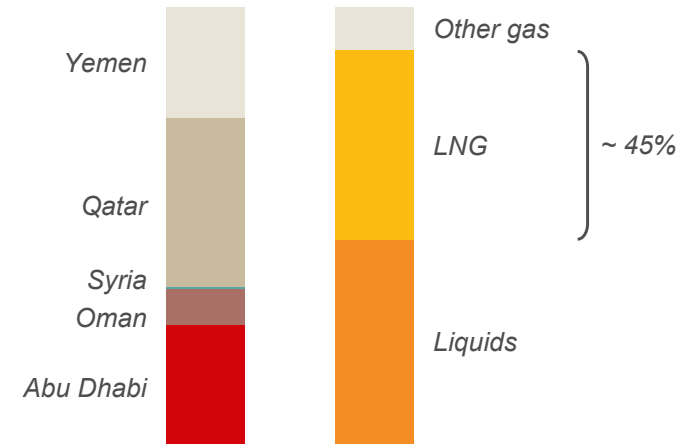
## Net present value\* of proved and probable reserves

(Middle East)



## Proved and probable reserves ~ 20 years

(Middle East, at December 31, 2007)



> More than 60% of Middle East NPV in LNG projects

> Middle East proved and probable reserves mainly on long lasting assets

**3 giant projects significantly increase value of Middle East portfolio**  
**Studying further regional developments**

\* net present value discounted at weighted average cost of capital of the future net cash flow expressed in dollars generated by year-end 2007 proved and probable reserves

\*\* projects under FEED or advanced development studies



# More than 30% of 2010(e) new production from the Middle East

2007-2008      2009


**Dalia (40%)**



**Rosa (40%)**



**Dolphin (24.5%)**



**Moho Bilondo (53.5%)**



**Jura (100%)**



**Akpo (24%)**



**Yemen LNG (39.6%)**



**Qatargas II TB (16.7%)**



**Tahiti (17%)**



**Tombua Landana (20%)**

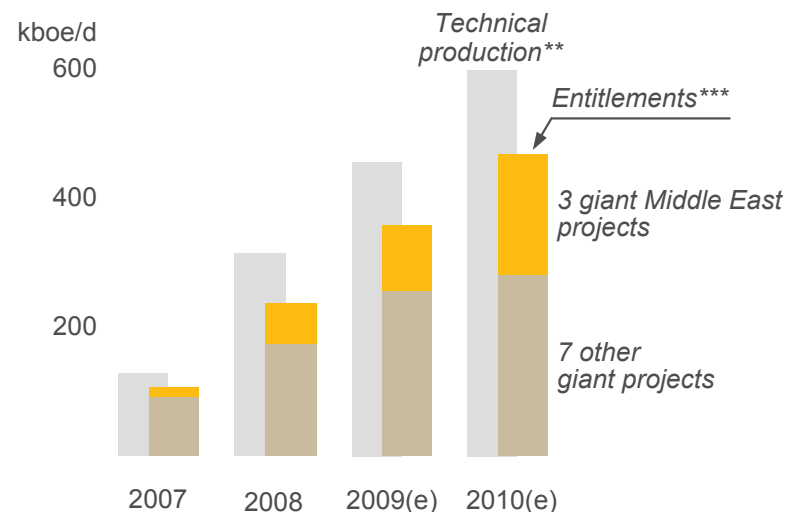


- > Plateau : 500 kboe/d reached in 1Q08
- > Operated by JV
- > > 4 Bboe\*

- > Plateau : 190 kboe/d
- > Total-operated
- > 1.7 Bboe\*
- > Start-up : 2009(e)

- > Plateau : 290 kboe/d
- > 2.6 Bboe\*
- > Start-up : 2009(e)

## Incremental production from 10 main 2007-2009 start-ups



> 10 main 2007-2009 start-ups represent 85% of new production in 2010(e)

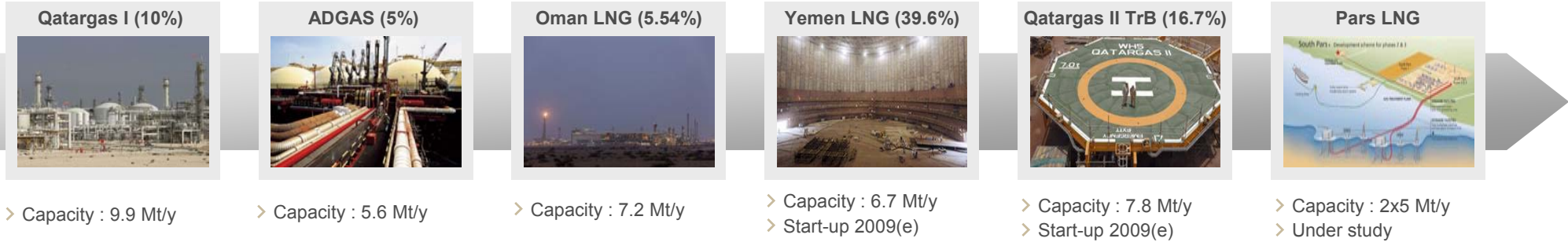
**Strong technical skills in the fastest growing segments in the Middle East (LNG, sour gas, tight gas, conversion...)**

\* initial estimated proved and probable reserves (100%)

\*\* technical production defined as equity share of wellhead production

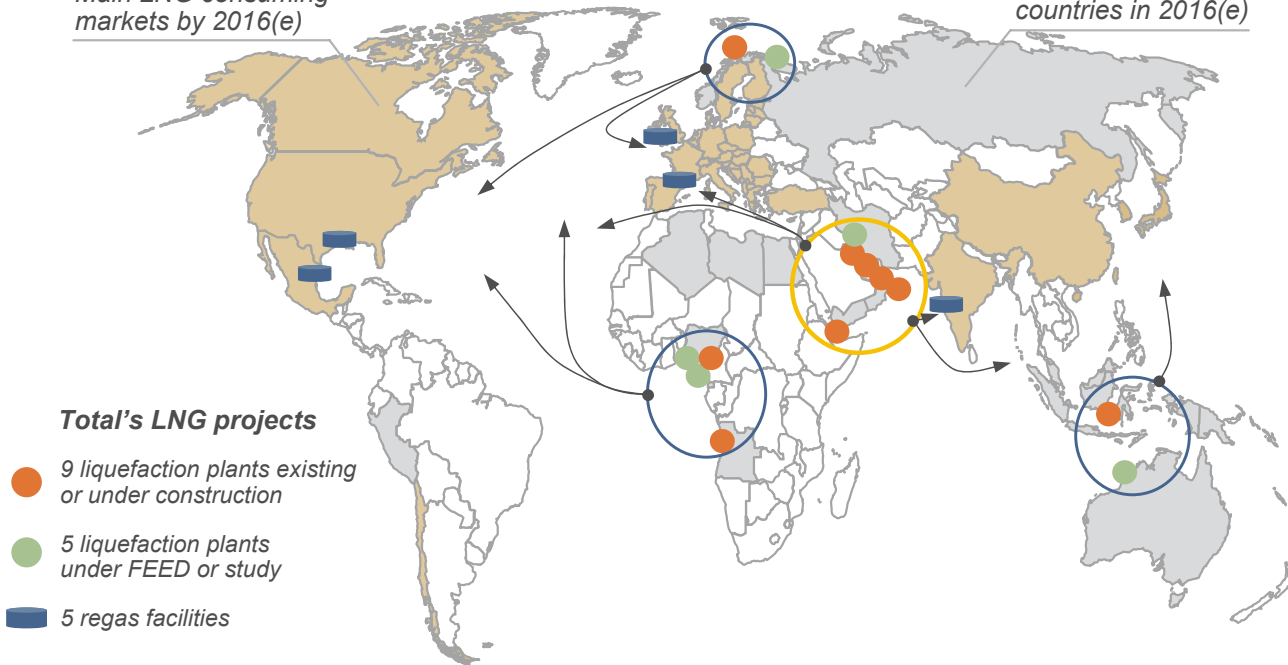
\*\*\* entitlement production, Total share

# Diversified and well-positioned portfolio of LNG assets in the Middle East

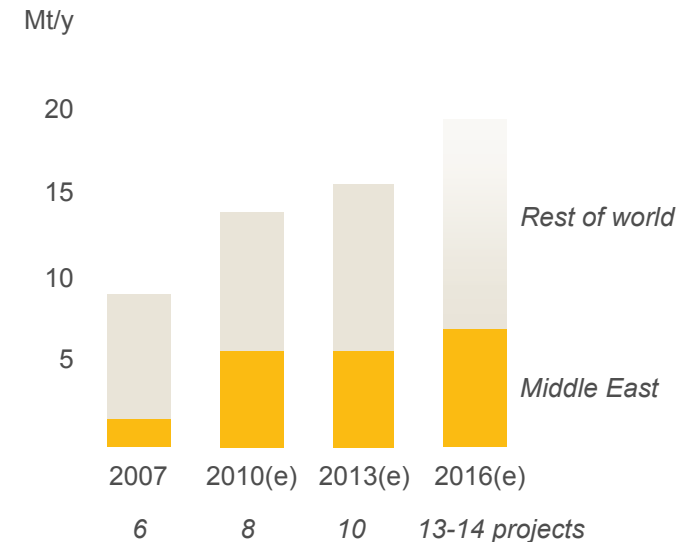


Main LNG consuming markets by 2016(e)

LNG producing countries in 2016(e)



## Total's LNG sales\*

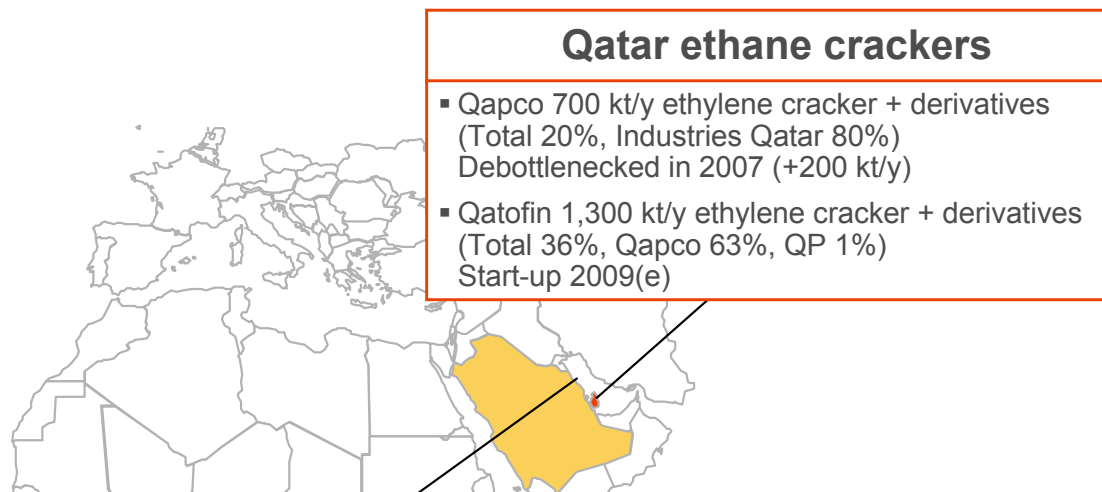


**Middle East share of Total LNG production to grow from 18% to 40% in 2010(e)**  
**Global LNG close to 20% of Total's production by the middle of the next decade**

\* Group share of LNG sales by affiliates and participations, including FAS69 production equivalent on Bontang sales and excluding trading

# Building strategic partnerships with producing countries to valorize selective feedstocks

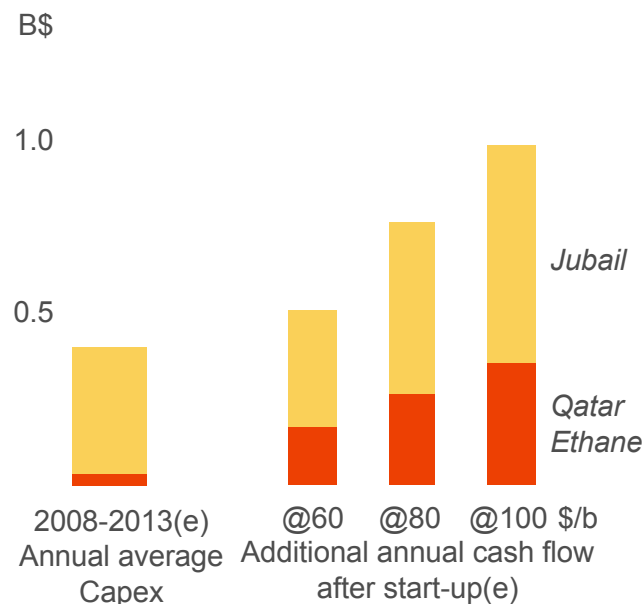
## Main refining and petrochemicals growth projects



## Jubail refinery

- 400 kb/d Arab Heavy (Total 37.5%, Saudi Aramco 37.5%, IPO 25%)
- Only light products (55% diesel)
- Petrochemicals integration (0.8 Mt/y aromatics and 0.2 Mt/y propylene)
- Capex > 10 B\$
- Project confirmed in May 08
- Start-up 2013(e)

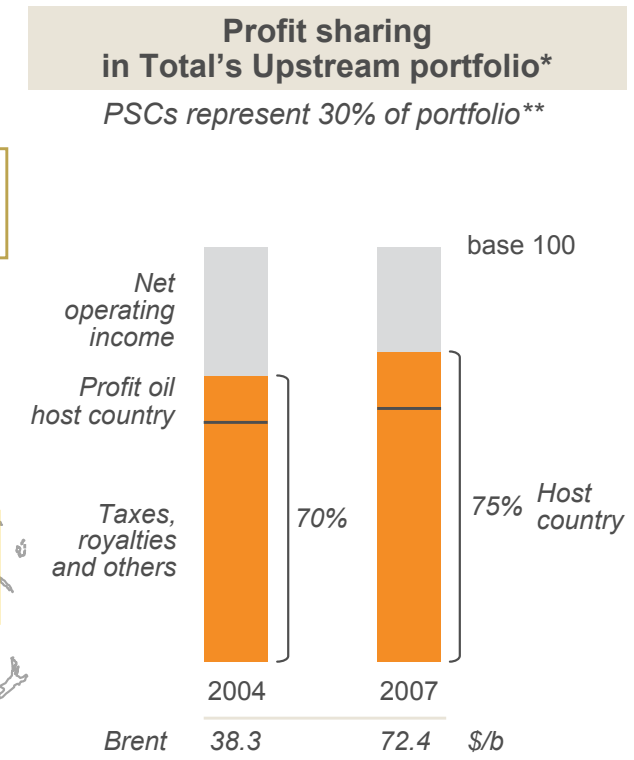
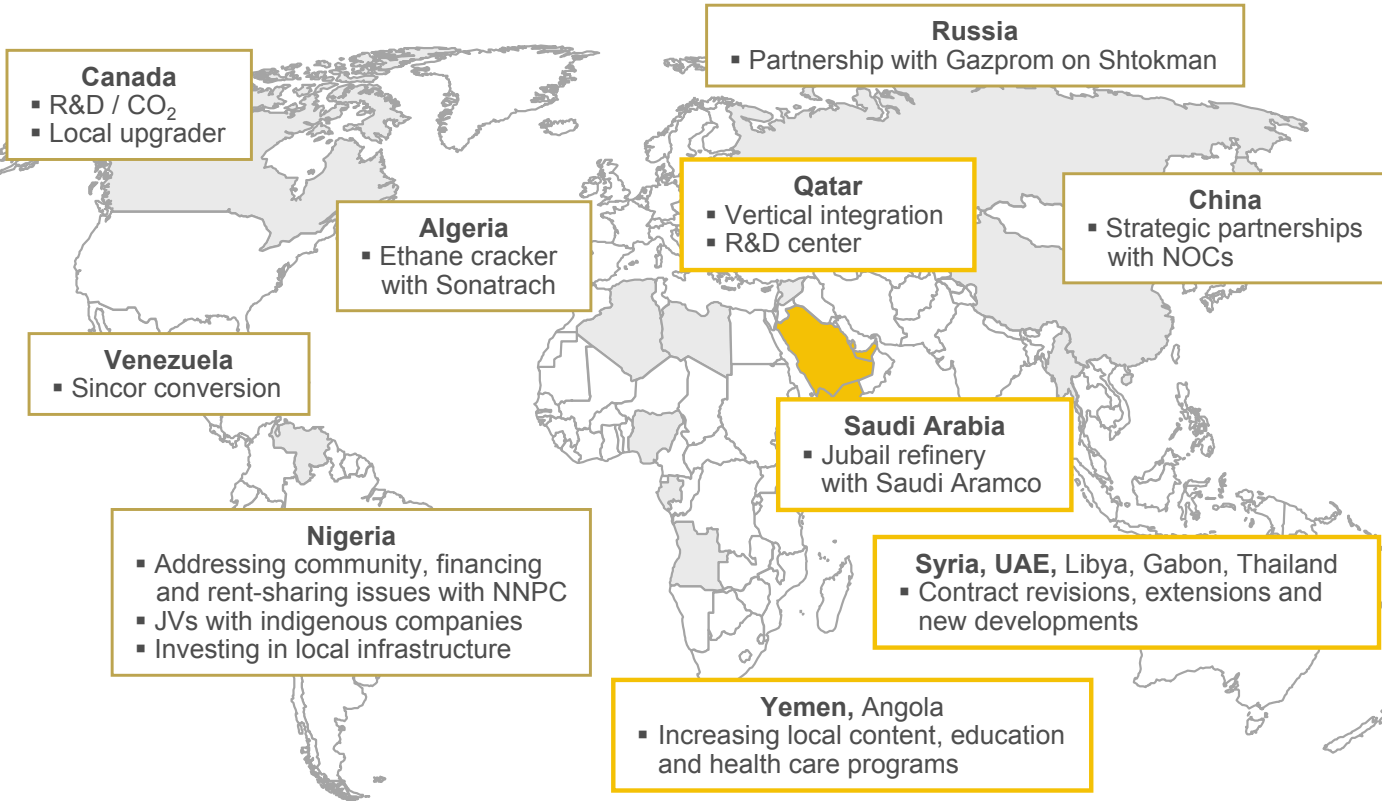
## Capex and additional cash flow\*



**Approx. 2.5 B\$ Capex over 2008-2013(e) to expand refining and petrochemicals on high value segments**

\* annual average 2008-2013(e) development Capex financed by JVs shareholders, past Capex already recovered ; estimated additional annual cash flow to JVs shareholders after start-up of all projects, Total share

# Increasing acceptability to secure long-term opportunities



- Strategic partnerships with NOCs
- Well balanced profit sharing
- Quality of project execution
- Safety and reliability of assets
- Environmental excellence
- Contribution to the development of host countries

**Sustainability and value creation over the long-term**

\* average per boe, based on producing portfolio, excluding Gas & Power  
 \*\* based on proved and probable reserves



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Business segment information is presented in accordance with the Group internal reporting system used by the Chief operating decision maker to measure performance and allocate resources internally. Due to their particular nature or 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, certain transactions such as restructuring costs or assets disposals, which are not considered to be representative of normal course of business, may be qualified as special items although they may have occurred within prior years or are likely to recur within following years.

The adjusted results of the Downstream and Chemical segments are also presented according to the replacement cost method. This method is used to assess the segments' performance and ensure the comparability of the segments' results with those of the Group's main competitors, notably from North America.

In the replacement cost method, which approximates the LIFO (Last-In, First-Out) method, the variation of inventory values in the income statement is determined by the average price of the period rather than the historical value. The inventory valuation effect is the difference between the results according to FIFO (First-In, First-Out) and replacement cost.

In this framework, performance measures such as adjusted operating income, adjusted net operating income and adjusted net income are defined as incomes using replacement cost, adjusted for special items and excluding Total's equity share of the amortization of intangibles related to the Sanofi-Aventis merger. They are meant to facilitate the analysis of the financial performance and the comparison of income between periods.

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