

QUESTIONS FOR CHRISTOPHE DE MARGERIE

Chief Executive Officer

The energy environment has completely changed in the last few years. TOTAL is posting excellent results, but will this be enough to maintain the Group's position as a leader over the long term?

We are certainly seeing some major changes in the oil and gas environment, with the emergence of new players, crude prices going up or staying high, energy markets being deregulated and access to resources becoming more difficult in some countries.

Our Group does business in 130 countries throughout the world. We are active in the OECD zone and particularly strong in non-OECD countries. It gives us a real competitive edge to be present both where the energy resources are found and where future demand for them will be stronger.

Our position as a leader is due to the good geographic balance of our activities and the diversity of our project portfolio, but also to our sound financial situation and to our ability to resist today's environment while seizing new opportunities and growing stronger. Today, we invest more than \$1 billion every month, targeting Refining, Petrochemicals and above all the Upstream segment. For the period 2004-2006, our renewal rate for proved plus probable reserves (so-called «2P» reserves) stands at nearly 200%. Our stronger reserves portfolio is largely the result of our exploration efforts, but we have also been negotiating access to existing reserves that can be valorized over the long term. New gas projects in Qatar, Yemen and heavy oil projects in Canada have made significant contributions here over the last three years.

Between 2006 and 2010, our target is to increase our production by more than 5% per year on average. In order to maintain its ranking as one of the leading international oil companies, the Group is building a long-term position. We are currently working on projects that will bear fruit in 2015-2020. Success will depend on our willingness to listen to our partners' concerns, our capacity for adaptation and inventiveness and above all our ability to manage risks and uncertainties. We will need all of these skills if we are to remain among the leaders.

How can TOTAL hope to devise a long-term strategy when the commercial, environmental and technical contexts are changing all the time?

For many years we have been forging win-win partnerships with hydrocarbon-producing countries and today we are working to strengthen them. With the rise in oil and gas prices, producing countries have become aware of the value of their untapped reserves and just how necessary it is to optimize management of those reserves if they are to achieve long-term economic development. This approach is being given more or less emphasis depending on each country's needs, the political forces in play and the difficulties involved in accessing and valorizing the reserves in place. It is not enough for TOTAL to offer to develop a country's reserves more economically, arguing that we possess the appropriate technology. With crude prices at about \$60 a barrel, national companies have the means to benefit from all the best solutions offered by research and development (R&D) teams.

Given this situation, what we have to do is show producing countries that our know-how and technology can help them go beyond this to valorize the oil and gas deposits that were long considered unproducibile. Mind you, our proposals cannot be based solely on our ability to produce reserves that are difficult to access or at the frontier of current technological expertise; the experience amassed by TOTAL is certainly an asset, but it is not enough on its own to convince producing countries to form partnerships with us. We also have to persuade them that we can help to develop their resources in a sustainable manner.

In other words, I would say that a group like ours must contribute to the socio-economic development of producing countries while still ensuring that our business there is profitable. Two important elements here are education and vocational training. It is essential that we help build up know-how in the countries where we do business. We must continue to recruit local workers, ensure that they have skilled local technicians and engineers to supervise them, and insist that all our employees comply with the strict standards of behavior that are part of our ethics and set forth in our Code of Conduct. In the future, we will undoubtedly have to invest more in training schemes in certain countries, and this will mean working out innovative partnership solutions that can be implemented rapidly.

Today there is uncertainty about energy prices and about the role to be played by different energy sources, particularly oil and gas, which are TOTAL's core business. What is your position on the future of energy?

Uncertainty is something that the energy industry has to live with, and the question of finding a balance between the different energy sources is a fundamental one for us – simply because hydrocarbons are non-renewable resources. First of all, «peak oil» could be reached 20 or 30 years from now depending on just how fast world consumption grows and how much non-conventional reserves we can valorize. But our research and development (R&D) efforts will allow us to find solutions to the environmental issues and to overcome new technological challenges – including development of alternative energy sources for the future. TOTAL is an energy group and we do not limit our activities to oil and gas. Each energy source has its advantages and its most suitable applications.

TOTAL already mines coal and you recently announced that you were interested in becoming involved in nuclear energy. Does this mean a change in strategy?

The Group has had coal mining assets in South Africa for many years, but although mining is one of our businesses and uranium is a mineral resource, nuclear energy is not one of our businesses. This being said, TOTAL can hardly take an interest in the future of energy or discuss the equilibrium between energy supply and demand without including in that discussion nuclear energy, which meets part of that demand. Naturally, TOTAL's priority is still hydrocarbons. But we are an energy group, and we want to



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become involved in all the different forms of energy where there are opportunities for further business growth in future. We at TOTAL have always maintained that nuclear power and hydrocarbons were not so much competing as complementary energies.

As for renewable energies such as solar power, wind energy and biomass, they each have a role to play but I am afraid that they will not be able to provide enough energy to make up the fossil-fuel shortfall if demand keeps on growing. Nevertheless, TOTAL is playing an active part in developing economical renewable solutions. We also have a duty to find other solutions to the shortfall problem, and we must help find ways to curb energy consumption.

You are coming from the Upstream segment, which makes the greatest contribution to the Group's financial results. Will you be giving priority to this segment?

We are an integrated group, where all segments – Upstream, Downstream, Chemicals – have their advantages and their place in the company. The main thing is to ensure that they are all integrated and work together as well as possible. Only then can we retain our competitive edge. We invest in all our business segments so that each contributes as much as it can to the growth of the whole.

Today, the Downstream segment enjoys a favorable environment, with consistently high refining margins and ongoing strong demand for refined products, particularly in Asia. Our Jubail refinery project in Saudi Arabia is right in line with this. We are now investing strongly in Refining, and between now and 2010 we expect to commit more than €1 billion per year on average (not counting major maintenance shutdowns). Projects include construction of desulfurization units able to process larger volumes of high-sulfur crudes and produce more diesel motor fuel to meet market demand, and we have a coker project in the United States. The Group is also investing in the ongoing upgrade of our European refining assets so as to maintain them at the highest level of efficiency and reliability.

As for Marketing, the Group has made a number of changes recently: we have repositioned ourselves in the European market and also in Africa, where we are market leader. Marketing is one of our businesses and we are the first to recognize the usefulness

of the role played by this segment, particularly in countries where we are already active in Upstream, Refining and Petrochemicals activities. In general terms, we try to ensure that coordination between our Upstream and Petrochemicals activities enhances the Group's visibility in countries where we do business. In Qatar, for example, where all of our business segments are present, TOTAL acts as a fully integrated market player.

You mentioned a changing legal and economic environment, with more difficult access to increasingly rare resources. Do you think TOTAL has the human resources needed to rise to all these challenges?

The way to ensure that we are in a position to carry out all our major industrial projects is by identifying well in advance the kinds of men and women we will need. In general terms, the projects we are looking at will require a wide range of skills, hard-working and efficient people at all levels and often in jobs requiring mastery of very complex technologies. Our project teams will usually also include engineers from host countries, whom we will have to train. To succeed in this, it will be vital to pursue the ongoing internationalization of our staffing base, with the emphasis on managerial positions. To achieve our aims here, we will also have to take the necessary steps to recruit and retain the teams of people we need.

Being experts in our traditional oil and gas disciplines is no longer enough today. We must also have top behavioral skills. By that I mean giving our employees the vital ability to communicate and to empathize with others so that they can be more efficient in implementing our strategy. Today's companies are finding it indispensable to tell the outside world what they are doing. Certainly we must communicate in France, where our roots are, but we must also communicate in all the other countries where we do business. We must get closer to the local population and become TOTAL United Kingdom, TOTAL Nigeria, TOTAL Indonesia.... It is vital to be seen by both the authorities and the citizens of the countries where we do business as a responsible and competent local company. As part of this effort, each employee must help to create TOTAL's identity and to raise awareness of our Group's scope and diversity. The recent launch of our corporate advertising campaign in China, the Middle East and Canada is part of this approach, whose final aim is to raise awareness of TOTAL and help us conclude more development partnerships with national companies, not only to valorize their own resources but also to carry out joint projects in other countries.

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