
Increase and secure profitability

Gilles DARMOIS - June 14, 2000 - Analyst Presentation

Improving returns and strengthening underlying profitability

- ***Sound financials***
 - Strong cash flow
 - Breakeven below 10 \$/boe
- ***Increasing productivity***
 - Pursuing productivity programs
 - Extracting synergies
- ***Capital discipline***
 - Selective exploration
 - Lower reserve replacement cost

A resilient asset base

- ***Current breakeven below 10 \$/boe***
- ***Long-term resilience through decreasing technical costs***
 - Improve productivity
 - Maintain capital discipline
- ***Cash flow from operations growing from \$5 B p.a. to more than \$7 B p.a. in the next five years***
- ***Brent price sensitivity****
 - Operating Income: +/- 1 \$/boe \Leftrightarrow +/- 420 M€
 - Net Income: +/- 1 \$/boe \Leftrightarrow +/- 200 M€
- ***Strong resistance to lower hydrocarbon prices***
 - Buy-back and service contracts : Iran, Syria
 - Fixed margins : Middle East, Nigeria, Cameroon
 - Southern Cone gas market independent from oil price fluctuations

*based on \$15/b

Ongoing productivity actions in subsidiaries

- ***Cost cutting***

- Staff reduction and relocation: France, Norway, UK, Cameroon, Congo
- Data processing optimization: Norway, Argentina, Venezuela
- Expatriates to locals: Latin America, Nigeria, Syria

- ***Sharing resources with other operators***

- Cameroon (Pecten), Congo (Agip)
- Venezuela (Conoco), Myanmar (Premier)

Merger synergies of 690 M€ per year from 2003

	690 M€ *
● <i>Organization</i>	30%
● <i>Exploration</i>	30%
● <i>Purchasing / Contracts (CAPEX)</i>	15%
● <i>Other operational savings (OPEX)</i>	10%
● <i>R&D, I/T, Administration and services</i>	15%

* based on a constant reference environment

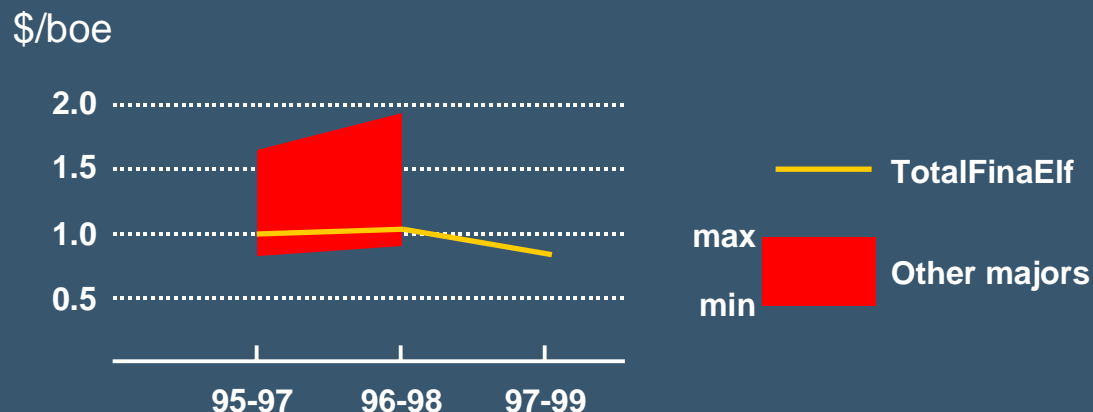
Asset management goes on

- ***Sale of UKCS 4th round assets (May 2000)***
 - 100 mboe/d operated, 18% interest
 - Higher-cost fields with low growth potential
 - Optimize transfer of staff with Elgin-Franklin

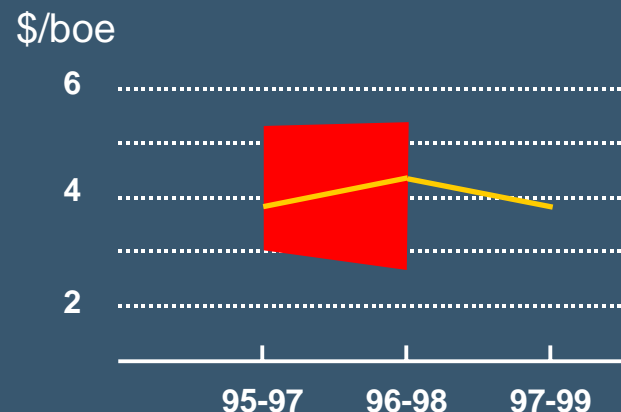
- ***Divestment of non-core assets***
 - UK (Caister)
 - Indonesia (South Jambi)
 - USA (West Texas)
 - Argentina (El Huemul)

Maintain competitive Finding and Reserve Replacement Cost

*Finding Cost**



*Reserve Replacement Cost***



- *Focus on big plays with high-potential reserves*
- *Reduce uncertainty before drilling*
- *Rank projects according to clear criteria*
- *Active management of acreage portfolio*

*exploration costs/proved reserve additions excluding acquisitions

** (exploration, development and acquisition costs)/proved reserve additions