



# SN#56

The Shareholders' Newsletter

**Report //** Total in Brazil: taking advantage of our deep offshore expertise

Spring 2018

## Chairman's Message

« In 2017, Total reported a return on equity above 10%, the highest among the majors. »

### Patrick **POUYANNÉ**

Chairman and Chief Executive Officer of Total



#### Dear Shareholders,

In 2017, the Brent rose to 54 dollars per barrel on average from 44 dollars per barrel in 2016, while remaining volatile. In this environment, the Group demonstrated its ability to capture the benefit of higher prices by reporting an adjusted net income of 10.6 billion dollars, representing a 28% increase, and a return on equity above 10%, the highest among the majors. The Upstream, in particular, increased its results by more than 80% and its operating cash flow by close to 40%.

Financial discipline was successfully maintained, allowing Total to meet and even exceed its objectives: organic investments were 14.4 billion dollars and cost savings reached 3.7 billion dollars. Production costs fell to 5.4 dollars per barrel of oil equivalent in 2017 from 9.9 dollars in 2014.

These strong results were driven by production growth (5% in 2017). The Downstream confirmed again this year its ability to generate around 7 billion dollars of operating cash flow and reported a return on capital employed of more than 30%.

In 2017, the Group took advantage of the cyclical low to launch five Upstream projects, as well as petrochemical projects. In Exploration & Production, the Group is preparing for future growth with the announced acquisition of Maersk Oil and its entry into the Lapa and Iara fields in Brazil in early 2018. In the US Gulf of Mexico, the Group participated

in a major discovery on the Ballymore prospect. In the framework of its integrated gas strategy, Total announced the acquisition of the LNG business of Engie to take advantage of the fast-growing LNG market. Total also partnered with EREN Renewable Energy to accelerate its growth in downstream solar energy and move into the wind power market. Marketing & Services continues to grow, notably by expanding its retail network into Mexico.

The strategy implemented since 2015 has enabled the Group to reduce its pre-dividend organic breakeven to 27 dollars per barrel in 2017 and generate 22 billion dollars of debt-adjusted cash flow (DACF). The Group also continued to strengthen its balance sheet, ending the year with 14% gearing, a significant decrease compared to 2016.

In this context, considering the anticipated growth in cash flow from 2018 forward, the Board of Directors decided to propose a shareholder return policy, increasing the dividend by 10% over the next three years and sharing the benefits of the oil price upside via share buybacks.

I hope you will join me at the next Shareholders' Meeting to be held on Friday, June 1, at the Palais des Congrès in Paris.

Thank you for your loyalty.

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Find the 2017 results and outlook on the "Total Investors" application and on **total.com** > Investors > Results and Investor presentations > Results 📄

# Shareholder return policy

## for the coming three years

The Board of Directors met on February 7, 2018 to review the Group's 2017 accounts and cash flow allocation. It confirmed the priority of implementing the Group's long term profitable growth strategy and decided to give greater visibility to its shareholder return policy for the next three years. The following measures were proposed:

- **Increasing the dividend by 10% over the next three years**

- The full-year 2017 dividend will be proposed to the Shareholders' Meeting at 2.48 euros per share, corresponding to a final quarterly dividend of 0.62 euros per share and an increase of 1.2% compared to the full-year 2016 dividend.
- The 2018 interim dividends will be increased by 3.2% to 0.64 euros per share, with the intention of proposing to the Shareholders' Meeting a full-year 2018 dividend of 2.56 euros per share.
- The target for the full-year 2020 dividend would be 2.72 euros per share.

- **Buying back shares issued with no discount as part of the scrip dividend option**

- Maintain the scrip dividend option, with no discount

on the price, since certain shareholders prefer to take their dividend in shares.

- Buy back the newly issued shares with the intention to cancel them. No dilution linked to the scrip dividend from 2018.
- The buyback of the shares issued in January 2018 as part of the second 2017 interim dividend payment will start immediately.

- **Buying back up to five billion dollars of shares over the period 2018-20**

- The objective is to share with investors the benefits of the oil price upside.
- The amount of buyback will be adjusted to the oil price.
- This is in addition to the scrip share buyback.

\* First interim dividend will be paid in October 2018.



## 2017 Dividend

The Board of Directors has decided to propose to the Shareholders' Meeting, which will be held on June 1, 2018, an annual dividend of 2.48 €/share for 2017, an increase of 1.2% compared to 2016. A fourth quarter dividend of 0.62 euros per share is therefore proposed.

The Board of Directors also decided to propose to the Shareholders' Meeting the alternative for shareholders to receive the fourth quarter dividend in cash or in new shares of the company with no discount. Subject to approval at the Shareholders' Meeting:

- the ex-dividend date for the fourth quarter dividend will be June 11, 2018.
- the payment of the dividend in cash or the delivery

of shares issued in lieu of the cash dividend is set for June 28, 2018.

American Depositary Receipts ("ADRs") will receive the final quarterly installment of the 2017 dividend in dollars based on the then-prevailing exchange rate according to the following timetable:

- ADR ex-dividend date: June 7, 2018
- ADR record date: June 8, 2018
- ADR distribution date for cash or shares issued in lieu of the cash dividend: July 6, 2018

Registered ADR holders may also contact JP Morgan Chase Bank for additional information. Non-registered ADR holders should contact their broker, financial intermediary, bank or financial institution for additional information.

## Highlights

« The Group demonstrated its ability to capture the benefit of higher prices. »

### USA

#### Oil

Major discovery in the Ballymore prospect, located deep offshore in the U.S. Gulf of Mexico. The well was drilled to a final depth of 8,898 meters and encountered 205 meters of net oil pay in a high-quality Norphlet reservoir.



## 2017 Key Figures

**10.6 billion dollars**

Adjusted net income

**22.2 billion dollars**

Cash flow generated by operations\*

Hydrocarbon production

**2,566 thousand barrels of oil equivalent/day**

**13.8%**

Net-debt-to-equity ratio as at December 31, 2017

**2.48 €/share\*\***

2017 dividend

**5.4%**

Dividend yield (2017 average based on a 2017 dividend of 2.48 euros)

\* Debt-adjusted cash flow (DACF)

\*\*Subject to approval by the Annual Shareholders' Meeting on June 1, 2018.



### World

#### Liquefied Natural Gas

Agreement signed with Engie to acquire its portfolio of upstream liquefied natural gas (LNG) assets. This portfolio includes participating interests in liquefaction plants (notably the interest in the Cameron LNG project in the US), long term LNG sales and purchase agreements, an LNG tanker fleet as well as access to regasification capacities in Europe.

## South Africa

Agreement to sell to Qatar Petroleum a 25% interest in the 11B/12B Exploration Block.

## Angola

Agreements signed with Sonangol, the national oil company, particularly for the development of Zinia Phase 2.

## Belgium

Completed upgrade of the Antwerp integrated refining & petrochemicals platform.

## Brazil

(see pages 6 and 7)

- ▶ Start-up of Pioneiro de Libra.
- ▶ Launch of the large-scale Libra development.
- ▶ Completed transfer to Total of the rights in the Lapa and Iara concessions, as part of the Strategic Alliance with Petrobras.

## Canada

Fort Hills project reaches first oil.

## USA

Reinforced position in deepwater Gulf of Mexico with entry in the Anchor discovery.

## Guyana

Entry in the exploration of a prolific basin.

## Italy

Sale of fuel marketing activities in Italy and focus on the lubricants business.

## World

- ▶ Strategic agreement with CMA CGM, a leading worldwide shipping group, to provide liquefied natural gas fuel for CMA CGM new build container ships.
- ▶ Signature of a long-term charter contract with Mitsui O.S.K. Lines.
- ▶ BP, Eni, ExxonMobil, Repsol, Shell, Statoil, Total and Wintershall committed to further reduce methane emissions from the natural gas assets they operate around the world.

## Norway

Sale to Statoil of all the interests in the Martin Linge development and Garantiana discovery.

## Russia

Beginning of gas exports from Yamal LNG (see page 9).

To find all press releases and learn more about the e-mail alert system which notifies you of each new press release, please visit our website [total.com](http://total.com) under the heading Media.

## South Korea

### Refining & Petrochemicals

Investment of more than 300 million dollars to expand the integrated refining & petrochemicals platform located in Daesan, a 50/50 joint venture between Hanwha and Total. It complements the investment announced earlier, amounting to a total of 750 million dollars and increasing the site's polyethylene capacity by more than 50%.

#### What were Total's results in 2017?

Total reported an adjusted net income of 10.6 billion dollars, representing a 28% increase, and a return on equity above 10%. The Group's cash flow generation is growing strongly, driven by a 5% production increase. The Group emerges stronger with a net-debt-to-equity ratio of 13.8% and a pre-dividend organic breakeven to 27 dollars per barrel.

#### What is the outlook for 2018?

The Group maintains its strategy and goes on reducing operating costs with the objective of achieving over four billion dollars of cost savings in 2018. Organic investments are projected at around 14 billion dollars, in line with the target of 13 to 15 billion dollars. In the Upstream, production is expected to increase by 6%, thanks in part to the start-up of the giant Kaombo, Ichthys and Egina projects, confirming the objective to grow by 5% per year on average between 2016 and 2022.

Patrick  
**DE LA CHEVARDIÈRE**  
Group Chief Financial Officer

## Report

# Report Total in Brazil: taking advantage of our deep offshore expertise

Brazil has become a leading country for the Group, particularly in Exploration & Production. Update on Total's main activities and ambitions in the country.

**« Total is the first international company to operate a pre-salt field. »** 

Total's development in Exploration & Production in Brazil has gained momentum over the last five years. Michel Hourcard, Senior Vice President Americas, Exploration & Production comments on the latest events.



© ROBERT ALLRED

### What does Brazil represent for Total in terms of Exploration & Production?

Brazil is home to the largest offshore basins discovered in the 21st century. The country is driving growth in the deep offshore, one of Total's specialties in Exploration & Production. Brazil gives us access to exceptionally high-quality fields, which can be developed with low break-even points. This is perfectly in line with Total's

strategy. Our presence in the country dates back to more than 30 years. We had already carried out exploration activities and made discoveries in

the country, but our major return on the scene was in 2012, following a symposium held with Petrobras which marked the beginning of our technical collaboration. After learning more about each other, we were ready to take the collaboration further. The first step was entry in the Libra field in 2013 (see insert), followed by the Strategic Alliance signed with Petrobras in March 2017.

### What does the Strategic Alliance between Total and Petrobras represent?

The Strategic Alliance allows the two companies to unite their globally recognized expertise and create synergies in the entire oil and gas value chain. We each contribute our specific and very complementary strengths, and have already joined forces to create new partnerships in the Upstream. Our technical cooperation has been tightened, not only in operations, but also in research and technology. We jointly participate in research projects involving the deep offshore, architecture and the different seismic processing techniques. We have already identified a total of seven key research projects, two of them focused on digital innovations.

### What was for Total the first concrete outcome of this Strategic Alliance?

Several agreements were signed, but I would like to emphasize the operations finalized in January 2018. Petrobras sold to Total a 35% interest in the Lapa\* field and transferred its operatorship. Petrobras also sold to Total a 22.5% share in the Iara\*\* field.

### What is specific about the Iara and Lapa fields? What do they represent for Total?

Iara and Lapa are both pre-salt fields, meaning that they are limestone reservoirs covered by a thick layer of salt. Lapa has been on stream since December 2016, and has a production capacity of 100,000 barrels per day. As the operator of Lapa, Total is the only international company to operate a producing pre-salt reservoir in Brazil, outside of Petrobras of course. For us, this is both a challenge and a wonderful opportunity, to which we come technically prepared. Production on Iara should start up in 2018. Our objective is to maximize the oil recovery rate by implementing innovative technological processes studied jointly with all the partners, while

ensuring low break-even points.

## What is Total's ambition in the next ten years in Exploration & Production in Brazil?

Our aim is to become a major player in Brazil, not only in Exploration & Production, but also on the entire energy value chain. Our relationship with Petrobras is built on

trust and our commitment in Brazil is expected to last over the long term.

\* The other partners are BG E&P Brasil, an affiliate of Royal Dutch Shell (30%) and Repsol-Sinopec Brasil (25%).

\*\*The other consortium partners are BG E&P Brasil, an affiliate of Royal Dutch Shell (25%) and Petrogal Brasil (10%).



Pioneiro de Libra floating production storage and offloading unit (FPSO).

© PETROBRAS

## Libra : a giant reservoir

Libra is a mega-field covering 1,550 square kilometers, located in ultra-deep waters (2,000 meters), 170 kilometers off the coast of Rio de Janeiro, in the pre-salt Santos Basin in Brazil. It is a multi-billion barrel resource. What distinguishes it from the other Petrobras producing fields is its high carbon dioxide content. This feature required implementation of a more complex production process and therefore more sophisticated production units to separate and then compress the gas. This process separates the carbon dioxide from the other products and reinjects it in the reservoir, and is the characteristic that led Petrobras to seek other partners.

Petrobras (40%), operator, chose to form a consortium together with Total (20%), Shell (20%), CNOOC (10%) and CNPC (10%). Total's experience in large-scale deep offshore projects, in reservoirs with a high carbon dioxide content and in carbonate reservoirs in the Middle East complements Petrobras' expertise in pre-salt plays. The companies sealed their partnership in 2013 and Libra became a resounding success.

First oil started flowing in November 2017 with the start-up of Pioneiro de Libra, a floating production, storage and offloading (FPSO) unit with a production capacity of 50,000 barrels of oil per day. After launching this first FPSO unit to further appraise the extent of reserves, Total announced early December 2017 the investment decision for the first large-scale development phase of the Libra project. This phase consists of a FPSO unit with a production capacity of 150,000 barrels of oil per day and 17 wells.

Other production units of a similar size are expected to come on stream in the following years, allowing construction of the floating units to be streamlined, thereby reducing costs. The units will fully exploit the potential of the field, with a production that should reach a plateau of roughly 600,000 barrels per day and produce for more than 30 years.

"The Libra reservoir is exceptional. A productivity per well approaching 50,000 barrels per day guarantees very competitive production costs per barrel, confirms Maxime Rabilloud, Managing Director, Total E&P do Brasil. The teams are proud to work on this kind of project."

## Report

# Downstream: presence in the lubricants business and with Hutchinson

Total is also active in Brazil in Marketing & Services and Refining & Chemicals, through Total Lubrificantes do Brasil and Hutchinson, among others\*.

- Total Lubrificantes do Brasil owns a lubricants manufacturing plant, located 140 kilometers from Sao Paulo and markets two types of products: lubricants and special fluids. As Brazil is the sixth consumer of lubricants worldwide, it is essential for the affiliate to develop a distribution network in that segment. As regards special fluids, sales have more than doubled in 2017, as have unit margins. The main ambition of Total Lubrificantes do Brasil is to accelerate its profitable and sustainable growth and strengthen its position as a premium brand serving as a reference.
- Hutchinson has roughly 2,500 employees\*\* divided between five plants located in Monte Alto, Extrema and Casa Branca. These plants are dedicated to manufacturing car parts (antivibration molded parts, sealing systems, etc.). They supply a wide range of car manufacturers: Fiat Chrysler, Volkswagen, PSA, Toyota, Honda, General Motors and Ford. Hutchinson's ambition in Brazil is to be the largest and the best supplier, maximizing value for its clients.

\* Total is present in other activities in Brazil such as additives and special fuels.

\*\* As at December 31, 2017

## Focus on Saft do Brasil, a growing affiliate

Saft has been specializing in advanced-technology battery solutions for industry for 100 years. It has sites all over the world, including in Brazil where the sales office Saft do Brasil was created in 2010. The affiliate supplies batteries for niche markets: oil and gas, mine and metals, electrical utilities, paper & pulp and railway companies. Nowadays, Saft do Brasil is a small business inside the Saft Group, but is strategic in a country of more than 200 million people. The affiliate has doubled its sales between 2016 and 2017.

For applications such as railways and oil and gas, the ambition of Saft do Brasil is to hold between 40% and 45% of the market in five to seven years. Another objective for the next few years is to participate in renewable generation (solar, wind and biomass) with Saft Energy Storage Systems (ESS) solutions.

## Key figures



**More than 30 years**  
of presence in Brazil



**2,671 Total employees\***  
working in Brazil



**100,000 barrels per day**

as production target for Total in Exploration & Production in Brazil by 2022



**17 exploration blocks\*\***

in which Total holds interests

\* Consolidated workforce scope in 2017

\*\* Figures as at December 31, 2016

# Yamal LNG : successful start-up of a challenging project

**After successfully completing construction on time and on budget, thanks to the tremendous efforts of all the project stakeholders, Yamal LNG shipped its first cargo of liquefied natural gas from Russia, in December 2017.**

Yamal LNG, located in Russia, started its production of liquefied natural gas (LNG) last December and is already selling it under long-term contracts on Asian and European markets. Several LNG shipments were also delivered to the United Kingdom, the Netherlands and France. At the end of December 2017, the first cargo of 170,000 cubic meters was shipped on the Christophe de Margerie, the first icebreaker LNG tanker of a fleet of 15 purposely designed for Yamal LNG. It is a major milestone for one of the biggest liquefied gas projects in the world. Yamal LNG was built to produce the gas reserves of 4.6 billion barrels of oil equivalent from the giant onshore South Tambey field. When the site reaches full capacity in 2020, it will supply 16.5 million tons of LNG per year to the Asian (54%) and European (46%) markets.

## A project like no other

Yamal LNG, owned by Novatek\* (50.1%), Total (20%), CNPC (20%) and Silk Road Fund (9.9%), has remarkably low upstream costs and will contribute to

the Group's gas production for many years to come.

To achieve this success, major challenges had to be overcome in a region where temperatures can

easily drop to minus 50°C in the winter. The soil, called permafrost\*\*, is permanently frozen down to variable depths, reaching more than 400 meters. When it thaws, the top layer of the permafrost turns into an unstable layer of mud, roughly 2 meters thick. To ensure the plant's stability, while respecting the environment, 90,000 piles were built to support the LNG plant. Another feature of the Yamal LNG project is a world first: regular use by the LNG icebreaker carriers of the Northern Sea Route (traveling through the Bering Strait). Other infrastructures that were totally absent until then had to be built: an international airport with runways totaling 2,700 meters, a port to unload equipment, two LNG loading jetties, living quarters for 32,000 people. Yamal LNG is born of the technological know-how and pioneer spirit of the partners who believed in this project as early as 2010.

\* Total holds a 18.9% interest in Novatek

\*\* Permafrost refers to the layer of cryosol that is permanently frozen for at least two years, and therefore watertight.



The Christophe de Margerie LNG carrier in the Sabetta port, in Russia.

## Total Shareholders



## 2018 Shareholders' Meeting: How can you obtain a notice of meeting and vote?

Our next Shareholders' Meeting is scheduled for **Friday, June 1 at 10:00 a.m.**, at the Palais des Congrès in Paris.

Regardless of the number and type of shares you hold, you are allowed to attend the Shareholders' Meeting, vote or be represented by the Chairman and Chief Executive Officer or by the person of your choice.

### e-notice or paper notice

- ▶ If you are a shareholder with registered shares, you will receive from BNP Paribas Securities Services:
  - Either an e-mail with information on how to connect to the website Planetshares > my assets > my voting rights (if you have subscribed to the e-notice service).
  - Or the notice of meeting by postal mail.

By selecting the e-notice option, you choose to be notified in a simple, fast, secure and environmentally friendly manner. If you want to take advantage of the e-notice system already this year to be notified of the next Shareholders' Meeting, you need to register before April 27, 2018, on Planetshares > My profile > my e-services.

- ▶ If you are a shareholder with more than 1,000 bearer shares, your bank or broker is responsible for automatically sending the information and

documents for notification.

- ▶ If you are a shareholder with less than 1,000 bearer shares, you must request this information yourself from your bank or broker.

### How can you obtain an admission card and vote?

Once you are in possession of your e-notice or paper notice, there are different ways of obtaining your admission card and of voting.

Whether you are a shareholder with bearer or registered shares, we invite you to use the VOTACCESS platform on the Planetshares website or on the website of your financial institution. Most of the French banks are now connected to VOTACCESS. The platform gives you access in just a few clicks to all the documents you may need and offers the possibility to request an admission card (immediately downloadable), vote or give proxy, and finally receive confirmation of your vote.

Other methods are also open to you:

- You can request an admission card to attend the Shareholders' Meeting in person and vote there.
- You can appoint a proxy by mail who will vote for you.
- You can vote before the Shareholders' Meeting by returning the form sent with your notice.

Averages for 2017 - Variations relative to 2016



Market capitalization  
as at December 31, 2017

**116.4 billion euros**



Total Share Price

**€46.2** 

**+8.8%**

## Total Shareholders

### Join the Shareholders' Club



Each year, the Shareholders' Club organizes some thirty events\* in different regions of France and in Belgium. Cultural events, visits of Total plants or sites supported by the Total Foundation, conferences, training sessions, etc. The Total Shareholders' Club is an excellent opportunity to share special occasions with us and get an insider's view of our activities and our major commitments.

As a member of the Club, you automatically receive all the publications addressed to shareholders, in digital version: Shareholders' Newsletter, Webzine,

invitations to meetings, etc. To become a member of the Shareholders' Club, you must have an e-mail address and hold at least 100 shares in bearer form or 50 shares in registered form.

The procedure to join the Club is simple and free of charge. All you have to do is fill out the online form on <https://e-cercle.total.com> 

*\* Once the registration for each event has been closed, participants are selected by lottery.*



### 2018 dividend

Subject to decisions by the Board of Directors and Shareholders' Meeting to approve the financial statements and the final dividend, the ex-dividend dates of the quarterly interim dividends and the final dividend for 2018 will be:

- ▶ First interim dividend: September 25, 2018
- ▶ Second interim dividend: December 18, 2018
- ▶ Third interim dividend: March 19, 2019
- ▶ Remainder: June 11, 2019

### Upcoming events

- ▶ **March 17, 2018** Master Investor Show in London (UK)
- ▶ **March 20, 2018** Shareholders' Meeting in Bordeaux
- ▶ **March 24, 2018** VFB Investor Fair in Antwerp (Belgium)
- ▶ **April 12, 2018** Shareholders' e-Meeting
- ▶ **April 26, 2018** First quarter 2017 results
- ▶ **June 1, 2018** Annual Shareholders' Meeting in Paris
- ▶ **June 11, 2018** Shareholders' Meeting in Rouen
- ▶ **June 12, 2018** Shareholders' Meeting in Nice

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Brent

**\$54.2/barrel**



+24.02%



Refining Margin

**\$40.9/tonne**



+19.94%



Euro/Dollar

**1.13**



+1.80%



# SHARE

more than your shares

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