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Lydia Rainforth - Barclays

Doug Leggate - Wolfe Research

Irene Himona - Bernstein

Biraj Borkhataria - RBC

Martijn Rats - Morgan Stanley

Michele Della Vigna - Goldman Sachs

Lucas Herrmann - BNP Paribas Exane

Alastair Syme - Citigroup

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PRESENTATION

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Good morning or good afternoon, everyone. Patrick Pouyanné speaking. Before Jean-Pierre goes through the second quarter financials, I thought that midyear would be a good time to check-in on the progress that we have been making. I would say the great progress in just the last 10 months since we presented our strategy last September at our Investor Day in New York or I would say, balanced transition strategy, which is anchored on two fundamental pillars: the oil and gas on one side with a perspective of growth; and Integrated Power on the other side, and both pillars are driving the growth of the company.

During this first semester and last quarter, beyond the excellent operational performance, which was delivered on our oil and gas pillar, we have sanctioned several major upstream projects. But I would like to remind you on the oil side, with the final investment decisions on some three large FPSOs: Kaminho in Angola, Sepia 2 and Atapu 2, both projects with world-class well productivity, with low technical operating costs under our \$20 per barrel sanctioning criteria, Angola is under \$30 per barrel breakeven.

These are three major oil projects, but we also have sanctions on the LNG side, two important projects: the Marsa plant in Oman, Marsa LNG, which is a very ultra-low-emissions plant and the Ubeta gas project

in Nigeria, which will supply Nigeria LNG. These projects will not only contribute to the objective to grow our upstream by 2% to 3% per year in the next five years, but they will also boost the underlying free cash flow generation and ultimately shareholder distributions.

On the second pillar, Integrated Power, where we have reached quite a compelling ROACE above 10% this quarter, and Jean-Pierre will come back on it, we have also made some strong progress toward deploying and completing our Integrated Power business model by acquiring flexible assets that allow us to extract maximum value from the renewable assets in three key markets: in Texas, in the UK and in Germany.

We closed our CCGT deal in Texas and also announced the acquisition of the CCGT in the UK. In both of these markets, we now have all the building blocks that define our Integrated Power model, renewables, flexible assets and of course, trading and end customers as well, in order to deliver clean firm power, which prices at a premium compared to a green intermittent renewable power.

We also acquired flexible assets in Germany, through our acquisition of Kyon Energy, a leading battery storage developer. And by the way, we just sanctioned the first 100-megawatt battery storage project developed by Kyon. This complements our leading position in offshore wind in that country as well as the acquisition of Quadra, our renewable energy aggregator with a 9-gigawatt pipeline to commercialize.

We are clearly, this first half, in a strong execution mode of the strategy. So don't expect any change. There is, of course, still more to come. In particular, we have also announced recently that we made some important steps towards the FID of our Suriname Block 58 projects by the end of the year, which is, of course, a key milestone for us, our partners, and Suriname.

And as a reminder, this is an operated 200,000 b/d development with more than 700 million barrels of estimated recoverable oil. We have achieved, as I said, key steps, including the agreements on the field development area with the authorities, but also securing the hull of the FPSO to be able to sanction the project and should be, end of the third quarter, beginning of the fourth quarter.

I'll wrap up my introduction by just saying that our balanced strategy is clearly in motion, we are pushing on all fronts. We are making progress delivering and executing our plan, which will allow us to reach our ambitious targets this year and delivering top-tier performance, but also preparing the future of the company. We positioned the company to lead the pack, and we are determined to deliver to our shareholders premium returns.

And that's the program that I propose to show you at our next Investor Day, which this year will be in New York on October 2nd. You can put that date in your calendar. I look forward to meeting you there. But in the meantime, Jean-Pierre will give you all the details of the second-quarter results, and I will be happy to answer your questions today together with Jean-Pierre.

Jean-Pierre Sbraire - TotalEnergies SE - CFO

Thank you, Patrick. So let's move to the financials.

The crude market remained supportive in the second quarter with Brent slightly increasing by 2% quarter-to-quarter to average \$85 per barrel while the company's average LNG price decreased by 3%. In refining, margins continue to normalize with our European refining margin marker down 37% quarter-to-quarter.

In this context, TotalEnergies reported second quarter 2024 adjusted net income of \$4.7 billion with the first half 2024 totaling close to \$10 billion. The company generated \$7.8 billion of cash flow during the

second quarter of 2024, and close to \$16 billion for the first half of the year. Importantly, profitability remained robust with ROACE, return on average capital employed of close to 17% at 16.6%. And we maintained strong Capex discipline and reiterate 2024 net investment guidance of \$17 billion to \$18 billion for the year.

Last but not least, we continue to build on our strong track record of attractive shareholder distribution with \$2 billion buybacks executed during the second quarter and up to \$2 billion of buybacks authorized for the third quarter 2024. Also, the Board has maintained the second interim dividend at €0.79 per share, which is nearly a 7% increase year-over-year and is 20% higher compared to pre-COVID levels. First half 2024 shareholder payout stands at 45% of CFFO.

Moving to the business segments, starting with hydrocarbons. Production was 2.44 million barrels of oil equivalent per day in the second quarter of 2024, close to the high end of the guidance range. We continue to see good performance from project startups and ramp-ups including Mero 2 in Brazil, Akpo West in Nigeria, Block 10 in Oman, Absheron in Azerbaijan and multiple projects in Norway.

Looking forward, production for the third quarter of 2024 is expected to be stable between 2.4 million and 2.45 Mboe/d with the expected start-up of the Anchor project in the US Gulf of Mexico in the third quarter. Exploration & Production continues to perform well with reported adjusted net operating income of \$2.7 billion and cash flow of \$4.4 billion. The Company maintained its cost leadership with upstream Opex per barrel below \$5 per barrel during the second quarter.

In Integrated LNG business, we continue to increase our structural resiliency by advancing commercialization of LNG through new medium-term Brent-linked contracts with Asian buyers having recently signed two contracts for a total of 1.3 million tons per year. Turning to the results now, hydrocarbon production for LNG increased 1% quarter-to-quarter which includes entry into the Dorado upstream gas field in the Eagle Ford basin in the United States, and we progress on our objective to increase upstream integration in the US to further improve resiliency. LNG sales decreased by 18% quarter-to-quarter, notably due to lower spot purchase in the context of lower LNG demand in Europe. Integrated LNG adjusted net operating income and cash flow were both \$1.2 billion in the second quarter. The results reflect a lower average LNG price and lower sales, as well as the impact of gas trading not really benefiting in the continued low volatility environment. LNG trading continues to perform well. Given the evolution of oil and gas prices in the recent months and the lag effect on price formulas, we anticipate that our average LNG selling price should be around \$10 per million BTU in the third quarter 2024, which is higher compared to the second quarter.

Moving now to Integrated Power. As mentioned by Patrick, we recently enhanced our asset integration with several flexible capacity additions. Integrated Power once again delivered profitable growth with first half 2024 adjusted net operating income of \$1.1 billion up 36% compared to the first half of 2023 due to activity growth. First half 2024 cash flow totaled \$1.3 billion, which is in line with the annual guidance of more than \$2.5 billion. In addition, return on average capital employed for the 12 months ending June 30th increased to above 10%.

In Downstream, Refining & Chemicals reported \$640 million of adjusted net operating income and \$1.1 billion of cash flow during the second quarter. Results reflect the sharp decrease in global refining margins since the end of the first quarter, which remain impacted by low diesel demand in Europe and market normalization following the disruption in Russian supply.

The Company's utilization rate improved to 84.5% from 79% in the first quarter 2024 mainly due to lower plant maintenance, which partially compensated the decrease in refining margins. For the third quarter 2024, we anticipate that the refining utilization rate will benefit from the restart of the Donges refinery in France and will average above 85%.

Marketing & Services benefited from the lower refining margins environment in the second quarter with adjusted net operating income increasing to \$380 million, and cash flow increased by 38% sequentially to \$660 million.

At the Company level, we have been, as usual, active in M&A on both sides with \$1.9 billion of divestments and \$1.6 billion of acquisitions over the first half of 2024. Our net investment stands at \$8.2 billion at mid-year, and we confirm our 2024 net investment guidance of \$17 billion to \$18 billion.

During the second quarter, we reported a \$1.2 billion working capital release, and we anticipate that the working capital build reported during the first quarter will continue to reverse over the coming quarters. Gearing was stable quarter-to-quarter and improved by nearly 1% year-on-year at 10.2% at the end of the second quarter 2024. As a reminder, we continue to anticipate structural gearing of around 7% to 8%, all else being equal.

During the quarter, TotalEnergies successfully issued senior bonds on the US market, totaling \$4.25 billion, using conventional formats and privileging long maturities, the average maturity of this issuance was indeed 27 years. Indeed, the Board of Directors decided to retain flexibility on the format of the bond issuance and to give priority to long maturity.

Lastly, I am pleased to announce that after the capital increase reserved for employees, earlier this year, employee ownership in the Company is now more than 8%. We also have strong support from our shareholders who supported all resolutions submitted to the vote at the recent Annual General Meeting. I will stop here and let the floor for the Q&A. Thank you.

QUESTIONS AND ANSWERS

Lydia Rainforth - Barclays

Thank you and good afternoon. Two questions, if I could. The first one, Patrick, I think you said that the 100-year anniversary for Total and I know that you've kind of been very good at giving shares to the employees and things like that. Would you consider a special dividend for 100 years to celebrate the Total? And then the second one, actually, if I could just be more macro stuff. At the moment, clearly, there's a lot of moving parts to the cash flow towards the end of the year. Can you just walk us through both where refining is and where you see that going? And then also on LNG, just where you're signing some of the slopes on the contracts. Thank you.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. Good question, Lydia. Maybe I should give you a special gift of 100 shares to ask the question, but I'm afraid that today, we are already set up in our cash flow allocation, the privilege is given to dividend and buyback more than special dividend. We don't consider today that we are in an exceptional

environment as the one which we benefited from in 2022. It was exceptional. We are not there. It's a good environment, but not exceptional. So I would say sorry to disappoint you, but I'm afraid we prefer to continue to maintain increasing the dividend year after year and to have a good buyback program.

Second, where do we go on refining? Refining benefited during the last two years of some imbalances in the market created by the Russian flows, which were distracted from Europe, from the US, from the normal flows. We have the feeling that now, in fact, the market has more or less restabilizing, is in the sort of normalization mode from this perspective, even if we can observe that the US are more and more chasing against all these grey fleet of Russian oil. It could have, again, some influence. So that's one part. The other part is that the demand was lower busier than the last two years, in fact. So the inventories are not so exceptional in fact. I expect that with the driving season during summertime, generally, there is more demand. So we could see better margins. Today, it is quite low.

And when I say quite low, in fact, it is back to what was normal, before all these exceptional years. So I think our refiners, now, they have to come back to reality and to deliver good results with lower margins. But again, at the same time, it's true that we benefit from a good oil price, \$84, \$85 per barrel, it's good. And so you come back to a traditional integration between, when the price of oil is higher, the refining margins are lower. But generally, when it is the case, the marketing is benefiting from it. By the way, we've seen that during the last quarter. So I think we are going into a normalization of refining margins. And when we make our long-term plan, we are more on \$35, \$40 per ton than \$70 or \$80 per ton. Maybe because I was in charge of this segment, I know that what is the hard reality from time to time.

But again, this is typically the type of business, in which you need to have your machine, your refineries running when the margin is good, and then you make the cash come in. And you need to be resilient when the margin is more normal. On the LNG, we negotiated quite a lot of new LNG contracts because the strategy of the company is to buy Henry Hub and to sell Brent. In fact, so we are in the middle of that. It's difficult to answer you because there is a lot of discussions around the world.

It's more a commercial secret. So the transformation of Henry Hub to Brent is good for the cash flow of the Company, including in the market, we can think that at the end of the decade, it will be a softer market. So this is all the strategy of the company.

Doug Leggate - Wolfe Research

Well, thank you. Good morning and good afternoon, everyone. Thanks for having me on. Patrick and Jean-Pierre, I wonder if I could ask you about your Suriname progress. My understanding is that when you laid out the strategy last year, Suriname did not have a meaningful contribution to your 2028 cash flow.

But now you have an SBM fast4ward hull. And obviously, things look like they're moving a little quicker. It seems to me that Suriname could be a meaningful step-up in your cash flow in 2028. Full calendar year at current oil price is probably around \$4 billion. Can you give us some color as to what you think the progress is?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

That's true. But in fact, we have decided, as I said last year, that Suriname, we try to execute it in a quick mode, I would say, moving from the end of the appraisal by September last year to the FID. My objective

is one year. From appraisal to FID, all the teams are being mobilized. By the way we are using a innovative approach, including using the design of a good operator, which is developing projects next to Suriname, we trust they have a good design.

So trying to build on this FPSO, in fact, taking the design, which has the design of Guyana, to apply it, and it's quite efficient. We move forward quickly. So that means that the first oil of Suriname is targeted by, somewhere in mid-2028, beginning Q1, beginning 2028. So it could be quite significant. To be clear, cash flow from Suriname, as you know, will be big because we are in fact, financing almost all of it.

So we'll benefit from the cash flows in a very large way. So the contribution of Suriname, not only to 2028, but 2029, 2030, 2031, 2032 will be important. That's why I'm insisting. By the way, I can tell you that in September, we will extend our guidance up to 2030, because with the rich portfolio we have, we can extend it. And Suriname, of course, will be part of the good color we will give to our perspectives by 2030.

Doug Leggate - Wolfe Research

That is very helpful. Can I ask a quick follow-up on a separate topic in the US. After your Lewis Energy acquisition, are you now comfortable that you have enough hedged gas exposure for your LNG? Or do you still intend to do further acquisitions in Lower 48?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

No, we don't have enough. We are clear. You can make the math. We offtake something like 10 million tons, we have 5 million tons in Rio Grande, so we need to increase. And by the way, I can tell you that we are working on another deal. So it will be step by step deal. It's not a big one, but we are working on another one. And we should have news as well for you, we'll give more color to you by September as well. I think an important topic for me is to show you how all these LNG positions on one part, on the upstream, but on the other side, on the downstream, will be resilient at whatever the price environment will be, I think, it's very important to demonstrate it, and we are acting on it. And on the upstream, there will be more to come for sure.

Irene Himona - Bernstein

Thank you. Good afternoon. My first question is on Marketing. In the second quarter NOPAT declined about 16% year-on-year for a 2% lower sales volume. How should we think around the impact of your disposal to Couche-Tard versus underlying performance? So what happened if we exclude the sold assets? And my second question, Patrick, French politics has been quite volatile recently, and Sovereign states can do a lot of things, impose windfall taxes, even golden shares. So I wanted to ask, is there something in particular that concerns you in terms of a potential action by the French state that might be against the Company's interest? Thank you.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

The first question is quite easy. In fact, it was more or less \$20 million per month. So on the quarter, it's \$60 million, the impact of Couche-Tard, the assets in Germany and Netherlands and half of Belgium, so

you can make the math. And in fact, it's net result, \$20 million per month. So you can find that it would be reduced to 2% to 3%. So it's in line, in fact. So globally, the marketing has a performance equivalent to the one of last year if you deduct this Couche-Tard impact; First point.

And second one, honestly, the French politics. I think, first, I would say that TotalEnergies is more stable, which is good - it's a stable company. Honestly, I think there is a lot of noise around all that. On the golden share, by the way, to be very clear, there was a judgment, which was in 2002 by the European Court of Justice, which has obliged the French government, which previously had a golden share in TotalEnergies equity to cancel it because it was against a fundamental principle of free move of capital within the European Union. So it has been already judged. So I know that some politicians are thinking against it. And by the way, with the present law in France, just to clarify with you, it would require at least the French state to invest 5% of shares in TotalEnergies. I understand that they can make better use of their money than investing billions in the Company. So that's politics. But again, this is not the point. As I told you before, already, you could see ideas like the one in the US, which is taxation on the buyback. The French politicians have all read that something is happening there.

So sometimes it's a little difficult to argue for us even if we have done it. But again, we will engage with whoever the new government is. And I don't think you should consider it will fundamentally affect the interest of TotalEnergies.

Irene Himona - Bernstein

Thank you, Patrick.

Biraj Borkhataria - RBC

Hi, thanks for taking my questions. My first one was on the deal you did with OMV in Malaysia. I noticed you listed that in the Upstream bullets rather than Integrated gas. But in the press release, you mentioned the deal will be an anchor for future growth in the country.

Just wondering if there's any potential here to integrate yourselves into the LNG facility and whether that's being discussed. And if not, could you just talk a bit about your growth plans there and the strategic rationale for that deal, if you can't integrate into LNG.

And then the second question is just again on projects and on LNG. So Mozambique, there was an article recently around potential cost escalations. Could you just give us an update on where we are in expected budget and what the next steps are from here? Thank you.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

On Malaysia, fundamentally, the gas revenues from the license in Malaysia is a LNG netback, just to be clear. So for me, it's integrated to the LNG value chain, through the way the gas price is settled. So first clarification.

The idea, of course, is to continue beyond it, and we are already in discussions with some other players, including, by the way, Petronas, to go beyond. They just started, by the way, the Jerun gas field, which just

started last week. It's quite a large field - it's producing 600 million scf per day, I think, we'll have a nice share of it.

And so beyond it, there are more opportunities to develop, and so we have some plans. And of course, in the end, the more we can link that to the LNG world and to LNG pricing, this is the objective of the Company. So we'll work on it.

On Mozambique, I can tell you that everything has been settled with the contractors. So we are clear: we know where we are. In fact, it was more a matter, to be honest, of the cost of the frozen period, which was to be absorbed and discussed, because between 2020 to 2024, we have frozen some works. We have some equipment which was kept in different locations. All that has been discussed, all that is settled with them. And so we are on the way to move forward. As soon as we can update you, we will do it. But the progress has been done in many directions, including on security.

Now we try to regroup all the financiers around the project. As you know as well, there are some presidential elections in Mozambique coming soon. And so of course, for us, it's important to have the confirmation that the new President will follow the same policy regarding these large projects. That's where we are. So say, by end of the year, we should clarify how we should be able to move forward.

Martijn Rats - Morgan Stanley

I have two, if I may. I was -- my attention was drawn to the comments in the outlook statement where you talked about European gas prices in the range of \$8 to \$10 per MMBtu for the third quarter. And that struck me as somewhat of an unusual comment because I don't know Total to comment that often on near-term commodity prices. So from that perspective, it stood out, but it also stood out because it seems quite low. TTF is a little bit more than \$10 per MMBtu at the moment. So I was wondering if you could elaborate a bit on that expectation and broadly where it comes from and the drivers behind it?

And then the second thing I wanted to ask is on the previous earnings call. We talked a lot, of course, about the potential to either move the listing to the US or maybe not for the full headquarters, but at least the - - yeah, to move the main listing to the US. And a quarter has passed, and I was wondering if you have an update on those thoughts.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. Sorry to surprise you, but sometimes you tell me that we are a boring company. So today, we try to... We made a statement, beginning of the year, at \$8, we moved up to \$10, \$10.5. So to give you a range of \$8 to \$10 in summer time, there is nothing extraordinary because it's not the best season. The third quarter is not the peak of the demand generally. And so as you know, the inventories, storages in Europe are quite well full, we don't anticipate a big rebound unless there is an event. So that's, I think, giving you this guidance is more reflecting what happens since the beginning of the year.

But again, when you say it's low, \$8, it's quite high compared to what we were experiencing before 2021. We had years at around \$4 to \$6 per million BTU. So \$8 for European gas price, even today, it's \$10.3 yesterday evening, it is a good price not only for us, including for all Norwegian operations and UK operations. I would say it's okay. It's lower than what we had in '22 and '23, there's no miracle on that, but it's clear there has been a landing. And unless the weather becomes again cold next winter, we don't

anticipate any... Having said that, we could have disruptions coming from other parts of the world, because the main driver today will be, if there is any tension in LNG supply, because a plant could have a problem somewhere in the world, then this market is very volatile because we don't have much margin between the supply and the demand on LNG. So, sorry to have surprised you, Martijn.

On the US listing, I clarified that in the French newspaper, it was in French, so we should translate it and distribute it to everybody, which I will ask Renaud and his team to do because we clarified what we want to do. What we want to do is fundamentally to transform the ADRs in shares, in ordinary shares. That's all. And we want these shares to be cross listed between Paris and New York. That's fundamentally what I'd like to do. There is nothing else. So transforming the ADRs in shares. We had questions to almost 40 long-term investors in the US: they see some positive, nothing negative because some investors do not like the complexity of the ADRs in terms of back office, in terms of managing it. Some investors could prefer to invest directly on the New York market and not going to the European market, Paris or London or Brussels, so that we do. So we are more in a technical move. We've progressed positively until now, and Jean-Pierre and his team will work on it. We will update you probably end of September.

But technically, there is some technical matters between the different depository firms between Euroclear on one side, DTCC on the other side. And so we made progress, and we'll be able to have a scheme. So it's fundamentally transforming the ADRs in shares. And so giving more liquidity to the shares, with shares that could be, in fact, acquired over in Paris or on the New York market. That's what we want to do. It will add the liquidity. And so we hope it will help attracting more US investors. And as you know, today, we have a stronger flow of US buyers than on the European side. That's what we want to do.

Michele Della Vigna - Goldman Sachs

Thank you very much for the time. I've seen that you've been very active in adding more low-cost LNG supply to your portfolio in the last few months with Ruwais, with Marsa LNG. I'm wondering: you must be marketing these volumes to customers at the moment. How do you find the demand appetite for more LNG? And are you comfortable to add more spot volumes to your portfolio, especially if the market starts to become more supplied in '26, '27? Thank you.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Yeah. Good question. Thank you, Michele. Clearly, we have been successful in the last months. And I answered to a previous question, our whole strategy is to be able, in fact, to transform some gas volumes into Brent volumes. And so we are active on the Asian markets. We have already announced 2 million tons of new LNG contracts since the beginning of the year to different customers, and there will be more to come. So you will more deals to be announced in the next months. We are quite active.

As I answered, we have more or less 10 million tons today of US LNG, which is linked to Henry Hub. We sell part of it on Henry Hub formulas, and we want the rest to be sold on a Brent formula. So the answer to your first question: yes there is an appetite today from Asian buyers and still at a good percentage: we don't, I would say, discount our LNG. Why? Because I think the lesson of Asian buyers is that they have been afraid about what happened in '22, '23. So even if I could anticipate that there would be a softening

in the market by '27-'30, they think for them, it's better to hedge part of their own, I would say, purchase linked to the Brent.

In fact, I think today, there is more confidence in the buyers side on the Brent, and the stability of the oil market than on the LNG, JKM index, which, by the way, doesn't have the same depth than the TTF. So I think this is why you have some appetite on different countries. There are more countries buying LNG. In fact, it's not only China, Japan and Korea: Taiwan, Vietnam, India - India has more appetite.

So adding more spot: we have added already. We have added with Rio Grande. We took 5 million tons. Marsa is smaller. It's 1 million tons. But this is the one where we want also to develop a local bunkering market within the Gulf, a specific market. And so yes, we are comfortable. I will tell you, Michele, one of the objectives we have for end of September, is to show you exactly what you said: how do we manage this potential softening of the market from '27 to 2030, what is the remaining exposure from TotalEnergies... And you will realize that downstream, in fact, fundamentally, we are transforming Henry Hub into Brent. And I think this is good for our shareholders and for the future cash flows of the Company.

Lucas Herrmann - BNP Paribas Exane

Thanks very much for your time. Two, if I might. One, the first is just to JP, hybrids, you've redeemed a portion again this quarter. Can you just remind us what the redemption possibilities are going forward, what the time frames are?

And Patrick, apologies, but a general question for you, just on your own thoughts on China and Chinese oil demand development to look out over the next few years? I guess I've been -- it's been a fascinating to see the extent to which gasoline demand is perhaps starting to come under pressure from EV. You've obviously had a fair amount of switching diesel into gas, LNG trucks, et cetera. And demand increasingly feels as though it's coming from the chemical industry. And perhaps negating crude. But just -- I mean, just your own thoughts and insights into how you see Chinese oil demand developing next few years? Thank you.

Jean-Pierre Sbraire - TotalEnergies SE - CFO

Concerning the hybrids you're right: we decided not to renew EUR1.5 billion in the second quarter because we use the flexibility offered by the rating agencies. If you can demonstrate that without renewing your hybrids, your credit is not affected, you can use this flexibility. We have another EU2.5 billion next year as in our hybrids portfolio. So we have to discuss with the rating agencies to see what we can do and so if we can, again, continue to lower the hybrids portfolio.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

On China: no, having insights on the forecast of the Chinese market, it's not so easy when you are out. I think we should not exaggerate as well what happens. My view is that the oil market for the time being, oil demand globally, continues to be driven by China, even if India is also a growing country. I would take the assumption of 0.8-1% per year is a good assumption until we see a real reverse. Does it affect China?

I think today, on the western side, there's a little of China bashing... to try to say that the economy in China is slowing down. My view is that it's continuing to be quite active. And it's true that there, the EV sales are impressive. But I was recently discussing with the CEO of the #5 car manufacturer company. And when I asked his figures, it was still of 20%, 30%, it's not at 70%. And in fact, it's a little like in Europe: there are EVs, There are also hybrid cars... And the hybrid cars are also because the customers, in fact, are looking at the same issues wherever they are in China or in Europe. In fact, they want to have a reliable car for most of the time. That's important to keep in mind. So yes, there is a trend. That's true. We see also LNG becoming for trucks, a newer market. But fundamentally, I think it will not affect quickly the oil market. Keeping 1% of demand for the year, I think, is reasonable, which is where we are more or less, that's what we think that we take into account.

Alastair Syme - Citigroup

Thank you. Patrick, just one question. I just wanted to get your sense on competitiveness of opportunities in renewables. I know there was another German lease bid auction recently that you are one of the two winning bidders, but it was quite strange: I think your German partner probably pulled out because they thought the auction had become too expensive. And I get it, the markets always have a difference sort of thinking. But can you give us a sense of where that difference lies?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. If we made the bid, but if you think it's competitive: otherwise, we don't do it, first comment. Second comment, and you will understand what we've done in a few weeks, I think one of my colleagues in Germany has made it public in an interview.

In fact, this block that we have acquired is just next to the one we acquired in the first round. We want to make synergies of development in order to be more efficient. That's the objective. And this could go with the fact that we'll restructure all the properties we have in offshore wind in Germany. You will see the story coming later.

And the German partner, by the way, is a nice partner - we have announced yesterday that we went with them in Netherlands, so probably the Netherlands are good than Germany. In fact, he has a different view because he has another past portfolio in Germany. We are building that portfolio, not exactly the same approach. But if we do it, it's linked to the German power market in fact. Because in Germany, the German government has decided a policy with no nuclear, exiting coal. It's fundamentally renewable and gas market. The power price will be driven by the gas, in fact. And when you look to the perspective of the gas price in Europe, you can be optimistic on the electricity price in Germany. So that's part of the link that we want to do. And so that's why we are building today a full Integrated Power portfolio in Germany. It's not only the offshore wind. I know, Alastair, it's difficult for me to convince you. But you will see and why we are more profitable than others. You should not look to the renewable opportunity only. It doesn't work like that. A green intermittent electron has no value or little value. What is good is to have a clean firm power for customers. That's what we do in Germany. Yes, we need some renewable sources to have the clean part, but we need to combine them with flexible assets and flexible assets are batteries. We'll find a way to have access to gas fired power plants in Germany. Otherwise, my speech will not be consistent.

And I can announce you the next steps of what we want to develop, that's why also we bought this aggregator of renewables to give flexibility in trading the system.

The fundamental business model we have is not renewable. Renewable profitability, it is what it is, and you know it. But where you make money, it's when you combine these green electrons with the flexible asset, gas plants and you deliver to the customer a clean firm power. Then you increase a lot of value. Do you allocate this profit, this value to the renewables or to the gas plants or to the batteries?

I don't care -- at the end this is the integrated model. And this is what we deliver to you quarter after quarter, and we'll increase it. So that's the business plan. It's not a matter only of opportunity of renewable, it's a matter of integration. And that's why today we have a return on capital employed above 10%. The renewable assets alone will not be there, I admit it, but it's not what we are looking to.

Alastair Syme - Citigroup

Okay. I look forward to October. In the meantime, enjoy the Olympics.

Christopher Kuplent - Bank of America

Thank you very much. Let's see whether I've listened enough, Patrick. Can I come back to the topic of green hydrogen and that deal that you've just announced with RWE? Can you comment a little bit about the competitiveness of the industry? You are instrumental in trying to create a clean hydrogen market. And it seems that deal in the Netherlands suggests you feel you're better off creating the value chain yourself rather than buying it at currently available prices. So I'd be interested to see what you feel you can give to us here.

And if I may go back to the US and ask you a little bit around the idea of M&A and how attractive or not you feel your current acquisition currency is if it's not cash in terms of being able to do deals. Is that one element behind, let's say, improving the currency that you have in New York.

And if I can sneak in a third question, I would expect net debt to fall as the net working capital position drops into year-end. How much room do you give yourself to surprise us what more than 40% of CFFO means in terms of shareholder distributions? Thank you.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

On the last question, I think you have the answer in the speech of Jean-Pierre. Jean-Pierre told you that we are confident we could come back to a gearing of 7%-8%. It's part of the working capital build during the first quarter, which will be released along the year. More than 40%: more than 40%, I confirm more than 40%. I think you have the figure for this quarter, 45%, so more than 40%, 45% today. The guidance will not be changed. But the delivery will be real. You will see it.

First question, it's more complex than that. We have different ways to provide green hydrogen to refineries, which, again, because of the RFNBO regulation in Europe, creates an economic call to make an added value because you avoid the ETS on one side and you create a new product, and this new product, according to the RFNBO regulation in Europe, has a added value. The question is how much do you pay for the green hydrogen. There are different ways.

In Normandy in France, we have made a tolling of green electrons, it was a tolling agreement with Air Liquide. We toll green electrons, we don't invest in the electrolyzer. They run it, and we toll it, so we have a tolling fee. And we will get the green hydrogen outside out of the electrolyzer. That's the tolling one.

Yesterday, we have just made the deal with RWE to invest in offshore wind, an asset, and to get 50% of the electrons in order to transform them in electrolyzers. It will be in local electrolyzer, either through tolling or maybe part of it could be invested by ourselves in order to compare the difference because it's an infant industry. So we want to invest into compare the different ways between tolling, investing, and that's where these electrons will go.

And then you have third route which is just to purchase green electrons from abroad. Then it's a question purely of competition, of market. And being the first mover - we announced a deal with Air Products - being the first mover from this perspective, I think, gives us access to good price.

Today, it's premature because all these discussions are going on, but when we compare the different routes, it's more or less equivalent. Of course, the question of when you import, it's a question of competitiveness of your supplier. And they will take more risk probably because we are offtaking. But that's part of the discussion we have with some suppliers.

I can tell you, at the end, that all the deals we will sign will allow us to create value, not only to avoid the ETS, but on top of it, to capture part of the added value of these RFNBO products, which are the results of the European regulations.

And again, this matches well with this RFNBO framework, which is a sort of a regulated economy, which creates a bubble where you can develop some green hydrogen. I don't tell you through my demonstration that green hydrogen is cheap, but you can create an economic framework and some value for refineries and at least reducing the emissions and avoiding to pay these ETS. That's how we think about it.

US M&A, you are too smart, no. We want to improve the value of the shares for you. It's obviously not to make M&A no that's not the point. Again, as you know, we have a large and rich portfolio of projects, why would we make M&A with shares ? So it's not the main driver: the main driver is fundamentally, as I answered previously, to transform the ADRs in shares because it could be attractive to some US investors to invest directly in New York, in our shares. And it's just giving more liquidity. And if it's more attractive, we think that it could help not to fill the famous gap, but part of it.

So that's contributing to the TSR of the company, which is already one of the best, if not the best, the number one or number two, I think since December [July] '23. So it's improving the TSR of TotalEnergies to be more attractive. That's the objective fundamentally of this move.

Matt Lofting - JPMorgan Chase & Co.

Hi, thanks for taking the questions. Two please, if I could. First, just coming back to the longer-term growth proposition of the Company. I think you highlighted earlier some of the strides that you've made during the first half of the year in advancing projects and strategic execution.

If you think about in the context of oil and gas growth, 2% to 3% CAGR to 2028 or the 4% energy production growth to 2030. How significant is the derisking of those objectives being through the last sort of six months, nine months, and what sort of key projects apart from Suriname outstanding for the second half of the year? And then secondly, I wanted to just come back on gas and LNG. I think in the press release

this morning, you called out sort of strength around sort of China and India from a demand perspective? To what degree does TotalEnergies see that strength is seasonal versus structural? Thank you.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

On the first one, thank you for the question first. So I think, again, we set these objectives for the next five years in September '23, 2% to 3% and we were very clear on the number of projects we had to sanction. And I think we've done a lot. I think most of the work has been done during the first six months. It's important because for us, it's clear, that it's a way to capture quickly the cost, and not to see more inflation coming tomorrow. It was a key priority. We have the two projects in Brazil. The one in Angola. Suriname will come soon again.

I would say if I could add that on Iraq, we are also progressing, that is the other one on which we progress quickly to go to the first phase of Iraq. So that's for the oil. On the LNG, we postponed Papua LNG, because it was too expensive, so not be volume driven. But we had the opportunity to sanction Marsa LNG to rebound.

But we just joined the Ruwais LNG projects for 10%. We have multiple options in the portfolio. And I'm very confident to deliver this cash flow. But I'm even more confident in July '24 than in September '23 because most of the work of sanction has been done. And so it's progressing.

And again, I think in September, on October 2, I said September, it's October 2 in New York, of course, it will be part of the presentation to update you on the progress toward this objective of 2% to 3% and even again to speak to you about up to 2030, because we have a portfolio which is rich and so we are confident about the growth we can deliver by this timeline. So that's the point.

Suriname is a big one. Honestly, I think it is the main one which will come in 2024, I think. And Iraq Phase 1, we're going to 110,000 barrels per day, which is progressing very quickly as well. And by the way, very well. So, the teams are doing an excellent job there in Iraq.

On the LNG, India & China strength, I think you see something more fundamental in India. You see an industry demand in India, in fact, coming. Indian government has really, I would say, invested in some gas infrastructure around the country, and you have more and more industries, not only refineries but others who are going to come to LNG and to gas.

And I think it's a trend even surprisingly at higher price than before '21. In '21, I think I answered questions, telling you that in India, it's difficult to sell beyond \$6, \$7 per MMBtu. In fact, we continue to develop the business at \$8, \$9, \$10, per MMBtu.

So, I think there is a fundamental structural demand coming from India, and we are convinced that the Indian market will take the relay I would say, for the traditional, Korea, Japan, and even China. On China, probably it's more seasonal today. I think is because there are already a lot of infrastructure. China is moving very quickly on these renewables, continuing to increase its coal production.

And again, the gas is more driven by transportation like it was mentioned by Lucas [Herrmann] or by industries. In terms of gas demand, LNG demand in China is not really driven by power today because the power is mainly coal and renewables. So that's -- but there are some decisions. Chinese recently have again -- spoke again about the equivalent of ETS CO₂ market. But today, it's quite small and limited, but they want to expand it to all the industries.

This type of drivers could really have an impact. So we see more the Chinese market growing thanks to LNG industry and transportation more than power, in fact, on the LNG. So honestly, I think today, we have 400 million ton market. It will become 600 million ton market. But this 50% of demand increase will be absorbed quickly in four, five years. I think part of it today will already be absorbed in Southeast Asia, if we were not constrained by supply, in fact.

Today, we are -- because I remind you that we took 50 million tons from Asia to Europe. And since 2022, we did not increase the LNG production. It's quite stable. So this would be easy to do. So this growth will come, and we have also many more countries open to LNG, this year Vietnam has a terminal, Philippines we have a terminal. So in fact, in Southeast Asia, most of the countries will have -- be able to receive LNG. So then -- and if you can think that you will have a good supply, so price will soften, it would even incentivize the demand and accelerate the demand by the end of this decade. So I think -- and it's not just seasonal obviously structural.

Henri Patricot - UBS

Yes. I want to thank you for the update. Two questions, please. Maybe the first one, just coming back on the cost. I was wondering if you can comment on the inflationary pressure that you're seeing, you mentioned Papua LNG, where we saw cost and then postponed the project that's quite specific? Or are you seeing inflationary pressure. And then secondly, just a quick question on the Capex guidance for the year. And where should you expect the cash outflows related to acquisitions to be offset by cash inflows from disposals this year? Thank you.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

The first question, I know there is nothing to add, there is an inflation in our industry versus a low point where we were in 2020. Today, I would say we are 20% higher in most of the costs. But at 20%, we can manage it, and that's why we can sanction our projects like the ones we have done, even if you can also take some innovative measures like making a JV from a rig in order to manage these costs for the future. Having said that Papua LNG probably a form of specificity because it's an isolated project in I would say remote areas, not many projects in that part. So probably as we said this before, we consulted additional western I would say suppliers. They are not really interested. There are some limited resources. They think they could deliver more margins for them to make a project in the US than in Papua. So what we are doing is looking to -- we have decided to go to a larger, I would say, supply and other suppliers, in particular, Asian ones, Indian and Chinese.

I think we should be able to come back to something more reasonable in terms of Capex, which would be reasonable in this environment. But again, by the way, another point is that there was an inflation, but today, it's more stabilizing in fact. Because, for example, in the rig market, in the drilling market, you begin, the drilling contractors are facing also some supply chain equipment problems.

There is still some rigs which are not used in fact. So they don't have the full value chain, the full supply chain ready to execute all they would like to do. So yes, there is inflation, but we manage it. And we'll come back on that topic as well in the beginning of October.

The second one, yes, we already gave a guidance of \$17 - \$18 billion of net Capex. And this will be, again, as Jean-Pierre told you, we reiterate this guidance. And I would say last year, for the five years business plan, we gave you \$16 - \$18 billion, I remember them well. And I would be surprised that we will not confirm \$16 - \$18 billion on October 2.

Henri Patricot - UBS

Okay. And Capex point you should be also within that range.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay.

Henri Patricot - UBS

Thank you.

Paul Cheng - Scotiabank

Hi. Good morning. Two questions, please. I think this -- the first one is for Jean-Pierre. In your press release, you said the Integrated Power result was impacted by some seasonality like in Europe, on your electricity seasonal demand. Can you help us to understand that how big is that impact? And maybe in general that what type of other visible seasonal pattern we should expect in the Integrated Power business for you? Second question, I think this is for Patrick. Any update for Venus? Thank you.

Jean-Pierre Sbraire - TotalEnergies SE - CFO

The main driver behind my comment is in relation with the CCGT that are less used in summer for obvious reasons compared to winter.

Paul Cheng - Scotiabank

Can you quantify, how big is that impact? And also other than that, is there any other seasonal pattern in the other quarters that we should be aware of?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

No. We are young in the Integrated Power. So we don't have enough long history of results to answer precisely to your question. So we just -- we have to explain why \$500 million is a little lower than the previous quarter. And when we look at the figures, one of the main explanations was just that the gas power plant level of use in Europe was very low, less than 10% compared to something around 40%. So that's one explanation. And the first explanation is this one. Okay.

Namibia, I mean, on Venus, just to tell you, we have, again, finished the appraisal of Venus. Now, we have some reserves. We are now working on the development scheme. As you know, we have been quite clear with you it is positive. We have a lot of oil, but there is also some gas.

So the question will be can we find a way to develop this oil pool managing the gas and, I would say, reinjection in an economic way because, of course, all that at the end needs to fix the criteria of breakeven less than \$30 per barrel or of course, less than \$20. Our engineers are working on it. It's a little more complex to develop Venus than Krabdagu in Suriname to be clear, because the gas quantity to manage is larger.

But I think we have a clear -- it's a clear objective to the teams to deliver some value. And so we'll update you. Today, the agenda is again by end of '25 to have clarity probably before to say what -- where we are with this development. So we are working on it.

Paul Cheng - Scotiabank

Patrick, that -- we know there's a lot of gas, as you mentioned. But other than that, is the geological structure is complex or that is more straightforward, say compared to Suriname or Guyana.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

On business, I would say, I know the comments of one of my peers will say there is a lot of heterogeneity, difficult to find an oil pool. We have the oil pool. Of course, we have the core of the pool, which is a better quality, like always in all the fields that I know since I am in the industry. And then you have the flanks of the pool, which are degraded quality, but it's always like that. But I think we have the pool.

The question is more, again, the capacity management of the -- so we have a pool of oil, which is big enough to make a development. The question is to manage with acceptable costs, all the gas, which will come with the oil and to be able to reinject it in good conditions, knowing that we are, I remind you about 3,000 meter water depth.

So it's not -- it's part of the challenge. The deeper it is, the more expensive it will be. So there is a link. So that's more now today for me, it's a question of commerciality, finding a way to make it profitable as for our criteria. And I think I'm always optimistic, but I'm optimistic. So we have the right oil pool.

Bertrand Hodée - Kepler Cheuvreux

Thanks for taking my question. Two, if I may. First, on Suriname. Can you confirm and I just suppose your earlier comment points to an FID for 2024? But can you -- do you believe you can achieve still the \$9 billion budget you've earlier penciled last year?

And the second question is on LNG. You've signed 2 million ton of long-term contracts to Asian customers, but you have taken a lot of offtake commitment in the last, let's say, 15 months including Rio Grande for 5 million tons QFE, QFS. And now, Ruwais. Do you have a target in terms of volumes you would like to secure on a long-term basis for Asian customers?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

On the Suriname parts we are in the process to make the FID. So I don't have today the figure. What I can tell you is at the end, this development will be sanctioned because the cost CapEx or OpEx will be lower than \$20 per barrel. It's a strict criterion we are committed to it, so we'll meet that target. This is -- and if I say that is because I'm optimistic that we will achieve. So that's a point.

Secondly, on the LNG, okay, I described what we want to do. Fundamentally, we have some Henry Hub exposure. Part of it, we can resell Henry Hub. In particular, we have a good exposure, we have a good customer in South America, and they buy on Henry Hub basis. So this part Henry Hub to Henry Hub is fine for me. And then the rest of the Henry Hub, the objective is to be able to secure as much as we can on a Brent basis and a medium to long term basis we want to transform Henry Hub into Brent.

So if we reach 100% perfect. And if we reach 80%, and 80% is a minimum we want to reach on this conversion, just to be clear. Because as we analyze the market to soften by the end of the decade, we want to protect the Company, it's not necessary a 15, 20 years, you know, it's a question we could have also of five, seven years contract, which will help us swallow a softer market and then rebound.

So that's more, that is the idea, fundamentally. And it's true that what is behind in my view and our view is that the oil market, because of OPEC position is probably more stable than the gas market from this perspective on medium, long term. So we are more bullish on the oil and on the Brent than I would say, some volatility we could have in this LNG market.

Bertrand Hodée - Kepler Cheuvreux

Very clear. Thank you.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

So we like the oil.

Jean-Luc Romain - CIC Market Solutions

Thank you for taking my question. You have built an interesting value chain in Integrated Power in Texas. And in the last quarter, there have been very big volatility in some very warm days. I was wondering how you can capture those. And the second question was you explained as your utilization rate for the European natural gas power plants was very low. How was it in the US?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

No, I think on the contrary, we know that the gas-fired power plant that we have acquired, most of their use is we need the climatization, the air-conditioning. It's the heating. It's due to heat wave. And the heat wave today in the US has been very strong in the last month. And so I think the results of the third quarter will be even better. So I can tell you, these gas plants are used at a very high rate today. So it was an excellent acquisition. And by the way, they are used as they are driving the price at a point where the price of electricity is quite good. So that's really, I think, the demonstration.

And of course, we have some solar plants, we have some batteries and also, we can benefit with the batteries from the integration. So you will see the positive impact of these, I would say, flexible assets, I

think, even more in the third quarter because the second quarter, I think we closed the deal. We don't have a full quarter yet. And by the way, the heat wave did not come in April, but a little later in June, July, etc... So that's clear, but it was clear in the model that when we study this acquisition, that summertime was the best part of the year. We, by the way, it's compared to the wintertime in Europe, there is a sort of a counter-seasonal effect between Texas and Europe from this gas fired power plant point of view.

Jason Gabelman - TD Cowen

Hey, thanks for squeezing me in. I wanted to ask two questions. The first one is on the gearing level. It was stable quarter-over-quarter. And I know you discussed an expectation it's going to decline. But I'm wondering if it stays at this level for longer? Or is there a level that it increases to that impacts the decisions around the distributions that you're paying out, specifically the buyback pace.

And then my other question is just on the quarter, we saw E&P Opex move a few hundred million dollars higher quarter over quarter despite production being relatively flat. I was wondering what drove that, if that's structural or if that should reverse next quarter? Thanks.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

The Opex of E&P, we are lower than \$5 per barrel. And I think I will come back to you, I think.

On the gearing, no, monetary 10%, 8%, it has no impact on the decision on the buyback to be clear. So 10% gearing or 8% gearing, it's not making a difference. The 8% is more in, again, we had a working capital build, which was quite big. We know there are some fiscal and other matters behind it. So we know that along the year, it will come back.

So that's why Jean-Pierre told you 8%. Last year, it was 6%, but the 5%, 6% was really exceptional from a very big working capital release, which is very exceptional. So for me -- but again, from the Board point of view, we don't make a difference from a buyback and return policy point of view, 8%, 10% 12%, etc... The balance sheet is strong enough to maintain that policy. More than 40%, it is what is driving us. More than 40% that --

Jason Gabelman - TD Cowen

Is there a gearing level?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

No. There is no gearing limit. It's more than 40% payout. That's the objective.

Jason Gabelman - TD Cowen

Okay. Thanks.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Yeah. No, just -- I have the answer to your Opex question more precisely. My team wrote me on the paper, that in fact, it's linked to some seasonal. We have some turnaround, I think, in the UK and Denmark, we have some more work programs of seasonal effect in the North Sea generally in the second quarter. That's the reason why.

But no, honestly, there is no inflation. We'll be able to deliver less than \$5 per barrel on Opex between today and I can even commit that we will maintain this Opex of \$5 per barrel until the end of the decade, it's deeply rooted in the portfolio and in the projects in which we invest.

Jason Gabelman - TD Cowee

Great. Thanks.

Operator

This was the last question. Back to you for any closing remarks you may have.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

So thank you again. I think, again, this quarter, I think we have delivered our road map for the year. As we insisted, we have made a lot of progress on our, I would say, on our strategy and the execution of our growth from 2023 to 2028. And we'll be able to demonstrate to you how the portfolio is growing, but also it's resilient to the volatility both -- it's fundamentally the two drivers of the strategy : resilient to the volatility and to the inflation of costs, etc.. And so I wish we will all meet met on October 2 in New York in the morning so that we could have some discussions and presentations. So thank you. I wish you all good holidays and happy to meet you in New York.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.