

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

FP.PA - Q3 2018 Total SA Earnings Call

EVENT DATE/TIME: OCTOBER 26, 2018 / 1:00PM GMT

## OVERVIEW:

Co. reported 3Q18 adjusted net income of \$4b and adjusted EPS of \$1.47.



## CORPORATE PARTICIPANTS

**Patrick de La Chevardière** *TOTAL S.A. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Alastair R Syme** *Citigroup Inc, Research Division - MD and Global Head of Oil and Gas Research*

**Blake Michael Fernandez** *Simmons & Company International, Research Division - MD & Senior Research Analyst*

**Irene Himona** *Societe Generale Cross Asset Research - Equity Analyst*

**Jason Gammel** *Jefferies LLC, Research Division - Equity Analyst*

**Jonathon Rigby** *UBS Investment Bank, Research Division - MD, Head of Oil Research and Lead Analyst*

**Lydia Rose Emma Rainforth** *Barclays Bank PLC, Research Division - Director & Equity Analyst*

**Martijn Rats** *Morgan Stanley, Research Division - MD and Head of Oil Research*

**Thomas K. Klein** *RBC Capital Markets, LLC, Research Division - Senior Associate*

**Thomas Yoichi Adolff** *Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director*

## PRESENTATION

### Operator

Good day, and welcome to Total's Third Quarter 2018 Results Presentation. Today's presentation is being recorded.

At this time, I would like to turn the conference over to Patrick de La Chevardière, CFO. Please go ahead, sir.

---

### Patrick de La Chevardière - TOTAL S.A. - CFO

Hello. Patrick de la Chevardière here. We presented our strategy and outlook in New York last month, and we have met with many of you since then. So I think the story should be well known by now.

We are consistently delivering excellent results. Thanks to production growth, cost reduction, capital discipline, the quarterly results confirm this consistency. We are increasing production faster than our peers through organic investments and countercyclical acquisitions. So we are well positioned to fully capture the benefit of higher commodity prices. The quarterly result confirms that with 8.6% growth. And we are on the forefront developing a profitable low-carbon electricity business, fueled by natural gas and renewables to strengthen and diversify the company for the long term. And the quarterly results reflect this with the acquisitions of Direct Energie and 2 gas-fired power plants.

Our year-to-date results show the significant progress we have made since last year. The group's adjusted net result for the 9 months increased by 35% to \$10.4 billion. Notably, the contribution from E&P increased by 85%, fueled in part by production growth of 8% and by accretive barrels. Debt-adjusted cash flow, or DACF, increased by 25% to \$20 billion. Organic CapEx was \$8 billion. So based on our sensitivity of \$2.8 billion per year for a \$10 per barrel change in Brent, our post-dividend cash flow breakeven is less than \$50 per barrel.

Now looking at the third quarter results compared to the second quarter. Brent was flat quarter-to-quarter. But we increased adjusted net income by more than 11% to \$4 billion or \$1.47 per share, the highest level we have seen since 2012. DACF increased by 10% to \$7.5 billion, also a multi-year high. And production continued to grow, up by more than 3% quarter-over-quarter to a new record high of 2.8 million barrels per day in the third quarter. And in the month of September, we reached 2.9 million barrels per day.



We are benefiting from higher prices, and we are sharing this benefit by delivering on the shareholder return policies announced in February. The 2018 interim dividend has been increased by 3.2%, in line with the 10% increase of the full year. We have bought back all of the scrip shares issued this year. And on top of buying back the scrip shares, we bought back \$1 billion of stock through the end of September as part of the \$5 billion buyback announced in February. And we will buy back \$1.5 billion this year.

We also announced that the strategic priority is maintaining a strong balance sheet with gearing below 20%, and we are delivering here as well. Gearing was 18.3% at the end of the third quarter despite cash outlay of \$3.6 billion for the net acquisition in the quarter, comprised mainly of Direct Energie and Engie LNG, plus a bridge in working capital that was partially due to integrating this acquisition into our accounts as well as high crude oil price at the end of September.

Thanks to production growth and low breakeven, we are confident that increasing free cash flow will allow us to reduce debt and strengthen the balance sheet. And we have indicated that additional cash flow shall be allocated, first, to Direct Energie; and second, to share buyback.

Now going back to the 3Q results. I will review the segments, and then go to the Q&A. For E&P third quarter 2018, adjusted net operating income was very strong at \$2.9 billion, an increase of 7% compared to the second quarter, while Brent was basically flat. E&P operating cash flow before working capital changes increased by 9% to \$5.6 billion.

Operationally, we are continuing to perform well. Production grew to 2.8 million barrels per day, and we are on track to increase production by growth to 8% this year and by 6%, 7% on average through 2020.

Third quarter start-ups include Kaombo in Deepwater Angola, Ichthys LNG in Australia and Train 2 at Yamal LNG in Russia. Also, during the third quarter, we reported on 3 successful exploration wells: Glendronach in the West of Shetland area, adjacent to our Edradour field; Block A6 in offshore Myanmar; and Sururu in Deepwater Brazil. Added to our recent successes in the Gulf of Mexico, we are confident that we have a solid portfolio of future projects to reduce the resource base and grow future production.

Moving on to the Gas, Renewable & Power segment. GRP contributed \$272 million of adjusted net operating income in the third quarter, an increase of 41% over the second quarter, reflecting, in large part, excellent activity in LNG trading as well as gas and power trading. We closed the Engie LNG acquisition in the third quarter, positioning Total as the second largest publicly traded player in the global LNG business.

In addition, we completed the Direct Energie acquisition in the third quarter, which is an important part of our strategy to develop a profitable business to certify the fast-growing demand for low-carbon electricity. Our objective is to integrate the low-carbon electricity business with the activities we are developing along the LNG and gas value chain.

Starting next year, we will report on the integrated Gas, Renewable & Power segment, so it will include the entire value chain from the wellhead to the customer.

Turning to the Downstream. Refining & Chemicals contributed \$938 million of adjusted net operating income in the third quarter, a 14% increase over the second quarter, and generated \$1.2 billion of operating cash flow before working capital changes, a 15% increase due to the excellent availability and high utilization rate of our units, thanks in part to the completion of a major turnaround at Antwerp.

Refining margin in Europe averaged \$40 per ton in the third quarter compared to \$35 per ton in the second quarter and \$48 per ton in third quarter 2017. Margin has been volatile, rising to more than \$50 per ton in August and falling to \$25 per ton in September, when oil prices ramped up and gasoline inventories were high.

Petrochemicals has been less volatile, and margins have remained at fairly strong level. Seasonal weakness is not unusual late in the year. So keeping this in mind, we believe it's mainly volatility in feed stock prices that is moving the margins.

In the third quarter, we continued to implement our strategy to expand low-cost feed stock petrochemicals by sanctioning the new polyethylene unit in Bayport on the U.S. Gulf Coast.

We also launched the engineering study for a large petrochemical platform with Saudi Aramco to add a cracker to our SATORP refinery. So we are continuing to leverage our strengths and existing assets to take advantage of the growing global demand for polymer.

The Marketing & Services segment was stable, contributing \$474 million of adjusted net operating income in the third quarter and generating \$580 million of operating cash flow before working capital changes.

M&S is expanding in growing markets and continues to deliver reliable, noncyclical growth in cash flow of about \$100 million per year and retail well above 20%.

Last week, we announced a 50-50 JV with Adani, a private group in India, to develop a variety of energy offers in the rapidly developing Indian market. First, we plan to develop LNG regas terminals for this JV will benefit our GRP segment. In addition, we will get the license from the JV to build a retail network of 1,500 stations over 10 years. So this is consistent with our M&S strategy to focus on large, fast-growing markets. The future investment needs for this JV are within the CapEx guidance that we have provided.

The combined Downstream segment, R&C plus M&S, generated operating cash flow before working capital changes of \$1.8 billion in the third quarter and \$4.8 billion year-to-date. So we are well positioned to achieve our objective for the year.

In terms of profitability, the Downstream continues to be remarkably strong with royalty of more than 25% for the 2 segments over the past 12 months.

At corporate level, the effective tax rate was 39% at the group level and 48% for E&P, basically stable compared to the previous quarter.

On a rolling 12-month basis, the group return on equity increased to 12% at the end of the third quarter, up from 11% at the end of the second quarter. We are continuing to emphasize value with our volume. And as we high-grade the portfolio, we can expect the group to continue to improve its profitability going forward.

Including net acquisitions, capital investments were \$6.2 billion in the third quarter and \$12.9 billion year-to-date. So we are on track to invest around \$16 billion for 2018.

We confirm our guidance for investments in the \$16 billion, \$17 billion range for 2019, 2020. And in the areas where we are active, we see no signs of cost inflation.

As we said in New York last month and during the meetings that we have had over the past few weeks, we have established a trajectory growth for consistently delivering on our strategy. We have moved faster than our peers to increase production, partially through well-timed acquisition and decrease of breakeven. So we are well positioned to capture the benefit of the current price environment.

We will continue, however, to manage the company with a conservative, full-cycle perspective on commodity prices and downstream margins.

We have a portfolio that is rich with short-cycle opportunities, and we have positioned the company to take advantage of the low development cost to lock in high-return production growth for the future.

And with that, I am ready to start the Q&A.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question today comes from Lydia Rainforth from Barclays.



**Lydia Rose Emma Rainforth** - Barclays Bank PLC, Research Division - Director & Equity Analyst

Patrick, 2 questions, if I could, please. The first one, just on the cash flow in the Upstream, is that a number that you are happy with just in terms of the movement relative to the Brent price?

And then secondly, so just a tidy-up question on the financial charge that looks to be relatively high for the quarter. So any guidance on that going forward would be very helpful.

**Patrick de La Chevardière** - TOTAL S.A. - CFO

Thank you, Lydia. For first question about the Upstream cash flows, I will try. And this time, you show a bridge, and I will compare second quarter with third quarter this year. Group cash flow before working cap was \$7.1 billion in third quarter this year compared to \$6.4 billion in second quarter. So this is an increase of \$0.7 billion. This is a translation of 2 effects: a slightly better environment and the production growth. And I will add to the fact that our barrel -- the new barrels are extremely accretive. The environment had an impact of about \$130 million a year when applying our sensitivity linked to a Brent increase of \$0.8 billion per barrel, and then an increase of \$5 per ton. The rest comes from good performance, the production growth with start-ups like Kaombo, Yamal Train 2, Ichthys. There was a good performance in Refining & Chemicals, and that our utilization rate went from 90% to 92% this quarter. We have also the effect of our ongoing cost reduction, and I repeated that the barrels that we are adding are extremely accretive. Just one slight comment is that cash flow from up -- from extreme divisions went from \$5.1 billion to \$5.6 billion with -- from second quarter to third quarter with the Brent, which was roughly flat. The production becomes really -- was only plus 3%. So obviously, the improvement of the cash flow from second quarter to third quarter comes from somewhere else, which I think is the accretive barrel that we are producing in addition. So to your second question about financial charge. It is true that we are facing higher interest rate, basically, 100 basis points higher than a year ago. The cost of net debt slightly increased from \$430 million last quarter to \$475 million. And you have to keep in mind that we enter in the perimeter Engie and Direct Energie and that interest rates have increased. There is a lag effect of about 3 to 6 months between the interest rate increase and the effect on the debt itself. Third quarter 27 (sic) [2017], we had interest -- high interest -- sorry, the net debt cost at about \$300 million in a lower interest rate environment. That's basically what I can say there, the perimeter effect, the interest rate highs. And you also have some financial charge coming from the leasing of our FPSOs in Brazil that, unfortunately, I'm not able to give you the magnitude of that, but a few tens million dollar. Thank you, Lydia.

**Operator**

Our next question today comes from Jason Gammel from Jefferies.

**Jason Gammel** - Jefferies LLC, Research Division - Equity Analyst

Two on the downstream, if I could, Patrick. First of all, you referenced the very strong availability in the third quarter. I was hoping you could comment on the status of Antwerp over the course of the quarter, and whether that helped to contribute because it was -- because of a 2Q maintenance.

Second is your expectation that, that availability is going to move forward into 4Q? And are you reacting at all in terms of run rates to the very low gasoline cracks that we're currently seeing in Europe?

**Patrick de La Chevardière** - TOTAL S.A. - CFO

Okay, thank you. It is true that part of the improvement in the third quarter is coming to the fact that the upgrading of Antwerp was completed. But a 92% utilization rate is a high rate, which shows the performance -- the industrial performance of the Refining & Chemicals team, and that we expect it to continue. There is, obviously, as of today, no reason why it should not continue. We may face difficulties, trouble -- operational trouble. But as of today, nothing happened.

In Antwerp, the modernization program has been completed at the end of 2017. Then all the new units are in operation. And I remind you that this project significantly reduced the oil production. So we are very extremely ready for the global cap changes. We also started refining -- refinery of gas and ethane cracking, and we are now in the process of optimizing the operation of those large units. Together, all those projects in Antwerp are adding about \$150 million to \$200 million of cash flow per year going forward. And that basically is the magnitude of what we are expecting from Antwerp. And as I told you, the availability in Q4 should be good also. Thank you.

---

**Operator**

Our next question today comes from Blake Fernandez from Simmons & Co.

---

**Blake Michael Fernandez** - *Simmons & Company International, Research Division - MD & Senior Research Analyst*

I was hoping to go back -- actually, I had a question on the interest expense as well. Obviously, your net debt is very manageable, but that's really due to the fact that you're carrying such a large cash balance. And so seeing how we're going through kind of tightening of monetary policy, I'm just curious if there's not an intention at some point here to use some of that cash to reduce debt and get that interest expense down to -- I guess, back to a normalized level.

The second question was on Chemicals. I think you briefly mentioned it in your prepared remarks. What we're hearing from some of our U.S. counterparts here is that, I guess, it's been a bit weak here due to some increasing feedstock costs. And I just didn't know if you could elaborate a little bit on what you're seeing globally. Typically, that tends to be a bit of an economic leading indicator. And I didn't know if you're witnessing some of the same, I guess, sluggishness internally.

---

**Patrick de La Chevardière** - *TOTAL S.A. - CFO*

Yes. The net debt is manageable. I like -- basically, we have long euro, short dollar at the moment. We will continue and use our euro to finance the share buyback. So I need -- and to pay for the dividend. So I need to have a certain amount of euro for that important purposes. Basically, this quarter, we will use the cash flow to deleverage the company. I already announced that the share buyback for the year would be \$1.5 billion. This is to say \$500 million for this fourth quarter. So all in all, you know our sensitivity, the \$2.8 billion for \$10 per BOE. So we will have cash flow to reduce the debt. But don't misinterpret what I said. I need to keep some euro-denominated cash for the purpose of paying dividends and financing the share buyback program.

On the petrochem in Europe, it is true, and you can see that as the opposite of the U.S., petrochemical margin in Europe are weaker than at the beginning of the year. And I think the level we are facing today is something which we will be facing next year. We don't see any reason at the moment why those European margin could go up. I may be wrong. But as of today, I don't see a good reason. But at the end of the day, petrochem margin, we are not so bad in Europe. They were basically at the level of what we had expected in our budget. But they were lower than at the beginning of the year, and this is basically because of higher naphtha prices. And this is not a surprise. This is the reason why we invest in Antwerp and in Normandy to process gas feedstock. We can process up to 60% of ethane refining of gas and LPG in Normandy and Antwerp. And we clearly benefit from this. So you cannot make money from everywhere. At the moment, Naphtha-based petrochem are slightly shuddering because of the naphtha increase and the A view of the overall market. What is sure also is that in the U.S., we don't face that at all because the new cracker will be ethane-based.

---

**Operator**

Our next question today comes from Martijn Rats from Morgan Stanley.



**Martijn Rats** - *Morgan Stanley, Research Division - MD and Head of Oil Research*

Yes. I only have one question. I wanted to ask you about Argentina. Because earlier in the year, we were talking about the Phoenix project. And my understanding is that, that now has been canceled. And I was hoping if -- whether you could confirm that or not, and also why that took place. I mean, at the start of the year, that seemed likely FID for 2018. And also if there was any read across from that to the other projects you have in the Vaca Muerta and the Tierra del Fuego. Are they still going ahead?

---

**Patrick de La Chevardière** - *TOTAL S.A. - CFO*

Nothing. First of all, I'd like to make everybody aware that, unfortunately, we will face the fire alarm in 15 minutes. So we will switch to mute during the fire alarm for about 1 minute. Sorry for that. Your question about Phoenix. Given the ongoing decision around gas price and the currency devaluation, we are evaluating the timing for the FID of this project. The development of Phoenix consists of 1 wellhead and 3 wells with 10 million cubic meter per day design potential. Phoenix is similar in size and development compared to Vega Pleyade. And Vega Pleyade started in March 2016, and we tried to standardize as much we can. But facing the situation we are facing in Argentina at the moment, we are reevaluating this situation about gas price and devaluation of the currency.

About Vaca Muerta, it is a low cost and conventional project since we produce gas. And we sit it on existing infrastructure, which, obviously, over time, will be returned to its full capacity. This project will benefit from strong gas price, and the Argentinian authority's provision of new shale gas pricing, same work, which goes from \$7.5 million -- \$7.5, sorry, per MMBtu in 2017 to \$6 per MMBtu in 2021. So as of today, we continue on Vaca Muerta.

We will not inject cash money in Argentina at the moment, and we are monitoring the situation because of the economical environment of the country.

---

**Operator**

Our next question today comes from Alastair Syme from Citi.

---

**Alastair R Syme** - *Citigroup Inc, Research Division - MD and Global Head of Oil and Gas Research*

Patrick, 2 questions. One, can you just talk about what you see in terms of global demand, particularly in Downstream and Chemicals in Asia, given there's a lot of market concern around demand slowing? And secondly, I don't know if you can do this briefly, but are you able to help us out a little bit with IFRS 16 and the way we should be thinking about this as you move to changing the accounts?

---

**Patrick de La Chevardière** - *TOTAL S.A. - CFO*

Honestly, Alastair, I'm not very good in talking about demand in Asia. What I can just say to you is that demand grew by 1.5 million barrels per day last year. We expect another \$1.3 million (sic) [1.3 million barrel] demand growth this year. We might see a bit of elasticity, but I'm taking your question about Asia, which you know our Downstream exposure to Asia is quite limited. So as far as Total is concerned, we -- I see very little. So we'll take this question, and we will have a look to answer...

---

**Alastair R Syme** - *Citigroup Inc, Research Division - MD and Global Head of Oil and Gas Research*

So Patrick, are you seeing anything on the petrochemical side?



**Patrick de La Chevardière** - TOTAL S.A. - CFO

IFRS 16, we are making our first estimate. Our first estimate lead to an increase for our gearing of about 4%. This will be confirmed at our February presentation. There is also a slight effect on the return on equity, which is neglectable, below 1%.

---

**Operator**

Our next question today comes from Irene Himona from SG.

---

**Irene Himona** - Societe Generale Cross Asset Research - Equity Analyst

Patrick, I had a couple of questions, please. So firstly, Tempa Rossa, if you can possibly give us an update as to when you expect it to restart.

Secondly, I noted you increased the Novatek interest to 19.4%. I was wondering if that is now the limit. If you can remind us if that's the limit. And also, any particular reason for further the timing of this in Q3?

And my final question on working capital, let's see, there was an outflow again in Q3. If oil stays at around about \$75, what can you say? What sort of guidance can you give about working capital in the fourth quarter?

---

**Patrick de La Chevardière** - TOTAL S.A. - CFO

Okay. Tempa Rossa is very simple. We are technically ready to start that. Everything is ready. We test everything, and everything is okay. We are waiting for the last authorization for the region, and that it may come, I don't know, anytime soon, we hope. But we are technically ready, and we have applied for all authorization. It's a matter of administrative process in Italy at the moment.

Novatek, 14.4% (sic) [19.4%] was the contractual limit we had when we increased. That was 19.4%. I don't know what I said. But my people are obviously telling me that I made the mistake. So that was 19.4%. 1-9-point-4. That was the limit we had in our agreement with Novatek, and we are at the limit at the moment. This is all I can say at the moment.

Guidance on the working capital, that's very difficult. I was not expecting, to be frank with you that the integration in our perimeter of Direct Energie and Engie LNG had such an effect of about \$700 million on our working cap. This is done, so I will not expect further deterioration, thanks to those 2 assets. If it remains stable, we will work to reduce the working cap, I don't know, by \$1 billion, maybe \$2 billion last quarter. But I will not commit anything in that respect because it is a very sensitive and delicate issue. The last 5 days of third quarter, oil price increased by \$5 per barrel. And this only 5-day increase creates an increase of our working cap of \$700 million. So answering directly to your question, if everything remains stable, which will never happen, I expect a reduction of our working capital. Thank you, Irene.

---

**Operator**

Our next question today comes from Jon Rigby from UBS.

---

**Jonathon Rigby** - UBS Investment Bank, Research Division - MD, Head of Oil Research and Lead Analyst

Patrick, quick question on LNG -- or 2 questions. The first is, technically, I think, I mean, you -- looks like you're headed to potentially 2 big sanctions next year on PNG and Arctic. And with the completion of the Engie acquisition, and so a bulking of your trading operations, is it likely that you will be content to move forward with FIDs taking significant portions, at least initially, of equity LNG onto your own books, maybe subsequently then selling them down over the course of the construction period?



And then second question is linked to that, is that now you have sort of got this in large footprint, I think you're the probably largest second LNG trader in the world, is there any intention to sort of expand the disclosure of that -- on that business going forward, so we can get to understand a little bit more what the dynamics are in the quarterly results?

---

**Patrick de La Chevardière** - *TOTAL S.A. - CFO*

Okay. Thank you, Jon. LNG, is it enough? Never say enough with Total. FID on Arctic 2 and PNG for sure coming. Then we will have the expansion of Cameron with 2 additional trains. I don't know when we would be ready to refine this Cameron expansion, but maybe next year. They're coming. There is the -- on top of that, about 3 projects, then you have Nigeria LNG, the 7th Engie train that we will bring. FEED is under process at the moment. And more important that we are very interested in is Qatar LNG with the decision made by the Qatari to increase their capacity with 4 train, roughly 30 million tons, 3-0. And we are interested in participating in that. So Arctic 2, Cameron, Papua New Guinea is not enough, and we will be very happy to increase our exposure for Qatar. And as I said in the past, we will be very disappointed if we are not part of the Qatar expansion.

What are we going to disclose next year? We will disclose -- and we made it clear in our presentation a few weeks ago in New York, we will disclose iGRP, which means all the change from upstream to downstream of LNG, this means the Upstream part, the LNG plant, then the LNG trading and transportation and trading, plus renewable and power. And you know that LNG will be a large part of that. So I think you will have a good idea of the contribution of our LNG by first quarter next year because you have -- we will have both that are available for you. Thank you, Jon.

---

**Operator**

Our next...

---

**Patrick de La Chevardière** - *TOTAL S.A. - CFO*

Let me remind you that we have a fire drill in 5 minutes.

---

**Operator**

Our next question comes from Thomas Adolff from Crédit Suisse.

---

**Thomas Yoichi Adolff** - *Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director*

Patrick, sorry, I have 3 questions. Firstly, on the production surprises in 2018. I wonder how much of the positive surprise actually comes from your share of Novatek for which you don't actually see much cash at the moment.

Secondly on the CapEx guidance of \$16 billion versus \$16 billion to \$17 billion previously, how much of the delta is actually driven by sort of capital efficiency versus, perhaps, more planned disposals?

Then finally, as you look to 2018 in terms of new inorganic opportunities, you obviously pay for 10% in Arctic LNG 2 in 1Q '19. There's potentially the Qatari expansion you could bid for. Perhaps, comment on when we can get an update on that. And also, the surplus volumes of transport rights in Brazil, which you are, I'm pretty sure, interested in. Against that, how much, in terms of disposals would you be considering next year, so that you kind of stay within that \$15 billion, \$17 billion CapEx framework?



**Patrick de La Chevardière** - TOTAL S.A. - CFO

So many questions, Thomas. Let's start with the CapEx guidance of \$16 billion versus 16.17 (sic) [\$16 billion, \$17 billion]. How much difference in asset sale, honestly, there are some asset sale coming for this quarter. And I don't want to tell you which one and how much it will be because this may be going quickly or being slightly delayed. But there will be a difference. And we are confident about this CapEx guidance of \$16 billion. Basically, I'm sorry I can't say more at the moment about it because I don't want to say what type of asset I am selling. Production growth, how much comes from Novatek? Last quarter 2018, about 250,000 barrels per day, which is basically 50,000 from liquid, 200,000 from gas. In 2017, third quarter, it was only 200 million barrel per day equivalent. LNG expansion, the update on Qatar, we are on it. We are not the only one. We know that. And we are at the disposal of the Qataris, who handle this process. I can't say so much about that. It is our intention -- strong intention to be part of this process, and it will be part of potentially our new expansion in LNG. Thank you, Thomas.

---

**Operator**

Our next question comes from Thomas Klein from RBC.

---

**Thomas K. Klein** - RBC Capital Markets, LLC, Research Division - Senior Associate

I had a question on La Mède. And just wanted an update on how the barrel refinery startup is going, which I believe is planned for this summer.

---

**Patrick de La Chevardière** - TOTAL S.A. - CFO

Thomas, we will go to mute in less than 1 minute. I'll just answer your question very quickly. The project is progressing and will start first quarter 2019. And then we will operate one of the largest, largest biorefinery in Europe with 500,000-ton capacity. The unit has been designed to process the most difficult feedstock. All feedstock will be sustainable and certified by the relevant audit team, in line with -- so I'm sorry. We go to -- we switch to mute because we will go to the fire drill.

---

**Operator**

Ladies and gentlemen, the venue will remain on mute for the duration of the scheduled fire alarm test. The presentation will continue shortly. Thank you.

---

**Patrick de La Chevardière** - TOTAL S.A. - CFO

Okay. The fire drill is off at the moment, so we can continue and have your question. I just wanted to add one comment on Qatar, is that we do have stake on the -- within Qatar LNG for the overall expansion at the moment. And as you know, the Qatar projects are the cheapest producer. So they are very well positioned. That's why we are interested in it. Thank you, Thomas.

---

**Operator**

We have no further questions at this time on the phone. Thank you.

---

**Patrick de La Chevardière** - TOTAL S.A. - CFO

Thank you. The third quarter results show that we are continuing to consistently deliver. We are managing our cash flow effectively in the current environment. We are reducing the breakeven, increasing the pay-out to our shareholder, and we have the portfolio we need to continue to profitably grow well into the future. Thank you.



**Operator**

Ladies and gentlemen, that concludes today's conference call. Thank you very much for your participation today. You may now disconnect.

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2018, Thomson Reuters. All Rights Reserved.