

TOTAL FINA ELF

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST SEMESTER OF 2002

I. ACCOUNTING POLICIES

The consolidated financial statements of TotalFinaElf and its subsidiaries have been prepared in accordance with generally accepted accounting principles in France (French "GAAP") and comply with the principles and methodology relative to consolidated financial statements, Regulation No. 99-02 approved by the decree dated June 22, 1999 of the French Accounting Regulations Committee.

The Company applies the standards issued by the Financial Accounting Standards Board which comply with French regulations. The exceptions to the use of FAS standards involve APB No. 16 (Business Combinations) for the acquisitions of Petrofina and Elf, FAS No. 115 (Accounting for Certain Investments in Debt and Equity Securities), FAS No. 123 (Accounting for Stock- Based Compensation), APB No. 6 (treasury stock) and FAS N° 133, 137, & 138 (hedging and derivatives) and FAS No. 141 and 142 (Accounting of Intangibles). Applying these standards should not have a significant impact, except for APB No. 16 and FAS No. 142, regarding the use of purchase accounting with respect to the business combinations between Total, PetroFina, and Elf.

The accounting policies applied for the consolidated financial statements as of June 30, 2002 are the same as those used for the financial statements as of December 31, 2001. No changes in accounting policies and practices have been made during the first six months of 2002.

II. CHANGES IN THE GROUP STRUCTURE

During the first half of 2002, the Group has not significantly modified its structure.

III- NON-RECURRING ITEMS

For the 1st half 2002

(in millions of euros)

Non-recurring items of operating income

	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring charges	-	(16)	-	-	(16)
Asset impairment	(21)	-	-	-	(21)
Early retirement plan	-	-	-	-	-
Other items	(9)	-	-	-	(9)
Gain on sale of assets	-	-	-	-	-
TOTAL	(30)	(16)	-	-	(46)

Non-recurring items of net income

	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring charges	-	(11)	(65)	-	(76)
Asset impairment	(14)	-	-	-	(14)
Early retirement plan	-	-	-	-	-
Other items	(157)	-	-	-	(157)
Gain on sale of assets	-	-	-	277	277
AZF plant explosion – Toulouse	-	-	(149)	-	(149)
TOTAL	(171)	(11)	(214)	277	(119)

The non-recurring items that had a positive impact are gains on sales of financial participations. The negative non-recurring items are mainly a charge related to recent changes in the UK tax regime for exploration and production activities, charges for Downstream and Chemicals restructuring, and an additional provision related to the Toulouse plant explosion.

For the 1st half 2001

(in millions of euros)

Non-recurring items of operating income

	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring Charges	-	-	-	-	-
Asset impairment	-	-	-	-	-
Early retirement plan	-	-	-	-	-
Other items	-	-	-	-	-
Gain on sales of assets	-	-	-	-	-
TOTAL					

Non-recurring items of net income

	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring charges	-	-	-	-	-
Asset impairment	-	-	-	-	-
Early retirement plan	-	-	-	-	-
Autres éléments	-	-	-	-	-
Gain on sale of assets	-	-	-	374	374
TOTAL				374	374

In the first half 2001, non recurring items had a positive impact on net income and consisted of gains on sales of Sanofi-Synthelabo shares and of financial participations.

IV. SHAREHOLDERS' EQUITY

Shares held by the parent company, TOTAL FINA ELF SA

As of June 30, 2002, TOTAL FINA ELF SA held 25,439,680 of its own shares, representing 3.58 % of its share capital, detailed as follows:

- 9,711,435 shares allocated to covering share purchase option plans for Company employees; these shares are recorded as short-term investments and maintained within the total assets; the number of shares has increased by 2,026,655 since December 31, 2001.
- 15,728,245 shares purchased in 2001 and in the first half of 2002, pursuant to the authorization granted by the Ordinary Shareholders' meetings held on May 17, 2001 and on May 7, 2002, are deducted from the consolidated shareholders' equity; 2,955,245 shares have been purchased for this objective during the first half of 2002.

Shares held by the subsidiaries

As of June 30, 2002, TOTAL FINA ELF S.A. held indirectly, through its subsidiaries, 25,082,217 of its own shares, representing 3.53 % of its share capital and unchanged since December 31, 2001, detailed as follows :

- 505,318 shares held by a consolidated subsidiary, Total Nucleaire; these shares were initially acquired in order to realize short-term cash investments and are recorded as short-term investments in the consolidated financial statements.
- 24,576,899 shares held by subsidiaries of Elf Aquitaine : Financière Valorgest, Sogapar, & Fingestval. These shares were deducted from the consolidated shareholders' equity.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros)	Common shares issued		Paid-in surplus and retained Earning	Cumulative Translation adjustments	Treasury shares		Shareholders' Equity
	Number	Amount			Number	Amount	
As of December 31, 2000	740,465,798	7,405	29,283	667	(36,582,129)	(4,954)	32,401
Cash dividend	-	-	(2,278)	-	-	-	(2,278)
Net income – 1st half 2001	-	-	4,707	-	-	-	4 707
Exchange guarantees w/ Elf	229,026	2	5	-	-	-	7
Other issuance of common shares	159,579	1	6	-	-	-	7
Purchase of treasury shares	-	-	-	-	(10,318 000)	(1,660)	(1,660)
Translation adjustments	-	-	-	1,023	-	-	1,023
Gains on sales of assets	-	-	898	-	-	-	898
Other changes, net	-	-	17	-	-	-	17
As of June 30, 2001	740,854 403	7,408	32,638	1,690	(46,900,129)	(6,614)	35,122
Cash dividend	-	-	-	-	-	-	-
Net income for 2nd half 2001	-	-	2,951	-	-	-	2,951
Exchange guarantees w/ Elf	98,591	-	7	-	-	-	7
Other issuance of common shares	349,965	4	13	-	-	-	17
Purchase of treasury shares	-	-	-	-	(25,923,000)	(3,945)	(3,945)
Cancellation of repurchased shares	(35,368,000)	(353)	(5,270)	-	35,368,000	5,623	-
Translation adjustments	-	-	-	(438)	-	-	(438)
Gains on sales of assets	-	-	518	-	-	-	518
Other changes, net ⁽¹⁾	-	-	(313)	-	105 230	13	(300)
As of December 31, 2001	705,934,959	7,059	30,544	1,252	(37,349,899)	(4,923)	33,932
Cash dividend	-	-	(2,514)	-	-	-	(2,514)
Net income - 1st half 2002	-	-	2,932	-	-	-	2,932
Exchange guarantees w/ Elf	377,720	2	16	-	-	-	18
Other issuance of common shares	3,847,881	40	403	-	-	-	443
Purchase of treasury shares	-	-	-	-	(2,955,245)	(465)	(465)
Cancellation of repurchased shares	-	-	-	-	-	-	-
Translation adjustments	-	-	-	(1,584)	-	-	(1,584)
Other changes, net	-	-	1	-	-	-	1
As of June 30, 2002	710,160,560	7,101	31,382	(332)	(40,305 144)	(5,388)	32,763

⁽¹⁾ The change in the category "Other" is primarily due to the effect of the minimum liability adjustment (MLA) in relation to provision for post-retirement benefits, in compliance with U.S. accounting principles adopted by the Group.

V. SUBSIDIARIES' REDEEMABLE PREFERRED SHARES

There were no movements of these preferred shares during the first half of 2002.

VI. LONG-TERM DEBT

The Group has issued debenture loans through its subsidiary TotalFinaElf Capital during the first half of 2002:

- Debenture 3% 2002-2007 (600 million Swiss francs)
- Debenture 4.74% 2002-2007 (75 million US dollars)
- Debenture 5.125% 2002-2007 (300 million US dollars)
- Debenture 5.89% 2002-2012 (20 million US dollars)
- Debenture 3% 2002-2007 (400 million Swiss francs)
- Debenture 4.75% 2002-2007 (250 million US dollars)
- Debenture 3-month LIBOR + 0.06% 2002-2007 (50 million US dollars)

The Group has reimbursed during the first half of 2002 a debenture loan for TOTAL FINA ELF S.A. (debenture loan at 8.25% 1992-2002 for 300 million deutschmarks)

In the context of its active cash management, the Group may increase temporarily its short-term borrowings, particularly in the form of commercial paper. The short-term borrowings and the cash and cash equivalents resulting from this cash management in the quarterly financial statements are not necessarily representative of a steady position.

VII. INFORMATION BY BUSINESS SEGMENT

(in millions of euros)

1st half 2002 (excluding non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	8,017	32,290	9,905	7		42,210
- Intersegment sales	5,463	733	181	53	(6,430)	0
Total sales	13,480	33,023	10,086	60	(6,430)	50,219
Depreciation, depletion, and amortization	(1,711)	(453)	(413)	(22)		(2,599)
Operating income excluding non-recurring items	4,341	573	363	(106)		5,171
Amortization of intangible assets and acquisition goodwill	(11)	(64)	(103)	(7)		(185)
Equity in income (loss) of affiliates	119	101	-	195		415
Other items in net operating income	109	19	(20)	114		222
Tax on net operating income	(2,291)	(161)	(93)	154		(2,391)
Net operating income excluding non-recurring items	2,267	468	147	350		3,232
Net cost of net debt						(82)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(99)
Net income excluding non-recurring items						3,051
Gross expenditures	3,199	360	540	110		4,209
Divestitures at selling price	329	82	41	597		1,049
Cash flow from operating activities	3,397	1,386	38	487		5,308

(in millions of euros)

1st half 2001 (excluding non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-group sales	7,510	37,665	10,488	20		55,683
- Intersegment sales	6,540	1,099	241	17	(7,897)	0
Total sales	14,050	38,764	10,729	37	(7,897)	55,683
Depreciation, depletion, & amortization	(1,341)	(474)	(397)	(22)		(2,234)
Operating income excluding non-recurring items	5,158	1,760	609	(99)		7,428
Amortization of intangible assets and acquisition goodwill	(9)	(42)	(92)	(7)		(150)
Equity in income (loss) of affiliates	192	103	5	189		489
Other items in net operating income	177	123	(7)	19		312
Tax on net operating income	(2,782)	(579)	(189)	113		(3,437)
Net operating income excluding non-recurring items	2,736	1,365	326	215		4,642
Net cost of net debt						(204)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(105)
Net income excluding non-recurring items						4,333
Gross expenditures	3,347	504	746	223		4,820
Divestitures at selling price	380	982	112	1,641		3,115
Cash flow from operating activities	4,190	1,857	680	357		7,084

