

TOTALFINAELF

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS 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 September 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 nine months of 2002.

II. CHANGES IN THE GROUP STRUCTURE

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

III- NON-RECURRING ITEMS

For the first nine months of 2002

(in millions of euros)

Non-recurring items of operating income

	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring charges	-	(24)	-	-	(24)
Asset impairment	(22)	-	-	-	(22)
Early retirement plan	-	-	-	-	-
Other items	67	-	-	-	67
Gain on assets' sales	-	-	-	-	-
TOTAL	45	(24)	-	-	21

Non-recurring items of net income

	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring charges	-	(16)	(61)	-	(77)
Asset impairment	(15)	-	-	-	(15)
Early retirement plan	-	-	-	-	-
Other items	(179)	-	(2)	-	(181)
Gain on assets' sales	-	-	-	339	339
AZF plan explosion - Toulouse	-	-	(148)	-	(148)
TOTAL	(194)	(16)	(211)	339	(82)

The non-recurring items that had a positive impact on net income were composed primarily of gains on sales of financial participations ; those that were negative included primarily the deferred tax impact of the change in UK tax laws, an increase in the provision related to the explosion at the Toulouse fertilizer plant, and restructuring charges in the Downstream and Chemicals segments.

For the first nine months of 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 assets' sales	-	-	-	-	-
TOTAL	-	-	-	-	-

Non-recurring items of net income

	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring charges	-	(27)	-	-	(27)
Asset impairment	-	-	-	-	-
Early retirement plan	-	(13)	-	-	(13)
Other items	-	(19)	-	-	(19)
Gain on assets' sales	80	-	61	830	971
TOTAL	80	(59)	61	830	912

The non-recurring items that had a positive impact on net income were gains on sales of Sanofi-Synthelabo and Cogema shares and gains on assets sales in the Exploration-Production and Chemicals activities ; those having a negative impact included mainly restructuring charges in the Downstream segment.

IV. SHAREHOLDERS' EQUITY

Shares held by the parent company, TOTAL FINA ELF SA

As of September 30, 2002, TOTAL FINA ELF SA held 34,021,775 of its own shares, representing 4.79 % of its share capital, detailed as follows:

- 10,578,530 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 2,893,750 since December 31, 2001.
- 23,443,245 shares purchased in 2001 and in the first nine months 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; 10,670,245 shares have been purchased for this objective during the first nine months of 2002.

Shares held by the subsidiaries

As of September 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 earnings	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 of the nine months of 2001	-	-	7,006	-	-	-	7,006
Elf and PetroFina transactions	272,384	1	10	-	-	-	11
Other issuance of common shares	358,126	5	10	-	-	-	15
Purchase of treasury shares	-	-	-	-	(23,468,000)	(3,675)	(3,675)
Translation adjustments	-	-	-	128	-	-	128
Gains on sales of assets	-	-	1,161	-	-	-	1,161
Other changes, net	-	-	23	-	105,230	13	36
As of September 30, 2001	741,096,308	7,411	35,215	795	(59,944,899)	(8,616)	34,805
Cash dividend	-	-	-	-	-	-	-
Net income of the 4th quarter of 2001	-	-	652	-	-	-	652
Elf and PetroFina transactions	55,233	1	2	-	-	-	3
Other issuance of common shares	151,418	-	9	-	-	-	9
Purchase of treasury shares	-	-	-	-	(12,773,000)	(1,930)	(1,930)
Cancellation of repurchased shares	(35,368,000)	(353)	(5,270)	-	35,368,000	5,623	-
Translation adjustments	-	-	-	457	-	-	457
Gains on sales of assets	-	-	255	-	-	-	255
Other changes, net (1)	-	-	(319)	-	-	-	(319)
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 of the nine months of 2002	-	-	4,569	-	-	-	4,569
Elf and PetroFina transactions	491,492	5	16	-	-	-	21
Other issuance of common shares	3,898,466	39	408	-	-	-	447
Purchase of treasury shares	-	-	-	-	(10,670,245)	(1,528)	(1,528)
Cancellation of repurchased shares	-	-	-	-	-	-	-
Translation adjustments	-	-	-	(1,354)	-	-	(1,354)
Other changes, net	-	-	(19)	-	-	-	(19)
As of September 30, 2002	710,324,917	7,103	33,004	(102)	(48,020,144)	(6,451)	33,554

⁽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 nine months of 2002.

VI. LONG-TERM DEBT

The Group has issued debenture loans through its subsidiary TotalFinaElf Capital during the first nine months 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)
- Debenture 3-month LIBOR +0.065% 2002-2007 (50 million US dollars)
- Debenture 5% 2002-2007 (150 million GB pounds)
- Debenture 2.5% 2002-2007 (200 million Swiss francs)

The Group has reimbursed during the first nine months 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)

9 months 2002 (excluding non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	11,844	49,054	14,730	14	-	75,642
- Intersegment sales	8,665	1,561	282	81	(10,589)	-
Total sales	20,509	50,615	15,012	95	(10,589)	75,642
Depreciation, depletion and amortization of tangible assets	(2,526)	(679)	(613)	(37)		(3,855)
Operating income excluding non-recurring items	6,789	680	632	(162)		7,939
Amortization of intangible assets and acquisition goodwill						(247)
Equity in income (loss) of affiliates						644
Other items in net operating income						356
Tax on net operating income						(3,754)
Net operating income excluding non-recurring items	3,452	602	353	531		4,938
Net cost of net debt						(137)
Dividends on subsidiaries' redeemable preferred shares						(8)
Minority interests						(142)
Net income excluding non-recurring items						4,651
Gross expenditures	4,629	647	866	192		6,334
Divestitures at selling price	470	169	103	771		1,513
Cash flow from operating activities	5,611	1,635	417	1,110		8,773

9 months 2001 (excluding non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	10,688	55,566	15,353	22	-	81,629
- Intersegment sales	9,721	1,686	326	71	(11,804)	-
Total sales	20,409	57,252	15,679	93	(11,804)	81,629
Depreciation, depletion and amortization of tangible assets	(2,098)	(701)	(604)	(32)		(3,435)
Operating income excluding non-recurring items	7,405	2,376	834	(157)		10,458
Amortization of intangible assets and acquisition goodwill						(219)
Equity in income (loss) of affiliates						742
Other items in net operating income						474
Tax on net operating income						(4,881)
Net operating income excluding non-recurring items	3,935	1,840	425	374		6,574
Net cost of net debt						(319)
Dividends on subsidiaries' redeemable preferred shares						(16)
Minority interests						(145)
Net income excluding non-recurring items						6,094
Gross expenditures	5,286	824	1,083	274		7,467
Divestitures at selling price	772	1,025	316	3,180		5,293
Cash flow from operating activities	6,115	2,157	891	1,731		10,894

