

TOTAL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2003

I. ACCOUNTING POLICIES

The consolidated financial statements of Total and its subsidiaries (together, the Company or Group) 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 Regulation Committee.

Besides, the Company applies the standards issued by the Financial Accounting Standard Board which are compatible with the French Regulations and which enable, in their current wording, to ensure a true and fair view of the assets and liabilities of the Company and the best comparability with the other oil majors, namely those from North America.

The exceptions to the use of FAS standards are presented in the Annual Report of the Company, and in the Annual Report under US Generally Accepted Accounting Principles (Form 20F) and relate principally to the use of purchase accounting with respect to the business combinations between Total, PetroFina and Elf.

The Company has adopted the Statement of Financial Accounting Standards No. 143 modifying the rules for accounting for asset retirement obligations. FASB No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred, at its discounted value, and no longer at its present value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the associated asset. The cumulative effect of the change in accounting principle, which is accounted for in the Group's shareholders' equity, has no material effect.

With the exception of the first application of FASB No. 143, the accounting policies applied for the consolidated financial statements as of June 30, 2003 are the same as those used for the Financial Statements as of December 31, 2002.

II. CHANGES IN THE GROUP STRUCTURE

During the first half of 2003, the Company has finalized the sale of its Paints Business, run by Sigma Kalon. The effect of this divestment, accounted for during the first half of 2003, is not material on the Group's net income.

With the exception of the disposal of the Paints Business, the Group has not significantly modified its structure.

III. NON-RECURRING ITEMS

NON-RECURRING ITEMS OF OPERATING INCOME

<i>(in millions of euros)</i>		Upstream	Downstream	Chemicals	Corporate	Total
First half 2003	Restructuring charges	-	-	-	-	-
	Asset impairment	-	-	-	-	-
	Early retirement plan	-	-	-	-	-
	Other items	-	-	-	-	-
	Gain on assets' sales	-	-	-	-	-
Total		-	-	-	-	-
First half 2002	Restructuring charges	-	(16)	-	-	(16)
	Asset impairment	(21)	-	-	-	(21)
	Early retirement plan	-	-	-	-	-
	Other items	(9)	-	-	-	(9)
	Gain on assets' sales	-	-	-	-	-
Total		(30)	(16)	-	-	(46)

NON-RECURRING ITEMS OF NET INCOME

<i>(in millions of euros)</i>		Upstream	Downstream	Chemicals	Corporate	Total
First half 2003	Restructuring charges	-	-	(34)	-	(34)
	Asset impairment	-	-	-	-	-
	Early retirement plan	-	-	-	-	-
	Other items	-	-	(158)	-	(158)
	Gain on assets' sales	-	-	-	30	30
	AZF plant explosion - Toulouse	-	-	-	-	-
Total		-	-	(192)	30	(162)
First half 2002	Restructuring charges	-	(11)	(65)	-	(76)
	Asset impairment	(14)	-	-	-	(14)
	Early retirement plan	-	-	-	-	-
	Other items	(157)	-	-	-	(157)
	Gain on assets' sales	-	-	-	277	277
	AZF plant explosion - Toulouse	-	-	(149)	-	(149)
Total		(171)	(11)	(214)	277	(119)

The non-recurring items that had a positive impact in the first half 2003 include gains on the sale of Sanofi-Synthélabo shares, while the negative impacts include, in the Chemicals segment, a restructuring charge and a 155 M€ provision related to investigations of anti-trust practices by the European Commission.

In the first half of 2003, the European Commission commenced 11 new investigations into alleged anticompetitive practices involving certain products sold by Atofina or its subsidiaries. The Commission also issued in 2003 a statement of objections in respect of a product covered by an earlier investigation. Atofina is cooperating with the Commission and has implemented a compliance program since the beginning of 2001.

The Group has increased the provision of 45 M€ existing in its accounts at December 31, 2002 to 200 M€ at June 30, 2003. Because of the Commission's discretionary powers, the financial effect of these investigations could differ from the amount of the provision. The Company is, however, of the opinion that the ultimate outcome of such antitrust proceedings should not have a material adverse impact on its financial position, cash flows or earnings.

In the first half of 2002, the non-recurring items that had a positive impact were composed of gains on sales of financial participations. Those that were negative included primarily the deferred tax impact of the change in UK tax laws for exploration and production activities, restructuring charges in the Downstream and Chemicals segments and an increase in the provision related to the explosion at the Toulouse fertilizer plant.

IV. SHAREHOLDERS' EQUITY

Shares held by the parent company, TOTAL S.A.

As of June 30, 2003, TOTAL S.A. held 41,537,375 of its own shares, representing 6.04% of its share capital, detailed as follows :

- 10,472,375 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,
- 31,065,000 shares, of which 10,450,000 shares were purchased in the last quarter 2002, and 20,615,000 during the first half of 2003, pursuant to the authorization granted by the Ordinaries and Extraordinaries Shareholders' Meetings held on May 7, 2002 and on May 6, 2003, and that are deducted from the consolidated shareholders' equity.

Shares held by the subsidiaries

As of June 30, 2003, TOTAL S.A. held indirectly, through its subsidiaries 25,082,817 of its own shares, representing 3.64% of its share capital, detailed as follows :

- 505,918 shares held by a consolidated subsidiary, Total Nucléaire, indirectly controlled by TOTAL S.A. These shares were initially acquired in order to realize short-term cash investments and are recorded in short-term investments in the consolidated financial statements;
- 24,576,899 shares held by subsidiaries of Elf Aquitaine, Financière Valorgest, Sogapar and 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, 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 first half of 2002	-	-	2,932	-	-	-	2,932
Elf and Petrofina transactions	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
Cash dividend	-	-	-	-	-	-	-
Net income from July 1st to December 31st	-	-	3,009	-	-	-	3,009
Elf and Petrofina transactions	186,751	4	5	-	-	-	9
Other issuance of common shares	286,444	1	17	-	-	-	18
Purchase of treasury shares	-	-	-	-	(18,165,000)	(2,480)	(2,480)
Cancellation of repurchased shares	(23,443,245)	(234)	(3,224)	-	23,443,245	3,458	-
Translation adjustments	-	-	-	(498)	-	-	(498)
Other changes, net	-	-	(675)	-	-	-	(675)
As of December 31, 2002	687,190,510	6,872	30,514	(830)	(35,026,899)	(4,410)	32,146
Cash dividend	-	-	(2,571)	-	-	-	(2,571)
Net income of the first half of 2003	-	-	3,725	-	-	-	3,725
Elf transactions	449,312	4	19	-	-	-	23
Other issuance of common shares	528,528	5	40	-	-	-	45
Purchase of treasury shares	-	-	-	-	(20,615,000)	(2,550)	(2,550)
Cancellation of repurchased shares	-	-	-	-	-	-	-
Translation adjustments	-	-	-	(1,116)	-	-	(1,116)
Other changes, net ⁽¹⁾	-	-	49	-	-	-	49
As of June 30, 2003	688,168,350	6,881	31,776	(1,946)	(55,641,899)	(6,960)	29,751

⁽¹⁾ The change in the category "Other" is primarily due to the effect of the first application of the standard SFAS No. 143.

V. SUBSIDIARIES' REDEEMABLE PREFERRED SHARES

There were no operations on these preferred shares during the first half of 2003.

VI. LONG-TERM DEBT

The Group has issued debenture loans through its subsidiary TotalFinaElf Capital during the first half of 2003 :

- Debenture 5% 2003-2007 (50 million GB Pounds)
- Debenture 5% 2003-2008 (100 million AUD)
- Debenture 3,5% 2003-2008 (500 million EUR)
- Debenture 4,25% 2003-2008 (100 million CAD)
- Debenture 3,25% 2003-2008 (250 million USD)
- Debenture 4,5% 2003-2013 (30 million USD)
- Debenture 5% 2003-2008 (100 million AUD)
- Debenture 3,5% 2003-2008 (100 million EUR)
- Debenture 3,5% 2003-2008 (150 million EUR)
- Debenture 2% 2003-2008 (300 million CHF)

The Group has reimbursed two debenture loans during the first half of 2003 :

- Debenture 2,25% 1998-2003 (200 million CHF)
- Debenture 2,25% 1998-2003 (150 million CHF)

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.

INFORMATION BY BUSINESS SEGMENT

In millions of euros

1st half 2003	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	9,290	34,603	8,743	14		52,650
- Intersegment sales	5,790	1,151	249	58	(7,248)	-
Total sales	15,080	35,754	8,992	72	(7,248)	52,650
Depreciation, depletion, and amortization of tangible assets	(1,606)	(424)	(366)	(12)		(2,408)
Operating income	5,322	1,235	299	(122)		6,734
Amortization of intangible assets and acquisition goodwill	(8)	(48)	(69)	(10)		(135)
Equity in income (loss) of affiliates and other items	159	156	(395)	298		218
Tax on net operating income	(2,850)	(352)	129	182		(2,891)
Net operating income	2,623	991	(36)	348		3,926
Net cost of net debt						(85)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(116)
Net income						3,725

1st half 2003 (non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales						
- Intersegment sales						
Total sales						
Depreciation, depletion, and amortization of tangible assets	-	-	-	-	-	-
Operating income						
Amortization of intangible assets and acquisition goodwill						
Equity in income (loss) of affiliates and other items			(213)	40		(173)
Tax on net operating income			21	(10)		11
Net operating income			(192)	30		(162)
Net cost of net debt						-
Minority interests and dividends on subsidiaries' redeemable preferred shares						-
Net income						(162)

1st half 2003 (excluding non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	9,290	34,603	8,743	14	-	52,650
- Intersegment sales	5,790	1,151	249	58	(7,248)	-
Total sales	15,080	35,754	8,992	72	(7,248)	52,650
Depreciation, depletion, and amortization of tangible assets	(1,606)	(424)	(366)	(12)		(2,408)
Operating income	5,322	1,235	299	(122)		6,734
Amortization of intangible assets and acquisition goodwill	(8)	(48)	(69)	(10)		(135)
Equity in income (loss) of affiliates and other items	159	156	(182)	258		391
Tax on net operating income	(2,850)	(352)	108	192		(2,902)
Net operating income	2,623	991	156	318		4,088
Net cost of net debt						(85)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(116)
Net income						3,887

1st half 2003	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Gross expenditures	2,296	319	335	52		3,002
Divestitures at selling price	224	57	787	82		1,150
Cash flow from operating activities (1)	4,455	3,043	(185)	(357)		6,956

(1) In the Chemicals segment, this figure amounts to 147 million euros excluding an amount of 332 million euros paid relating to the Toulouse AZF plant explosion, offset by a long-term liability write-back.

1st half 2002	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	8,017	32,290	9,905	7	-	50,219
- Intersegment sales	5,463	733	181	53	(6,430)	-
Total sales	13,480	33,023	10,086	60	(6,430)	50,219
Depreciation, depletion, and amortization of tangible assets	(1,732)	(453)	(413)	(22)		(2,620)
Operating income	4,311	557	363	(106)		5,125
Amortization of intangible assets and acquisition goodwill	(11)	(64)	(103)	(7)		(185)
Equity in income (loss) of affiliates and other items	228	120	(341)	664		671
Tax on net operating income	(2,457)	(156)	14	76		(2,523)
Net operating income	2,071	457	(67)	627		3,088
Net cost of net debt						(82)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(74)
Net income						2,932

1st half 2002 (non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales						
- Intersegment sales						
Total sales						
Depreciation, depletion, and amortization of tangible assets	(21)					(21)
Operating income	(30)	(16)				(46)
Amortization of intangible assets and acquisition goodwill						
Equity in income (loss) of affiliates and other items			(321)	355		34
Tax on net operating income	(166)	5	107	(78)		(132)
Net operating income	(196)	(11)	(214)	277		(144)
Net cost of net debt						(82)
Minority interests and dividends on subsidiaries' redeemable preferred shares						25
Net income						(119)

1st half 2002 (excluding non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	8,017	32,290	9,905	7	-	50,219
- Intersegment sales	5,463	733	181	53	(6,430)	-
Total sales	13,480	33,023	10,086	60	(6,430)	50,219
Depreciation, depletion, and amortization of tangible assets	(1,711)	(453)	(413)	(22)		(2,599)
Operating income	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 and other items	228	120	(20)	309		637
Tax on net operating income	(2,291)	(161)	(93)	154		(2,391)
Net operating income	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						3,051

1st half 2002	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
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