

# **TOTAL**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS 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 September 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 nine months 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.

The Samsung-Atofina Co. Ltd joint-venture, that has been set up on the 1<sup>st</sup> of August, 2003, entered into the consolidation scope in the third quarter of 2003.

There were no other major changes in the Group structure during the first nine months of 2003.

### III. NON-RECURRING ITEMS

#### NON-RECURRING ITEMS OF OPERATING INCOME

<i>(in millions of euros)</i>		Upstream	Downstream	Chemicals	Corporate	Total
<b>9 months 2003</b>	Restructuring charges	-	-	-	-	-
	Asset impairment	-	-	-	-	-
	Early retirement plan	-	-	-	-	-
	Other items	-	-	-	-	-
	Gain on assets'sales	-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>9 months 2002</b>	Restructuring charges	-	(24)	-	-	(24)
	Asset impairment	(22)	-	-	-	(22)
	Early retirement plan	-	-	-	-	-
	Other items	67	-	-	-	67
	Gain on assets'sales	-	-	-	-	-
<b>Total</b>		<b>45</b>	<b>(24)</b>	-	-	<b>21</b>

#### NON-RECURRING ITEMS OF NET INCOME

<i>(in millions of euros)</i>		Upstream	Downstream	Chemicals	Corporate	Total
<b>9 months 2003</b>	Restructuring charges	-	-	(34)	-	(34)
	Asset impairment	-	-	-	-	-
	Early retirement plan	-	-	-	-	-
	Other items	-	-	(158)	-	(158)
	Gain on assets'sales	-	-	-	30	30
	AZF plant explosion - Toulouse	-	-	-	-	-
<b>Total</b>		-	-	<b>(192)</b>	<b>30</b>	<b>(162)</b>
<b>9 months 2002</b>	Restructuring charges	-	(16)	(61)	-	(77)
	Asset impairment	(15)	-	-	-	(15)
	Early retirement plan	-	-	-	-	-
	Other items	(179)	-	(2)	-	(181)
	Gain on assets'sales	-	-	-	339	339
	AZF plant explosion - Toulouse	-	-	(148)	-	(148)
<b>Total</b>		<b>(194)</b>	<b>(16)</b>	<b>(211)</b>	<b>339</b>	<b>(82)</b>

There were no non-recurring items during the third quarter of 2003.

The non-recurring items that had a positive impact in the first half of 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 nine months 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 September 30, 2003, TOTAL S.A. held 38,677,130 of its own shares, representing 5.7% of its share capital, detailed as follows :

- 10,412,130 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,
- 28,265,000 shares, of which 10,450,000 shares were purchased in the last quarter 2002, and 27,715,000 during the first nine months of 2003, pursuant to the authorization granted by the Ordinaries and Extraordinaries Shareholders' Meetings held on May 7, 2002 and on May 6, 2003, minus 9,900,000 Company shares cancelled following a reduction in the share capital. These shares are deducted from the consolidated shareholders' equity.

##### **Shares held by the subsidiaries**

As of September 30, 2003, TOTAL S.A. held indirectly, through its subsidiaries 25,082,817 of its own shares, representing 3.7% of its share capital :

- 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

(Amounts in millions of euros)	Common shares issued		Paid-in surplus and retained earnings	Cumulative translation adjustments	Treasury shares		Shareholders' equity
	Number	Amount			Number	Amount	
<b>As of December 31,2001</b>	<b>705 934 959</b>	<b>7 059</b>	<b>30 544</b>	<b>1 252</b>	<b>(37 349 899)</b>	<b>(4 923)</b>	<b>33 932</b>
Cash dividend	-	-	(2 514)	-	-	-	(2 514)
Net income for the 9 months	-	-	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)
<b>As of September 30,2002</b>	<b>710 324 917</b>	<b>7 103</b>	<b>33 004</b>	<b>(102)</b>	<b>(48 020 144)</b>	<b>(6 451)</b>	<b>33 554</b>
Cash dividend	-	-	-	-	-	-	-
Net income for the fourth quarter	-	-	1 372	-	-	-	1 372
Elf and Petrofina transactions	72 979	1	5	-	-	-	6
Other issuance of common shares	235 859	2	12	-	-	-	14
Purchase of treasury shares	-	-	-	-	(10 450 000)	(1 417)	(1 417)
Cancellation of repurchased shares	(23 443 245)	(234)	(3 224)	-	23 443 245	3 458	-
Translation adjustments	-	-	-	(728)	-	-	(728)
Other changes, net	-	-	(655)	-	-	-	(655)
<b>As of December 31,2002</b>	<b>687 190 510</b>	<b>6 872</b>	<b>30 514</b>	<b>(830)</b>	<b>(35 026 899)</b>	<b>(4 410)</b>	<b>32 146</b>
Cash dividend	-	-	(2 571)	-	-	-	(2 571)
Net income for the 9 months	-	-	5 435	-	-	-	5 435
Elf transactions	694 279	7	31	-	-	-	38
Other issuance of common shares	835 644	8	61	-	-	-	69
Purchase of treasury shares	-	-	-	-	(27 715 000)	(3 516)	(3 516)
Cancellation of repurchased shares	(9 900 000)	(99)	(1 165)	-	9 900 000	1 264	-
Translation adjustments	-	-	-	(1 367)	-	-	(1 367)
Other changes, net (1)	-	-	47	-	-	-	47
<b>As of September 30,2003</b>	<b>678 820 433</b>	<b>6 788</b>	<b>32 352</b>	<b>(2 197)</b>	<b>(52 841 899)</b>	<b>(6 662)</b>	<b>30 281</b>

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

## V. SUBSIDIARIES' REDEEMABLE PREFERRED SHARES

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

## **VI. LONG-TERM DEBT**

The Group has issued debenture loans through its subsidiary Total Capital during the first nine months 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 some debenture loans during the first nine months of 2003 :

- Debenture 2,25% 1998-2003 (200 million CHF), Total S.A.
- Debenture 2,25% 2000-2003 (150 million CHF), Total S.A.
- Debenture 6% 1998-2003 (10 billion GRD), Total S.A.
- Debenture 7,125% 1993-2003 (1 billion FRF), Elf Aquitaine S.A.

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

(unaudited)

Amounts in millions of euros

9 months 2003	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	13 553	50 617	12 925	24		77 119
- Intersegment sales	8 650	1 712	414	81	(10 857)	-
<b>Total sales</b>	<b>22 203</b>	<b>52 329</b>	<b>13 339</b>	<b>105</b>	<b>(10 857)</b>	<b>77 119</b>
Depreciation, depletion, and amortization of tangible assets	(2 447)	(652)	(548)	(25)		(3 672)
<b>Operating income</b>	<b>7 824</b>	<b>1 570</b>	<b>401</b>	<b>(163)</b>		<b>9 632</b>
Amortization of intangible assets and acquisition goodwill	(11)	(72)	(106)	(16)		(205)
Equity in income (loss) of affiliates and other items	195	233	(389)	446		485
Tax on net operating income	(4 144)	(453)	100	285		(4 212)
<b>Net operating income</b>	<b>3 864</b>	<b>1 278</b>	<b>6</b>	<b>552</b>		<b>5 700</b>
Net cost of net debt						(109)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(156)
<b>Net income</b>						<b>5 435</b>

9 months 2003 (non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales						
- Intersegment sales						
<b>Total sales</b>						
Depreciation, depletion, and amortization of tangible assets	-	-	-	-		-
<b>Operating income</b>						
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
<b>Net operating income</b>			<b>(192)</b>	<b>30</b>		<b>(162)</b>
Net cost of net debt						-
Minority interests and dividends on subsidiaries' redeemable preferred shares						-
<b>Net income</b>						<b>(162)</b>

9 months 2003 (excluding non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales	13 553	50 617	12 925	24	-	77 119
- Intersegment sales	8 650	1 712	414	81	(10 857)	-
<b>Total sales</b>	<b>22 203</b>	<b>52 329</b>	<b>13 339</b>	<b>105</b>	<b>(10 857)</b>	<b>77 119</b>
Depreciation, depletion, and amortization of tangible assets	(2 447)	(652)	(548)	(25)		(3 672)
<b>Operating income</b>	<b>7 824</b>	<b>1 570</b>	<b>401</b>	<b>(163)</b>		<b>9 632</b>
Amortization of intangible assets and acquisition goodwill	(11)	(72)	(106)	(16)		(205)
Equity in income (loss) of affiliates and other items	195	233	(176)	406		658
Tax on net operating income	(4 144)	(453)	79	295		(4 223)
<b>Net operating income</b>	<b>3 864</b>	<b>1 278</b>	<b>198</b>	<b>522</b>		<b>5 862</b>
Net cost of net debt						(109)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(156)
<b>Net income</b>						<b>5 597</b>

9 months 2003	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Gross expenditures	3 554	531	788	45		4 918
Divestitures at selling price	309	120	797	74		1 300
Cash flow from operating activities (1)	7 024	3 312	96	(227)		10 205

(1) In the Chemicals segment, this figure amounts to 730 millions of euros excluding an amount of 634 millions of euros paid relating to the Toulouse AZF plant explosion

(unaudited)

Amounts in millions of euros

9 months 2002	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)	-
<b>Total sales</b>	<b>20 509</b>	<b>50 615</b>	<b>15 012</b>	<b>95</b>	<b>(10 589)</b>	<b>75 642</b>
Depreciation, depletion, and amortization of tangible assets	(2 548)	(679)	(613)	(37)		(3 877)
<b>Operating income</b>	<b>6 834</b>	<b>656</b>	<b>632</b>	<b>(162)</b>		<b>7 960</b>
Amortization of intangible assets and acquisition goodwill	(16)	(73)	(147)	(11)		(247)
Equity in income (loss) of affiliates and other items	308	192	(259)	864		1 105
Tax on net operating income	(3 893)	(189)	(84)	179		(3 987)
<b>Net operating income</b>	<b>3 233</b>	<b>586</b>	<b>142</b>	<b>870</b>		<b>4 831</b>
Net cost of net debt						(137)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(125)
<b>Net income</b>						<b>4 569</b>

9 months 2002 (non-recurring items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
- Non-Group sales						
- Intersegment sales						
<b>Total sales</b>						
Depreciation, depletion, and amortization of tangible assets	(22)					(22)
<b>Operating income</b>	<b>45</b>	<b>(24)</b>				<b>21</b>
Amortization of intangible assets and acquisition goodwill						
Equity in income (loss) of affiliates and other items	(17)	-	(316)	438		105
Tax on net operating income	(247)	8	105	(99)		(233)
<b>Net operating income</b>	<b>(219)</b>	<b>(16)</b>	<b>(211)</b>	<b>339</b>		<b>(107)</b>
Net cost of net debt						
Minority interests and dividends on subsidiaries' redeemable preferred shares						25
<b>Net income</b>						<b>(82)</b>

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)	-
<b>Total sales</b>	<b>20 509</b>	<b>50 615</b>	<b>15 012</b>	<b>95</b>	<b>(10 589)</b>	<b>75 642</b>
Depreciation, depletion, and amortization of tangible assets	(2 526)	(679)	(613)	(37)		(3 855)
<b>Operating income</b>	<b>6 789</b>	<b>680</b>	<b>632</b>	<b>(162)</b>		<b>7 939</b>
Amortization of intangible assets and acquisition goodwill	(16)	(73)	(147)	(11)		(247)
Equity in income (loss) of affiliates and other items	325	192	57	426		1 000
Tax on net operating income	(3 646)	(197)	(189)	278		(3 754)
<b>Net operating income</b>	<b>3 452</b>	<b>602</b>	<b>353</b>	<b>531</b>		<b>4 938</b>
Net cost of net debt						(137)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(150)
<b>Net income</b>						<b>4 651</b>

9 months 2002	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
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

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