

# TOTAL

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2004

*(unaudited)*

### 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 Regulations Committee.

Furthermore, the Company applies the standards issued by the Financial Accounting Standard Board (FASB) which are compatible with the French Regulations and which contribute, in their current wording, to better reflect 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 FASB standards are presented in the Annual Report as well as in the Annual Report under US Generally Accepted Accounting Principles (Form 20-F).

The accounting policies applied for the consolidated financial statements as of June 30, 2004 are the same as those used for the Financial Statements as of December 31, 2003.

### II. CHANGES IN THE GROUP STRUCTURE

There were no major changes in the Group structure during the first half of 2004.

### III. SPECIAL ITEMS

#### *Special items of operating income*

There were no special items affecting the operating income during the first half of 2004 and the first half of 2003.

#### *Special items of net income*

<i>(in millions of euros)</i>		Upstream	Downstream	Chemicals	Corporate	Total
<b>1st half 2004</b>	Restructuring charges	-	-	(31)	-	(31)
	Asset impairment	-	-	-	-	-
	Gain on assets' sales	-	-	-	-	-
	Additional Toulouse - AZF reserve	-	-	(98)	-	(98)
	Other items	-	-	(4)	-	(4)
<b>Total</b>		-	-	<b>(133)</b>	-	<b>(133)</b>
<b>1st half 2003</b>	Restructuring charges	-	-	(34)	-	(34)
	Asset impairment	-	-	-	-	-
	Gain on assets' sales	-	-	-	30	30
	Other items	-	-	(158)	-	(158)
<b>Total</b>		-	-	<b>(192)</b>	<b>30</b>	<b>(162)</b>

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### Notes to the consolidated financial statements for the first half of 2004

In the first half of 2004, the special items amount to (133) M€ and concern essentially an additional provision related to AZF plant explosion in Toulouse.

The special items that had a positive impact in the first half 2003 include gains on the sale of Sanofi-Synthelabo 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.

#### **IV. SHAREHOLDERS' EQUITY**

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

As of June 30, 2004, TOTAL S.A. held 24,012,791 of its own shares, representing 3.67% of its share capital, detailed as follows :

- 9,932,791 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,
- 14,080,000 shares, of which 1,680,000 shares were purchased in November and December 2003, and 12,400,000 during the first half of 2004, pursuant to the authorization granted by the Ordinaries and Extraordinaries Shareholders' Meetings held on May 6, 2003 and on May 14, 2004. These shares are deducted from the consolidated shareholders' equity.

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

As of June 30, 2004, TOTAL S.A. held indirectly, through its subsidiaries 25,082,817 of its own shares, representing 3.84% 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.

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### Notes to the consolidated financial statements for the first half of 2004

#### 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	
<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 of the first half of 2003	-	-	3,725	-	-	-	3,725
Issuance of common shares	977,840	9	59	-	-	-	68
Purchase of treasury shares	-	-	-	-	(20,615,000)	(2,550)	(2,550)
Cancellation of repurchased shares	-	-	-	-	-	-	-
Translation adjustments	-	-	-	(1,116)	-	-	(1,116)
Other changes, net	-	-	49	-	-	-	49
<b>As of June 30, 2003</b>	<b>688,168,350</b>	<b>6,881</b>	<b>31,776</b>	<b>(1,946)</b>	<b>(55,641,899)</b>	<b>(6,960)</b>	<b>29,751</b>
Cash dividend	-	-	-	-	-	-	-
Net income from July 1st to December 31st	-	-	3,300	-	-	-	3,300
Issuance of common shares	949,886	10	54	-	-	-	64
Purchase of treasury shares	-	-	-	-	(10,615,000)	(1,444)	(1,444)
Cancellation of repurchased shares	(40,000,000)	(400)	(4,779)	-	40,000,000	5,179	-
Translation adjustments	-	-	-	(1,322)	-	-	(1,322)
Other changes, net	-	-	57	-	-	-	57
<b>As of December 31, 2003</b>	<b>649,118,236</b>	<b>6,491</b>	<b>30,408</b>	<b>(3,268)</b>	<b>(26,256,899)</b>	<b>(3,225)</b>	<b>30,406</b>
Cash dividend	-	-	(2,853)	-	-	-	(2,853)
Net income of the first half of 2004	-	-	4,007	-	-	-	4,007
Issuance of common shares	4,651,571	47	410	-	-	-	457
Purchase of treasury shares	-	-	-	-	(12,400,000)	(1,908)	(1,908)
Cancellation of repurchased shares	-	-	-	-	-	-	-
Translation adjustments	-	-	-	642	-	-	642
Other changes, net	-	-	(55)	-	-	-	(55)
<b>As of June 30, 2004</b>	<b>653,769,807</b>	<b>6,538</b>	<b>31,917</b>	<b>(2,626)</b>	<b>(38,656,899)</b>	<b>(5,133)</b>	<b>30,696</b>

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### Notes to the consolidated financial statements for the first half of 2004

#### V. SUBSIDIARIES' REDEEMABLE PREFERRED SHARES

There were no operations on these preferred shares during the first half of 2004.

#### VI. LONG-TERM DEBT

The Group has issued debenture loans through its subsidiary Total Capital during the first half of 2004 :

- Debenture 2.375% 2003-2010 (200 million CHF)
- Debenture 4.875% 2004-2010 (250 million GBP)
- Debenture 3.75% 2004-2010 (500 million EUR)
- Debenture 6% 2004-2009 (150 million AUD)
- Debenture 4.875% 2004-2010 (100 million GBP)
- Debenture 4.875% 2004-2010 (150 million GBP)
- Debenture 4% 2004-2010 (100 million CAD)
- Debenture 5.75% 2004-2011 (100 million AUD)

The Group has reimbursed debenture loans during the first half of 2004 :

- Debenture 4% 2000-2004 (100 million CHF)
- Debenture 4% 2000-2004 (150 million CHF)
- Debenture 4% 2000-2004 (200 million CHF)
- Debenture 6.875% 1997-2004 (300 million USD)
- Debenture 2.25% 1999-2004 (250 million CHF)
- Debenture 7% 1994-2004 (1,500 million FRF)

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.

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## Notes to the consolidated financial statements for the first half of 2004

### VII - INFORMATION BY BUSINESS SEGMENT

Amounts in millions of euros

1st half 2004	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Non-Group sales	10,648	36,522	9,569	18		56,757
Intersegment sales	6,432	1,196	291	53	(7,972)	-
<b>Total sales</b>	<b>17,080</b>	<b>37,718</b>	<b>9,860</b>	<b>71</b>	<b>(7,972)</b>	<b>56,757</b>
Depreciation, depletion, and amortization of tangible assets	(1,588)	(428)	(391)	(17)		(2,424)
<b>Operating income</b>	<b>5,954</b>	<b>1,273</b>	<b>346</b>	<b>(108)</b>		<b>7,465</b>
Amortization of intangible assets and acquisition goodwill	(10)	(53)	(59)	(17)		(139)
Equity in income (loss) of affiliates and other items	271	116	(169)	287		505
Tax on net operating income	(3,330)	(389)	(42)	110		(3,651)
<b>Net operating income</b>	<b>2,885</b>	<b>947</b>	<b>76</b>	<b>272</b>		<b>4,180</b>
Net cost of net debt						(56)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(117)
<b>Net income</b>						<b>4,007</b>

1st half 2004 (special 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	-	-	(202)	-		(202)
Tax on net operating income	-	-	67	-		67
<b>Net operating income</b>	-	-	<b>(135)</b>	-		<b>(135)</b>
Net cost of net debt						-
Minority interests and dividends on subsidiaries' redeemable preferred shares						2
<b>Net income</b>						<b>(133)</b>

1st half 2004 (adjusted for special items)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Non-Group sales	10,648	36,522	9,569	18		56,757
Intersegment sales	6,432	1,196	291	53	(7,972)	-
<b>Total sales</b>	<b>17,080</b>	<b>37,718</b>	<b>9,860</b>	<b>71</b>	<b>(7,972)</b>	<b>56,757</b>
Depreciation, depletion, and amortization of tangible assets	(1,588)	(428)	(391)	(17)		(2,424)
<b>Operating income</b>	<b>5,954</b>	<b>1,273</b>	<b>346</b>	<b>(108)</b>		<b>7,465</b>
Amortization of intangible assets and acquisition goodwill	(10)	(53)	(59)	(17)		(139)
Equity in income (loss) of affiliates and other items	271	116	33	287		707
Tax on net operating income	(3,330)	(389)	(109)	110		(3,718)
<b>Net operating income</b>	<b>2,885</b>	<b>947</b>	<b>211</b>	<b>272</b>		<b>4,315</b>
Net cost of net debt						(56)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(119)
<b>Net income</b>						<b>4,140</b>

1st half 2004	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Total expenditures	2,543	542	413	51		3,549
Divestitures at selling price	201	82	49	21		353
Cash flow from operating activities (1)	4,974	2,124	(60)	(332)		6,706

(1) In the Chemicals segment, this figure amounts to 162 millions of euros excluding an amount of 222 millions of euros paid relating to the Toulouse AZF plant explosion, offset by a long-term liability write-back.

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## Notes to the consolidated financial statements for the first half of 2004

Amounts 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)	-
<b>Total sales</b>	<b>15,080</b>	<b>35,754</b>	<b>8,992</b>	<b>72</b>	<b>(7,248)</b>	<b>52,650</b>
Depreciation, depletion, and amortization of tangible assets	(1,606)	(424)	(366)	(12)		(2,408)
<b>Operating income</b>	<b>5,322</b>	<b>1,235</b>	<b>299</b>	<b>(122)</b>		<b>6,734</b>
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)
<b>Net operating income</b>	<b>2,623</b>	<b>991</b>	<b>(36)</b>	<b>348</b>		<b>3,926</b>
Net cost of net debt						(85)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(116)
<b>Net income</b>						<b>3,725</b>

1st half 2003 (special 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>

1st half 2003 (adjusted for special 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)	-
<b>Total sales</b>	<b>15,080</b>	<b>35,754</b>	<b>8,992</b>	<b>72</b>	<b>(7,248)</b>	<b>52,650</b>
Depreciation, depletion, and amortization of tangible assets	(1,606)	(424)	(366)	(12)		(2,408)
<b>Operating income</b>	<b>5,322</b>	<b>1,235</b>	<b>299</b>	<b>(122)</b>		<b>6,734</b>
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)
<b>Net operating income</b>	<b>2,623</b>	<b>991</b>	<b>156</b>	<b>318</b>		<b>4,088</b>
Net cost of net debt						(85)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(116)
<b>Net income</b>						<b>3,887</b>

1st half 2003	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Total 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 millions of euros excluding an amount of 332 millions of euros paid relating to the Toulouse AZF plant explosion, offset by a long-term liability write-back.