

TOTAL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE FIRST SIX MONTHS OF 2005
(unaudited)

INTRODUCTION

The consolidated financial statements of TOTAL and its subsidiaries (together, the Company or Group) have been prepared on the basis of IFRS (International Financial Reporting Standards) recognition and measurement principles.

Accounting principles applicable at June 30, 2005 are described in Note 1. Given the potential evolution of accounting principles, these principles could be different from that which will be ultimately applied by the Group at year end. However, based on the information currently available, the Group does not anticipate any significant changes to the accounting policies presented below.

As of June 30, 2005, standards and interpretations under IFRS applied by the Group are not different from IFRS adopted by the European Commission, subject to the following transitional provisions :

- The Group anticipated the application of IFRS 6 “Exploration and Evaluation of Mineral Resources”. This standard, currently under approval by the European Commission, is compatible with the Group’s previous accounting method for exploration and production costs (see note 1 G : Oil and gas exploration and producing properties).
- The standard IAS 39 “Financial Instruments: Recognition and Measurement” was endorsed by the European Commission on November 19, 2004 with the exception of certain provisions. The differences between the standard issued by the IASB (International Accounting Standards Board) and the one endorsed by the European Commission do not affect the Group.
- Compliance with IAS 34, which implies a prior release of 2004 financial statements in accordance with IFRS, will become effective following the 2005 annual report publication.

Information concerning the first-time application of IFRS

Pursuant to IFRS 1 “First-time adoption of IFRS”, the Group has chosen to apply the following exceptions:

- offsetting cumulative translation adjustment (CTA) against retained earnings, as of January 1, 2004,
- recording unrecognized actuarial losses and gains as of January 1, 2004 to retained earnings,
- non-restatement of business combinations that occurred before January 1, 2004.

IAS 32 and IAS 39 related to financial instruments have been applied from January 1, 2004. Furthermore, the standard IFRS 2 “Share-based payment” has been applied retrospectively and not solely to the share transactions that were granted after November 7, 2002.

Descriptions of the effect of the transition to IFRS on the net equity and the results of the Group have been provided for in the 2004 Annual Report, and in the 2004 quarterly summarized financial statements which have been published in May 2005.

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

The accounting policies are described below.

A) PRINCIPLES OF CONSOLIDATION

The subsidiaries which are directly controlled by the parent company or indirectly controlled by other consolidated companies are consolidated.

The Company's interests in subsidiary ventures are proportionately consolidated.

Investment in companies, over which the Group has significant influence, are accounted for by the equity method. Significant influence is presumed when the Group holds, directly or indirectly (eg through subsidiaries), 20% or more of the voting power of the investee.

Companies in which ownership interest is less than 20%, but over which the Company has the ability to exercise significant influence, are also accounted for by the equity method.

All material intercompany accounts, transactions and income have been eliminated.

B) FOREIGN CURRENCY TRANSLATION

The financial statements of subsidiaries are prepared in the currency that most clearly reflects their business environment. This is referred to as their functional currency.

(i) Monetary transactions

Transactions denominated in foreign currencies are translated at the exchange rate prevailing when the transaction is realized. At each balance sheet date, the monetary assets and liabilities are translated at the closing rate and the resulting exchange differences are recognized in "Other income" or "Other expense".

(ii) Translation of financial statements denominated in foreign currencies

All assets and liabilities of consolidated subsidiaries or equity affiliates denominated in foreign currencies are translated into euros on the basis of exchange rates at the end of the period. The consolidated statements of income and of cash flows are translated using the average exchange rates during the period. Foreign exchange differences resulting from such translation are recorded either in "Cumulative translation adjustments" (for the Company's share) or in "Minority interests" as deemed appropriate.

C) SALES AND REVENUES FROM SALES

Revenues from sales of products are recognized when the significant risks and rewards of ownership have been passed to the buyer. Sales figures are presented before deduction of excise taxes collected by the Group within the course of its oil distribution operations. Excise taxes are deducted from sales in order to obtain the Revenue from sales indicator.

Revenues from sales of crude oil, natural gas and coal are recorded upon transfer of title, according to the terms of the sales contracts. Revenues from the production of crude oil and natural gas properties in which TOTAL has an interest with the other producers are recognized on the basis of the company's net working interest (entitlement method).

Revenues from gas transport are recognized when the services are rendered, based on the quantities transported measured according to procedures defined in each service contract.

Revenues from sales of electricity, of refining-marketing activities and of chemicals products are recorded upon transfer of title, according to the terms of the related contracts.

Revenues from services are recognized when the services have been performed.

Oil and gas sales are inclusive of quantities delivered that represent production royalties and taxes.

Certain transactions within the trading activities (contracts involving quantities that are purchased outside the Group then resold outside the Group) are shown at their net value in sales .

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Notes to consolidated statements for the first six months of 2005

Exchanges of crude oil and petroleum products within normal trading activities are excluded from sales.

D) SHARE-BASED PAYMENTS

The Group applies IFRS 2 “Share-based payment” to employee stock-option and share-purchase plans and to capital increases reserved for employees. The benefits are determined by reference to the fair value of the instruments granted.

The cost of options is valued according to the Black-Scholes method at the grant date. The expense is allocated on a straight line basis between the grant date and vesting date.

For employee-reserved capital increases, the cost is immediately recognized as an expense. A discount reduces the expense in order to take into account the non-transferability of the shares awarded to the employees over a period of five years according to French Regulations.

These employee benefits are recognized as expenses with a corresponding credit to shareholders' equity.

E) INCOME TAXES

The Company uses the liability method whereby deferred income taxes are recorded based upon the temporary differences between the financial statement and tax basis of assets and liabilities, and for carryforwards of unused tax losses and tax credits.

Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date. The effect of the change in tax rate is recognized either in the consolidated statement of income or in equity depending on the item it is related to.

Deferred tax assets are recognized where future recovery is probable.

Deferred tax liabilities on temporary differences resulting from the difference between the carrying value of the equity-method investments and the taxable basis of these investments are recognized. The deferred tax calculation is based on the expected future tax effect (dividend distribution rate or tax rate on the gain or loss upon sale of these investments).

Taxes paid for the Upstream production are included in operating expenses. They include taxes related to historical concessions held by the company in the Middle East producing countries.

F) EARNINGS PER SHARE

Earnings per common share are calculated by dividing net income by the fully diluted weighted average number of common shares and common share equivalents outstanding during the period. Treasury shares deducted from consolidated shareholders' equity are not considered outstanding for purposes of this calculation.

The weighted average number of fully diluted shares is calculated in accordance with the treasury stock method. The proceeds which would be recovered in the event of an exercise of options related to dilutive instruments are presumed to be a buyback of shares at market price as of the closing date of the period. The number of shares thereby obtained leads to a reduction in the total number of shares that would result from the exercise of options.

G) OIL AND GAS EXPLORATION AND PRODUCING PROPERTIES

The Group applies IFRS 6 “Exploration and Evaluation of Mineral Resources”. Oil and Gas exploration and production properties and assets are accounted for in accordance with the “successful efforts” method.

(i) Exploration costs

Geological and geophysical costs, including seismic surveys for exploration purposes are expensed as incurred.

Exploration leasehold acquisition costs are capitalized as intangible assets when acquired, impairment is determined regularly, property by property, on the basis of the results of the exploratory activity and management's evaluation.

In the event of a discovery, the unproved leasehold rights are transferred to proved leasehold rights at their net book value as soon as proved reserves are booked.

Exploratory wells are accounted for as follows:

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Notes to consolidated statements for the first six months of 2005

- Costs of exploratory wells that have found proved reserves are capitalized. Capitalized successful exploration wells are then depreciated using the unit-of-production method based on proved developed reserves.
- Costs of dry exploratory wells and wells that have not found proved reserves, are charged to expense.
- Costs of exploratory wells are temporarily capitalized until a determination is made as to whether the well has found proved reserves if both of the following conditions are met:
 - The well has found a sufficient quantity of reserves to justify its completion as a producing well, if appropriate, assuming that the required capital expenditure is made;
 - The Company is making sufficient progress assessing the reserves and the economic and operating viability of the project.

This progress is evaluated on the basis of indicators such as whether additional exploratory works are under way or firmly planned (wells, seismic or significant studies), whether costs are being incurred for development studies and whether the Company is waiting for governmental or other third-party authorization of a proposed project, or availability of capacity on an existing transport or processing facility.

Costs of exploratory wells not meeting these conditions are charged to expense.

(ii) Oil and Gas producing assets

Development costs incurred for the drilling of development wells and in the construction of production facilities are capitalized, together with interest costs incurred during the period of construction and estimated discounted costs of asset retirement obligations. The rate of depletion is equal to the ratio of oil and gas production for the period to proved developed reserves (unit-of-production method).

With respect to production sharing contracts, this computation is based on the portion of production and reserves assigned to the Company taking into account estimates based on the contractual clauses regarding the reimbursement of exploration and development costs (cost oil) as well as the sharing of hydrocarbon rights (profit oil).

Transportation assets are depreciated using the unit-of-production method based on throughput or by using the straight-line method whichever best reflects the economic life of the asset.

Proved leasehold rights are depreciated using the unit-of-production method based on proved reserves.

H) OTHER INTANGIBLE ASSETS

Other intangible assets include goodwill, patents, trademarks, and leasehold rights.

Goodwill in a consolidated company is calculated as the excess of the cost of shares, including transaction expenses, over the Group's equity in the fair value of the net assets at the acquisition date. Goodwill is not amortized but is tested for impairment annually or more frequently if there is any indication that an asset may be impaired (see note 1 K : Impairment of long-lived assets.)

Other intangible assets (except goodwill) have a definite useful life and are amortized on a straight-line basis over 10 to 40 years depending on useful life of the assets.

Research and development cost

Research costs are charged to expense as incurred. Expenses incurred during the development phase of an R&D project are capitalized as an intangible asset if all the following criteria are met:

- the technical feasibility of the project and the availability of the appropriate resources for the completion of the intangible asset,
- the ability of the asset to generate probable future economic benefits;
- the ability to value reliably the expenses attributable to the asset.

Advertising costs are charged to expense as incurred.

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Notes to consolidated statements for the first six months of 2005

I) OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment are carried at cost. The basis includes interest expenses incurred until assets are placed into service. Equipment subsidies are deducted from the cost of the related expenditures.

Routine maintenance and repairs are charged to income as incurred. The cost of major turnarounds of refineries and large petrochemical units are capitalized and depreciated over the period of time between two major turnarounds.

Other property, plant and equipment are depreciated using the straight-line method over their useful life, as follows:

– Furniture, office equipment, machinery and tools:	3-12 years
– Transportation equipment:	5-20 years
– Storage tanks and related equipment:	10-15 years
– Specialized complex installations and pipelines:	10-30 years
– Buildings:	10-50 years

J) LEASES

Finance leases which transfer to the Group substantially all the risks and rewards of ownership are capitalized at the fair value of the leased item or if lower at the present value of the minimum lease payments. A financial debt is recognized for the same amount. These assets are depreciated over their useful life.

All other leases are operating leases.

K) IMPAIRMENT OF LONG-LIVED ASSETS

The carrying amounts of intangible assets and property, plant and equipment are tested for possible impairment if there is any indication that the assets may be impaired. This test is performed at least annually for goodwills.

For this purpose, assets are grouped by cash-generating units (or CGUs). A cash-generating unit is a group of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets.

The recoverable amount is determined for each CGU by reference to the discounted future cash flow expected from it, based upon management's expectation of future economic and operating conditions. If the recoverable amount is less than the carrying amount, an impairment loss on property plant and equipment, or on intangible assets is recognized either in the "Depreciation, depletion and amortization of tangible assets" or in the "Other expense", respectively.

Impairment losses recognized in prior periods (except those related to goodwill) could be reversed up to the net book value that the asset would have, had the impairment not been recognized.

L) FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are financial loans and receivables, investments in non-consolidated subsidiaries, publicly-traded equity securities, financial derivatives, debt and other financial liabilities.

The accounting treatment of these items is as follows.

(i) Financial loans and receivables

These assets are recognized at amortized cost. They are tested for impairment, if there is any evidence that their fair value is less than their accounting value, and at least once a year. The potential loss is recorded in the consolidated statement of income.

(ii) Investments in non-consolidated subsidiaries and publicly-traded equity securities

These assets are classified as available for sale and measured at their fair value. For listed securities, fair value is given by the market price. If fair value is not reliably determinable, securities are recorded at their historical value. Changes in fair value are recorded in the equity. If there is any evidence of a significant and long-lasting loss, an impairment is recorded in the consolidated statement of income. This impairment is reversed in the consolidated statement of income only when the securities are sold.

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Notes to consolidated statements for the first six months of 2005

(iii) Derivative instruments

The Company uses derivative instruments in order to manage its exposure to changes in interest rates and foreign exchange rates.

Within its hedging policy, the Company enters into interest rate and foreign currency swap agreements. The Company may also use futures, caps, floors, and options.

In connection with its international trading activities, the Company, like most other oil companies, uses derivative instruments to adjust its exposure to expected fluctuations in the prices of crude oil, refined products, natural gas and of power. Furthermore, the Group uses freight-rate derivative contracts in its shipping activity in order to adjust its exposure to freight-rate fluctuations. In order to hedge against this risk, the Company uses various instruments such as futures, forwards, swaps and options on organized markets or over-the-counter markets.

Derivative instruments used by the Group are valued at fair value, and fair value changes are recognized in the statement of income.

(iv) Debt and other financial liabilities

Loans and other financial liabilities (excluding derivatives) are recognized at amortized cost, except those for which a hedge accounting can be applied.

Fixed rate loans, hedged by interest rate swaps or combined currency and interest rate swaps are recorded under fair value hedge accounting. A hedging relationship qualifies for hedge accounting only if there is formal designation and documentation of the hedging relationship at the inception of the hedge and if the hedge is expected to be highly effective throughout the financial reporting periods for which the hedge is designated. Applying fair value hedging has the following consequences :

- Loans are recognized at their fair value in the balance sheet
- Changes in fair value of the loans are recorded in the profit and loss statement where they are compensated by the changes in fair value of the swaps

M) INVENTORIES

Inventories are valued in financial statements at either the historical cost or the market value, whichever is lower. The Group values inventories of petroleum products in the financial statements according to the FIFO (First-In, First-Out) method and other inventories using the weighted-average cost method.

In note 6 setting forth information by business segment, the adjusted results of the Downstream segment and Chemicals segment are presented according to the replacement cost method in order to ensure the comparability of the Group's results with those of its competitors, mainly North-American.

In the replacement cost method which is similar to the LIFO (Last-In, First-Out) method, the variation of inventories in the income statement is determined by the average prices of the period rather than the historical value. The inventory valuation effect is the difference between the results according to the FIFO and the replacement cost. This effect is presented in the adjustment items in note 7.

Downstream (Refining – Marketing)

Petroleum product inventories include mainly crude oil and refined products. Refined products are made up principally of motor gasoline, kerosene, diesel fuel, heating oil and are produced by the Company's refineries. The average life cycle of petroleum products is no longer than two months.

Crude oil cost flows include raw material and receipt costs. Refining cost flows principally include the cost of crude oil, production (energy, labor, depreciation of producing assets) and allocation of production overheads (taxes, maintenance, insurance). Retained costs, initial tooling or other deferred start-up costs or general and administrative costs are not included in the determination of the historical cost of refined products.

Chemicals

Costs of chemical product inventories consist of the cost of materials, direct labor and an allocation of production overheads. Retained costs, initial tooling or other deferred start-up costs or general and administrative costs are not included in the determination of the cost of inventories of chemicals products.

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Notes to consolidated statements for the first six months of 2005

N) TREASURY SHARES

Treasury shares held by the parent company or its subsidiaries in their individual accounts are deducted from consolidated shareholders' equity. Gains or losses on sales of treasury shares are excluded from the determination of net income.

O) OTHER LONG-TERM LIABILITIES

Long-term liabilities comprise liabilities for which the amount and the timing are uncertain. They arise from environmental risks, legal and tax risks, litigations and other risks.

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources will be required, and when a reliable estimate can be made of the amount of the obligation. The amount of the contingency reserve corresponds to the best possible estimate.

P) ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations, which result from a legal or constructive obligation, are recognized on the basis of a reasonable estimate of their fair value, in the period in which appears a retirement obligation.

The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the useful life of the associated fixed asset.

An entity is required to measure changes in the liability for an asset retirement obligation due to passage of time (accretion) by applying a credit adjusted risk-free rate to the amount of the liability at the beginning of the period. The increase of the provision due to the passage of time is recognized as "Other financial expense".

Q) EMPLOYEE BENEFITS

In accordance with the laws and practices of each country, the Company participates in employee benefit plans offering retirement, death and disability, health care and special termination benefits. These plans provide benefits based on various factors such as length of service, salaries, and contributions made to the national bodies responsible for the payment of benefits.

These plans can either be defined contribution or defined benefit pension plans and may be entirely or partially funded with investments made in various non-Company instruments such as mutual funds, insurance contracts, and securities.

For defined contribution plans, expenses correspond to the contributions paid.

For defined benefit plans, accruals and prepaid expenses are determined using the projected unit credit method. Actuarial gains and losses may result from the difference generated between projected commitments and the actuarial valuation (based on new projections and actuarial assumptions) on the same date and difference between the expected return and the actual return of plan assets.

The Group applies the corridor method to amortize its actuarial losses and gains. This method entails spreading the actuarial losses and gains in excess of 10% of the highest value of funded obligations, or externally-funded plans, over the residual employment term for those still in service.

In case of creation or of improvement to a plan, the vested portion of the cost of past services is recorded immediately in the income statement, the unvested past services costs is amortized over the vesting period.

The net periodic pension cost is recognized as "Other operating expenses".

R) EMISSION RIGHTS

In the absence of a current IFRS standard or interpretation on accounting for emission rights, the following principles have been applied:

- Emission quotas issued free of charge are accounted for nil.
- Transactions which have been made on the market are recorded at cost.
- The liabilities resulting from potential differences between available quotas and quotas to be delivered at the end of the compliance period are accounted for as a provision, at fair market value.

2. MAIN ACCOUNTING AND FINANCIAL INDICATORS - INFORMATION BY BUSINESS SEGMENT

The financial information for each business segment is reported on the same basis that is used internally by the chief operating decision maker in assessing segment performance and the allocation of segment resources.

Adjustment items

Due to their particular nature or significance, certain transactions qualified as "special items" are monitored at the Group level and excluded from the business segment figures. In general, special items relate to transactions that are significant, infrequent or unusual. However, in certain instances, certain transactions such as restructuring costs or assets disposals, which are not considered to be representative of normal course of business, may be qualified as special items although they may have occurred within prior years or are likely to recur within following years.

Special items, together with the inventory valuation effect (described in Note 1 M) and TOTAL's equity share of amortization of intangible assets related to the Sanofi-Aventis merger, form the adjustment items. The detail of adjustment items is presented in Note 7.

The adjusted results (adjusted operating income, adjusted net operating income, adjusted net income) are meant to facilitate the analysis of the financial performance and the comparison of income between periods.

Operating income (measure used to evaluate operating performance)

Revenue from sales after deducting cost of goods sold and inventory variations, other operating expenses, exploration expenses and depreciation, depletion, and amortization

Operating income excludes the amortization of intangible assets other than leasehold rights, translation adjustments, and gains or losses on the sale of assets.

Net operating income (measure used to evaluate the return on capital employed)

Operating income after deducting the amortization and the depreciation of intangible assets other than leasehold rights, translation adjustments and gains or losses on the sale of assets, as well as all other income and expenses related to capital employed (dividends from non-consolidated companies, share in income of equity method affiliates, capitalized interest expenses), and after applicable income taxes.

The income and expenses not included in net operating income which are included in net income are interest expenses related to long-term liabilities net of interest earned on cash and cash equivalents, after applicable income taxes (net cost of net debt and minority interests).

Adjusted income

Operating income, net operating income, or net income excluding the effect of adjustment items.

Capital employed

Non-current assets and working capital requirements, at replacement cost, net of deferred taxes and long-term liabilities.

ROACE (Return on Average Capital Employed)

Ratio of adjusted net operating income to average capital employed between the beginning and the end of the period.

Net debt

Long-term debt, including short-term portion, short-term borrowings, bank overdrafts less cash and cash equivalents and short-term investments.

3. CHANGES IN THE GROUP STRUCTURE

There were no major changes in the Group structure during the first six months of 2005.

4. SHAREHOLDERS' EQUITY

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

As of June 30, 2005, TOTAL S.A. held 25,032,963 of its own shares, representing 3.94% of its share capital, detailed as follows :

- 8,956,895 allocated to covering share purchase option plans for Company employees.

- 16,076,068 shares, of which 4,356,068 shares were purchased in November and December 2004, and 11,720,000 during the first six months of 2005, pursuant to the authorization granted by the Ordinary and Extraordinary Shareholders' Meetings held on May 14, 2004 and on May 17, 2005.

These 25,032,963 shares are deducted from the consolidated shareholders' equity.

Shares held by the subsidiaries

As of June 30, 2005, TOTAL S.A. held indirectly, through its subsidiaries 25,082,817 of its own shares, representing 3.94% 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.

- 24,576,899 shares held by subsidiaries of Elf Aquitaine, Financière Valorgest, Sogapar and Fingestval.

These 25,082,817 shares are deducted from the consolidated shareholders' equity.

Subsidiaries' redeemable preferred shares

Subsidiaries' redeemable preferred shares have been fully repaid during the first six months of 2005.

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5. LONG-TERM DEBT

The Group has issued debenture loans through its subsidiary Total Capital during the first six months of 2005 :

- Debenture 3.25% 2005-2012 (100 million EUR)
- Debenture 4.125% 2005-2011 (100 million USD)
- Debenture 4.125% 2005-2011 (50 million USD)
- Debenture 4.125% 2005-2011 (50 million USD)
- Debenture 4% 2005-2011 (100 million CAD)
- Debenture 5.75% 2005-2011 (100 million AUD)
- Debenture 3.5% 2005-2009 (50 million USD)
- Debenture 2.125% 2005-2012 (300 million CHF)
- Debenture 3.25% 2005-2012 (300 million EUR)

The Group has reimbursed debenture loans during the first six months of 2005 :

- Debenture 5.375% 2000-2005 (250 million EUR)
- Debenture 3.25% 1999-2005 (200 million CHF)
- Debenture 3.25% 2000-2005 (100 million CHF)
- Debenture 3.78% 1999-2006 (20 million FRF)
- Debenture 6.875% 2000-2005 (150 million GBP)
- Debenture 8.2% 1995-2005 (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 consolidated statements for the first six months of 2005

6. BUSINESS SEGMENT INFORMATION

Amounts in millions of euros

1 st half 2005	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Non-Group sales	9 015	44 535	11 254	8		64 812
Intersegment sales	8 393	1 964	646	78	(11 081)	-
Excise taxes		(10 297)				(10 297)
Revenues from sales	17 408	36 202	11 900	86	(11 081)	54 515
Operating expenses	(7 592)	(32 693)	(10 647)	(235)	11 081	(40 086)
Depreciation, depletion, and amortization of tangible assets	(1 594)	(519)	(370)	(16)		(2 499)
Operating income	8 222	2 990	883	(165)	-	11 930
Equity in income (loss) of affiliates and other items	253	227	(113)	193		560
Tax on net operating income	(4 780)	(1 001)	(237)	81		(5 937)
Net operating income	3 695	2 216	533	109		6 553
Net cost of net debt						(100)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(166)
Net income						6 287

1 st half 2005 (adjustments) (*)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Non-Group sales						
Intersegment sales						
Excise taxes						
Revenues from sales						
Operating expenses	-	1 155	(42)	-		1 113
Depreciation, depletion, and amortization of tangible assets	-	-	(11)	-		(11)
Operating income (1)	-	1 155	(53)	-		1 102
Equity in income (loss) of affiliates and other items (2)	-	30	(134)	(214)		(318)
Tax on net operating income	-	(380)	63	-		(317)
Net operating income (1)	-	805	(124)	(214)		467
Net cost of net debt						-
Minority interests and dividends on subsidiaries' redeemable preferred shares						(5)
Net income						462

(*) Adjustments include special items, inventory valuation effect and equity share of amortization of intangible assets related to the Sanofi-Aventis merger

(1) Of which inventory valuation effect

On operating income	-	1 155	(42)	-		
On net operating income	-	805	(26)	-		

(2) Of which equity share of amortization of intangible assets related to the Sanofi-Aventis merger

	-	-	-	(137)		
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1 st half 2005 (adjusted)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Non-Group sales	9 015	44 535	11 254	8		64 812
Intersegment sales	8 393	1 964	646	78	(11 081)	-
Excise taxes		(10 297)				(10 297)
Revenues from sales	17 408	36 202	11 900	86	(11 081)	54 515
Operating expenses	(7 592)	(33 848)	(10 605)	(235)	11 081	(41 199)
Depreciation, depletion, and amortization of tangible assets	(1 594)	(519)	(359)	(16)		(2 488)
Operating income	8 222	1 835	936	(165)		10 828
Equity in income (loss) of affiliates and other items	253	197	21	407		878
Tax on net operating income	(4 780)	(621)	(300)	81		(5 620)
Net operating income	3 695	1 411	657	323		6 086
Net cost of net debt						(100)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(161)
Net income						5 825

1 st half 2005	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Total expenditures	3 001	576	403	59		4 039
Divestitures at selling price	390	103	30	67		590
Cash flow from operating activities (3)	4 919	1 619	287	(91)		6 734

(3) In the Chemicals segment, this figure amounts to 338 millions of euros excluding an amount of 51 millions of euros paid relating to the Toulouse AZF plant explosion.

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Notes to consolidated statements for the first six months of 2005

Amounts in millions of euros

1 st half 2004	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Non-Group sales	7 243	39 272	9 569	20		56 104
Intersegment sales	6 432	1 196	291	53	(7 972)	-
Excise taxes		(10 634)				(10 634)
Revenues from sales	13 675	29 834	9 860	73	(7 972)	45 470
Operating expenses	(6 114)	(27 626)	(8 987)	(258)	7 972	(35 013)
Depreciation, depletion, and amortization of tangible assets	(1 574)	(498)	(413)	(17)		(2 502)
Operating income	5 987	1 710	460	(202)		7 955
Equity in income (loss) of affiliates and other items	265	96	(188)	297		470
Tax on net operating income	(3 337)	(533)	(80)	79		(3 871)
Net operating income	2 915	1 273	192	174		4 554
Net cost of net debt						(58)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(122)
Net income						4 374

1 st half 2004 (adjustments) (*)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Non-Group sales						
Intersegment sales						
Excise taxes						
Revenues from sales						
Operating expenses	-	436	112	-		548
Depreciation, depletion, and amortization of tangible assets	-	-	-	-		-
Operating income (1)	-	436	112	-		548
Equity in income (loss) of affiliates and other items (2)	-	12	(201)	-		(189)
Tax on net operating income	-	(144)	30	-		(114)
Net operating income (1)	-	304	(59)	-		245
Net cost of net debt						-
Minority interests and dividends on subsidiaries' redeemable preferred shares						(2)
Net income						243

(*) Adjustments include special items, inventory valuation effect and equity share of amortization of intangible assets related to the Sanofi-Aventis merger

(1) Of which inventory valuation effect

On operating income	-	436	112	-
On net operating income	-	304	75	-

(2) Of which equity share of amortization of intangible assets related to the Sanofi-Aventis merger

1 st half 2004 (adjusted)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Non-Group sales	7 243	39 272	9 569	20		56 104
Intersegment sales	6 432	1 196	291	53	(7 972)	-
Excise taxes		(10 634)				(10 634)
Revenues from sales	13 675	29 834	9 860	73	(7 972)	45 470
Operating expenses	(6 114)	(28 062)	(9 099)	(258)	7 972	(35 561)
Depreciation, depletion, and amortization of tangible assets	(1 574)	(498)	(413)	(17)		(2 502)
Operating income	5 987	1 274	348	(202)		7 407
Equity in income (loss) of affiliates and other items	265	84	13	297		659
Tax on net operating income	(3 337)	(389)	(110)	79		(3 757)
Net operating income	2 915	969	251	174		4 309
Net cost of net debt						(58)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(120)
Net income						4 131

1 st half 2004	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
Total expenditures	2 548	575	434	51		3 608
Divestitures at selling price	201	82	49	21		353
Cash flow from operating activities (3)	4 979	2 157	(38)	(333)		6 765

(3) In the Chemicals segment, this figure amounts to 184 millions of euros excluding an amount of 222 millions of euros paid relating to the Toulouse AZF plant explosion.

TOTAL

Notes to consolidated statements for the first six months of 2005

7. ADJUSTMENT ITEMS

ADJUSTMENTS TO OPERATING INCOME

<i>(in millions of euros)</i>		Upstream	Downstream	Chemicals	Corporate	Total
First half 2005	Inventory valuation effect	-	1,155	(42)	-	1,113
	Restructuring charges	-	-	-	-	-
	Asset impairment charges	-	-	(11)	-	(11)
	Other items	-	-	-	-	-
Total		-	1,155	(53)	-	1,102
First half 2004	Inventory valuation effect	-	436	112	-	548
	Restructuring charges	-	-	-	-	-
	Asset impairment charges	-	-	-	-	-
	Other items	-	-	-	-	-
Total		-	436	112	-	548

ADJUSTMENTS TO NET INCOME, GROUP SHARE

<i>(in millions of euros)</i>		Upstream	Downstream	Chemicals	Corporate	Total
First half 2005	Inventory valuation effect	-	799	(26)	-	773
	Total's equity share of special items recorded by Sanofi-Aventis	-	-	-	(78)	(78)
	Adjustment related to the Sanofi-Aventis merger	-	-	-	(135)	(135)
	Restructuring charges	-	-	(90)	-	(90)
	Asset impairment charges	-	-	(8)	-	(8)
	Gains (losses) on sales of assets	-	-	-	-	-
	Additional Toulouse - AZF provision	-	-	-	-	-
	Other items	-	-	-	-	-
Total		-	799	(124)	(213)	462
First half 2004	Inventory valuation effect	-	301	75	-	376
	Restructuring charges	-	-	(31)	-	(31)
	Asset impairment charges	-	-	-	-	-
	Gains (losses) on sales of assets	-	-	-	-	-
	Additional Toulouse - AZF provision	-	-	(98)	-	(98)
	Other items	-	-	(4)	-	(4)
Total		-	301	(58)	-	243

TOTAL

Notes to consolidated statements for the first six months of 2005

8. OTHER RISKS AND CONTINGENT LIABILITIES

The Group has been informed by the government of Venezuela of a challenge to the Group's computation of certain taxes and royalties. The Group believes that it is in compliance with the applicable tax and legal provisions.

9. 2004 IFRS COMPARATIVE FIGURES

Following reclassification under IFRS of certain trading transactions (see 1 C – Sales and revenues from sales), comparative figures for second quarter 2004 and first half previously released by the Group have been modified as follows:

(in millions of euros)

Consolidated statement of income – 2nd quarter 2004	As modified	As previously released
Sales	29,129	28,003
Purchases, net of inventory variation	<u>(13,129)</u>	<u>(12,003)</u>
	16,000	16,000

Consolidated statement of income – 1st half 2004	As modified	As previously released
Sales	56,104	54,978
Purchases, net of inventory variation	<u>(25,168)</u>	<u>(24,042)</u>
	30,936	30,936

These reclassifications have no impact on net income or cash flows; they impact non-group sales and operating expenses of the Upstream segment in Business segment information.