

Corporate Governance

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Chairman's report prepared in accordance with article L. 225-37 of the Commercial Code

Pursuant to the French financial security act of August 1, 2003, this report includes information on the preparation and organization of the Board of Directors, internal control procedures implemented by the Corporation, and any restrictions that the Board of Directors has placed on the power exercised by the Chief Executive Officer.

TOTAL actively examines corporate governance matters. In particular, the Group maintains a policy of transparency regarding the compensation of and the allocation of stock purchase and subscription options to its corporate officers. As early as 1995, the Group established two special committees: a Nominating & Compensation Committee and an Audit Committee. At its meeting on February 19, 2003, the Board of Directors amended the corporate governance policies initially adopted in 1995 and in 2001 to take into account recent developments, including the AFEP-MEDEF report published in France in September 2002.

At its meeting on February 18, 2004, the Board of Directors adopted a code of ethics that, in the overall context of the Group's Code of Conduct, applies to its chief executive officer, chief financial officer, chief accounting officer and the financial and accounting officers for its principal activities. The Board has made the Audit Committee responsible for ensuring compliance with this Code. In addition, the Board has designated Jacques Friedman, an independent director, as Chairman of the Audit Committee and as audit committee financial expert.

The shareholders meeting held on May 14, 2004 appointed a director, representing employee shareholders.

* Composition of the Board of Directors

During the year, the composition of the Board of Directors of TOTAL S.A. was the following⁽¹⁾:

Thierry Desmarest

59 years old. Chairman and Chief Executive Officer of TOTAL S.A. since May 31, 1995. Director of Sanofi-Aventis. Member of the Supervisory Board of Air Liquide and of Areva. Director of TOTAL S.A. since 1995 and until 2007. Appointed Chairman and Chief Executive Officer of Elf Aquitaine on February 15, 2000. Holds 58,300 shares.

Daniel Boeuf

56 years old. Director representing employee shareholders. Director of Training and Skills Management in Refining & Marketing. Chairman of the Supervisory Board of the French Total Actionnariat France employee investment fund. Director of TOTAL S.A. since May 2004 and until 2007. Holds 1,218.3644 shares of the "Total Actionnariat France" employee investment fund.

Daniel Bouton

54 years old. Independent Director⁽²⁾. Chairman and Chief Executive Officer of Société Générale. Director of Schneider Electric S.A., of Arcelor and of Veolia Environnement. Director of TOTAL S.A. since 1997 and until 2006. Holds 800 shares.

Bertrand Collomb

62 years old. Independent Director⁽²⁾. Chairman of Lafarge. Director of Vivendi Universal and of Unilever. Director of TOTAL S.A. since 2000 and until 2006. Holds 1,178 shares.

Paul Desmarais Jr.

50 years old. Independent Director ⁽²⁾.
 Chairman and Co-Chief Executive Officer of Power Corporation of Canada.
 Vice-Chairman and Executive Director of Pargesa Holding. Vice Chairman of the Supervisory Board of Imerys. Member of the Board of Directors and of the Management Committee of Great-West, of Groupe Bruxelles Lambert and of the London Insurance Group Inc. Director of Suez.
 Director of TOTAL S.A. since 2002 and until 2005.
 Holds 500 shares.

Jacques Friedmann

72 years old. Independent Director ⁽²⁾.
 Director of BNP Paribas and of LVMH.
 Director of TOTAL S.A. since 2000 and until 2006.
 Holds 1,519 shares.

Bertrand Jacquillat

60 years old. Independent Director ⁽²⁾.
 University Professor. Co-founder and Chairman and Chief Executive Officer of Associés en Finance. Member of the Supervisory Board of Klépierre.
 Director of TOTAL S.A. since 1996 and until 2005.
 Holds 900 shares.

Antoine Jeancourt-Galignani

67 years old. Independent Director ⁽²⁾. Former Chairman of Assurances Générales de France. Chairman of the Board of Gecina and of the Supervisory Board of Euro Disney SCA. Director of Société Générale and of Kaufman & Broad.
 Director of TOTAL S.A. since 1994 and until 2006.
 Holds 1,085 shares.

Anne Lauvergeon

45 years old. Independent Director ⁽²⁾.
 Chairman of the Management Board of Areva.
 Director of Suez. Vice Chairman of the Supervisory Board of Sagem.
 Director of TOTAL S.A. since 2000 and until 2006.
 Holds 500 shares.

Maurice Lippens

61 years old. Independent Director ⁽²⁾.
 Chairman of Fortis. Director of Suez-Tractebel, of Groupe Bruxelles Lambert, Belgacom.
 Director of TOTAL S.A. since 2003 and until 2005.
 Holds 800 shares.

Michel Pébereau

62 years old. Independent Director ⁽²⁾.
 Chairman of BNP Paribas.
 Director of Lafarge and of Saint-Gobain.
 Member of the Supervisory Board of AXA.
 President of the Fédération Bancaire Européenne.
 Director of TOTAL S.A. since 2000 and until 2006.
 Holds 589 shares.

Thierry de Rudder

55 years old. Independent Director ⁽²⁾.
 Managing Director of Groupe Bruxelles Lambert.
 Director of Suez.
 Member of the Supervisory Board of Imerys.
 Director of TOTAL S.A. since 1999 and until 2007.
 Holds 989 shares.

Jürgen Sarrazin

68 years old. Independent Director ⁽²⁾.
 Former Chairman of the Management Board of Dresdner Bank. Director of TOTAL S.A. since 2000 and until 2006.
 Holds 1,477 shares.

Serge Tchuruk

67 years old. Independent Director ⁽²⁾.
 Chairman and Chief Executive Officer of Alcatel.
 Director of Thalès.
 Director of TOTAL S.A. since 1989 and until 2007.
 Holds 24,574 shares.

Pierre Vaillaud

69 years old. Independent Director ⁽²⁾.
 Former Chairman and Chief Executive Officer of Elf Aquitaine and Technip.
 Director of Technip. Member of the Supervisory Board of Cegelec and of Oddo Pinatton.
 Director of TOTAL S.A. since 2000 and until 2006.
 Holds 500 shares.

(1) Information as of December 31, 2004

(2) The independence of the members of the Board of Directors is reviewed every year by the Board itself, with the most recent review having occurred on February 16, 2005. Upon the proposal of the Nominating & Compensation Committee, and in conformity with the 2002 AFEP-MEDEF Report on corporate governance published in France, the criteria that the Board has adopted for evaluating the independence of its members is the absence of any material relationship with the Company, the Group or its management which could compromise the independent judgment of a Director. In its evaluation, the Board examines the specific criteria listed in the above mentioned report. The Board considers that the current or past relationships existing between the Company and certain of its Directors were not of the nature that they would affect the independent judgment of those Directors.

* Directors Charter

The Directors Charter specifies the obligations of each Director and establishes the mission and operating rules and regulations of the Board of Directors. Each Director undertakes to maintain the independence of his analysis, judgment, decision and action as well as not to be unduly influenced. When a Director participates in and votes at Board meetings, he is required to represent the interest of the shareholders and the Company as a whole. Directors must actively participate in the affairs of the Board, specifically on the basis of information communicated to him by the Company. Each Director must inform the Board of conflicts of interest that may arise, including the nature and terms of any proposed transactions that could give rise to such situations. When such occasions arise, he is required to clearly express the conflict as it pertains to the plans and projects discussed by the Board. He is required to own at least 500 registered company shares (with the exception of the Director representing employee shareholders, who is required to own either at least one share or the equivalent of one share via an employee savings plan) and comply strictly with provisions regarding the use of material non-public information.

In addition to requiring that all director's shares and ADRs of TOTAL S.A. and its publicly traded subsidiaries are to be held in registered form, the Directors Charter places a prohibition on buying on margin or short selling in those same securities, and a prohibition on trading shares of TOTAL S.A. for fifteen calendar days preceding the announcement of the Company's periodic earnings and on the day of the announcement.

The mission of the Board of Directors consists of determining the overall strategic direction of the Company's operations and supervising the implementation of these strategies. With the exception of the powers and authority expressly attributed to shareholders and within the limits of the company's stated purpose, the Board addresses any issues related to the proper operation of the Company and takes decisions concerning the matters falling within its purview. Within this framework, and among other matters, the Board:

- appoints the corporate officers responsible for managing the Company and supervises their management;
- defines TOTAL's strategy;
- discusses and debates major transactions under consideration by the Group, according to the criteria determined by the Board;
- receives information on any significant event pertaining to the operations of the Company;
- oversees the quality of the information supplied to shareholders and the financial markets through the financial statements that it approves and the annual report, or when major transactions are conducted;

- calls and sets the agenda of shareholders meetings;
- prepares a list each year of the directors it deems to be independent under generally accepted corporate governance criteria; and
- performs audits and inspections as it may deem appropriate.

Specifically, with the assistance of its specialized committees, it ensures the following:

- proper delegation of powers and authority within the Company as well as proper exercise of the respective powers and responsibilities of the Company's governing bodies;
- that no person has the power to bind the Company without proper supervision and control;
- the proper functioning of the organizations responsible for internal control and the satisfactory execution by the external auditors of their missions; and
- the proper functioning of the committees that it has created.

The Board of Directors meets at least four times a year and whenever circumstances so require. The directors are present, represented, or participate in meetings via video conferences that satisfy the technical requirements set by applicable regulations.

The Board establishes those specialized committees, whether permanent or temporary, which are required by applicable legislation or which it may deem appropriate. The Board allocates directors' fees to the directors and may allocate additional directors' fees to directors who participate on specialized committees, within the total amount established for that purpose by the shareholders.

The Board performs an assessment of its own functioning and operations at regular intervals not to exceed three years. In addition, it holds an annual discussion of its functioning and operations. The Company does not have any service contracts with its directors providing for benefits upon termination of employment.

* Meetings of the Board of Directors

The Board of Directors, in most circumstances, is convened after receiving written notice at least eight days in advance. The documents that are to be examined in order for the Board to make informed decisions are, if possible, included with the convening notice or are separately delivered as soon as possible thereafter. The minutes of the immediately preceding Board meeting are submitted at the next meeting for the approval of the Board.

The Board held eight meetings in 2004, with an average attendance of 81%.

The agendas for these meetings included the following points on the dates indicated.

January 8:

- 2004 budget;
- Group's insurance policy;
- Group's financial policy;
- report on Ethics Committee affairs;
- presentation on the agreement with Gaz de France concerning GSO and CFM.

January 25:

- tender offer of Sanofi-Synthélabo for Aventis.

February 18:

- project for the reorganization of TOTAL's Chemicals segment;
- parent company and consolidated 2003 financial statements;
- convening of the annual shareholders meeting, compensation of the Chairman for 2004;
- code of ethics for financial officers and designation of an audit committee financial expert;
- evaluation of the independence of the directors and evaluation of the functioning and operation of the Board.

May 6:

- earnings for the first quarter 2004;
- increased tender offer of Sanofi-Synthélabo for Aventis;
- dividend policy;
- strategy for the Gas & Power sector;
- preparation for the annual shareholders meeting.

May 14:

- appointment of Chairman and Chief Executive Officer, delegations of power and compensation;
- re-appointment of Board committee members.

July 20:

- estimated earnings for the second quarter and first half 2004;
- allocation of stock options;
- long-term plan for the Exploration & Production segment.

September 7:

- presentation of earnings for the second quarter and first half 2004 and mid-2004 outlook;
- long-term plan for the Refining & Marketing segment.

November 9:

- cancellation of treasury shares and related decrease of share capital;
- third quarter earnings;
- distribution of a preliminary dividend;
- Group strategy and five-year plan.

* The Audit Committee

The mission of the Audit Committee (the "Committee") is to assist the Board of Directors so that the latter can ensure the effectiveness of internal control and oversight and the reliability of information provided to shareholders and the financial markets. The Audit Committee is specifically responsible for:

- recommending the appointment of auditors and their compensation and ensuring their independence;
- establishing the rules for the use of auditors for non-audit services;
- examining the accounting policies used in preparing financial statements, examining the parent company annual financial statements and the consolidated annual, semi-annual, and quarterly financial statements prior to their examination by the Board, having regularly examined the financial situation, cash flows and obligations of the Group;
- evaluating internal control procedures and ensuring the implementation and proper functioning of the disclosure committee, including reviewing the reports of this committee;
- approving the scope of the annual audit work of internal and external auditors;
- examining internal audit reports and other reports (external auditors, annual report, etc.), supervising compliance with the code of ethics for financial officers;
- evaluating delegations of authority and risk monitoring and oversight procedures;
- evaluating the choice of appropriate accounting principles and methods;
- examining the policy for the use of derivatives products;
- issuing an opinion regarding major transactions contemplated by the Group;
- annually reviewing significant litigation.

The Committee is made up of at least three directors designated by the Board of Directors. Independent directors must constitute at least two-thirds of the members.

In selecting the members of the Committee, the Board is to pay particular attention to their financial and accounting qualifications. Members of the Committee may receive from the Company and its subsidiaries only (i) the directors fees due on the basis of their positions as Directors and as members of the Audit Committee and (ii) compensation and pensions due for previous work for the Company which are not dependant upon future work or activities.

The committee appoints its own Chairman. The Group Chief Financial Officer serves as the Committee secretary.

At the minimum, the Committee meets four times a year to examine the consolidated annual and quarterly financial statements.

The Committee may meet with the Chief Executive Officer, perform inspections and interview managers of operating or functional entities, as may be useful in performing its duties.

The Committee meets with the external auditors and examines their work, and may do so without management being present. If it deems it necessary for the accomplishment of its mission, the committee may request from the Board the means and resources to make use of outside assistance.

The committee submits a written report to the Board of Directors regarding its work.

The committee members are Messrs. Jacques Friedmann, Bertrand Jacquillat and Thierry de Rudder, each of whom is an independent director.

The Committee is chaired by Mr. Jacques Friedmann, who has also been appointed financial expert on the Audit Committee.

As of December 31, 2004, the Committee members' length of service as directors of TOTAL was four years, eight years, and five years, respectively.

Audit Committee activity in 2004

The Audit Committee met on seven occasions in 2004, with an effective attendance rate of 100%.

At its meeting on January 8, 2004, the Committee reviewed the draft report of the Chairman on internal control procedures which was required under French law for the first time. Pursuant to the French financial security act of August 1, 2003 as it concerns the procedures for re-appointing external auditors, the committee reviewed the proposals of the signing partners of Ernst & Young and recommended to the Board that the signing partner for Ernst & Young be changed in 2004, to comply with rules for the rotation of audit partners. At this meeting, the Committee also reviewed the Group's policy for insurance.

The meeting on February 17, 2004 was dedicated to reviewing the accounts for the fourth quarter 2003 and the consolidated earnings of the Group and parent company accounts of TOTAL S.A. for fiscal year 2003.

In the second quarter, the Committee met on May 4, 2004 to review the first quarter consolidated accounts. On June 16, 2004, the Committee reviewed a detailed presentation on the Group's procedures for booking hydrocarbon reserves and reviewed the work that had been done to reinforce and document the Group's internal control procedures. The Committee also reviewed a presentation progress being made in preparation for the transition from French GAAP to IFRS.

In the second half, the Committee met on August 5, 2004 to review the accounts for the second quarter and for the first half of 2004.

The Committee also met on October 8, 2004 and reviewed the progress of the efforts related to the Group's internal control procedures. The Committee also reviewed a presentation on significant outstanding litigation and reviewed the management of risks related to oil products trading and shipping rates.

On November 8, 2004, the Committee's meeting was dedicated to reviewing the accounts for the third quarter 2004, the transition to IFRS and the budget for external auditors fees.

For each quarter in 2004, the Committee examined the Group's financial situation and the work of the internal audit department.

*** The Nominating & Compensation Committee**

The principal objectives of the Nominating & Compensation Committee are to:

- recommend to the Board of Directors the persons that are qualified to be appointed as directors or corporate officers and to prepare corporate governance rules and regulations that are applicable to the Company; and
- review and examine the executive compensation policies implemented in the Group and the compensation of members of the Executive Committee, recommend the compensation of the Chief Executive Officer, and prepare any report that the Company must submit on these subjects.

It performs the following specific tasks:

With respect to nominations:

1. Assists the Board in the selection of directors, corporate officers, and directors as committee members.
2. Recommends annually to the Board the list of directors who may be considered as "independent directors" of the Company.

With respect to compensation:

1. Makes recommendations and proposals to the Board regarding:
 - a) compensation, the retirement and pension system, in-kind benefits, and other financial benefits of the executive directors of TOTAL S.A., including retirement.
 - b) allocations of stock subscription or purchase options and specifically allocations to individual executive directors.
2. Examines the compensation of members of the Executive Committee, including stock option plans and plans based on movements in share price ("equity-based plans"), retirement and pension systems, and benefits in-kind.

The committee is made up of at least three Directors designated by the Board of Directors.

Independent directors must represent a majority of the members. Members of the Appointments and Compensation Committee may receive from the Company and its subsidiaries only (i) the directors' fees due on the basis of their positions as directors and as members of the Appointments and Compensation Committee and (ii) compensation and pensions due for previous work for the Company which are not dependent upon future work or activities.

The committee appoints its Chairman and its secretary. The latter must be a senior executive of the Company.

The committee meets at least twice a year. The committee invites the Chief Executive Officer of the Company to submit recommendations and proposals.

The Chief Executive Officer may not be present for deliberations regarding his own situation. While appropriately maintaining the confidentiality of discussions, the committee may request that the Chief Executive officer be assisted by any senior executive of the Company whose skills and qualifications could facilitate the handling of an agenda item.

If it deems it necessary to accomplish its mission, the committee may request from the Board the means and resources to make use of outside assistance. The committee submits reports to the Board of Directors regarding its work.

The committee met twice in 2004 with an average of two-thirds attendance. Its members are Messrs. Bertrand Collomb, Michel Pebereau and Serge Tchuruk, all of whom are independent directors. The committee is chaired by Mr. Michel P ebereau.

The committee proposed to the Board of Directors the list of directors to be recommended to the shareholders meeting, gave its opinion on the candidates for the appointment as the Director representing employee shareholders and proposed the list of independent directors, according to generally recognized criteria for corporate governance, who did not have any significant relationship with the Company. At its meeting on February 18, 2004, the Board confirmed that Messrs. Bouton, Collomb, Desmarais, Friedman, Jacquillat, Jeancourt-Galignani, Ms. Lauvergeon, Messrs. Lippens, P ebereau, de Rudder, Sarrazin, Tchuruk, and Vaillaud were independent directors.

Pursuant to the recommendations of the AFEP-MEDEF report of September 2002, a self-evaluation of the functioning and operations of the Board of Directors was undertaken by an outside firm in November and December 2003. The report of this evaluation was reviewed by the Nominating & Compensation Committee and was discussed by the Board at its meeting held on February 18, 2004.

The Board's operation was deemed to be satisfactory and steps were taken to make improvements on certain points. The Board also updated its work schedule at this meeting.

* General Management

Upon proposal of the Nomination & Compensation Committee, the Board of Directors, at its meeting on May 14, 2004, decided to maintain the method of general management, that is, to combine the duties of Chairman of the Board of Directors and Chief Executive Officer. It reconfirmed Mr. Thierry Desmarest in these duties, after renewal of his term of office as Director by the general meeting of shareholders on the same day. This decision has not been modified.

* Internal control procedures

TOTAL applies the internal control framework of the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO). Within this framework, internal control is a process intended to provide reasonable assurance of the following: the completion and optimization of operations, the reliability of financial information, and compliance with applicable laws and regulations. Like any internal control system, however, it may not provide an absolute guarantee that all risk is completely eliminated.

Consequently, the Group's internal control procedures follow the framework advocated by COSO: organization and principles of control, risk-assessment process, control activities per se, documentation and communication of the rules of control, and supervision of the control system.

Organization and principles of control

The Group's internal control procedures are built around an operational organization on three-levels: Group, business segments and profit centers. Each level is directly involved in and responsible for the creation and implementation of control, depending on the level of centralization that General Management requires.

At each of these three levels, internal control is set out in specific procedures of organization, delegation of responsibilities and training of personnel that conform to the general framework of the Group.

Internal control is based on key factors deeply rooted in the Group's culture, such as the integrity, ethics and competence of employees. The Group's senior management is regularly educated on the content and importance of the rules of conduct, which are formally set out in a code of conduct available on the Group's website. Each subsidiary or profit-center president and financial officer makes an annual commitment to comply with the rules of internal control and certifies his financial information through an internal representation letter sent to the Group's Chief Financial Officer.

These principles of control have been reconfirmed and their formal implementation has been reinforced through the Corporate Governance initiatives described in the above section.

Risk assessment process

Identifying and analyzing risks that might affect fulfillment of the Group's objectives is the responsibility of the Executive Committee, assisted by the Risk Committee, Budget Control Department and Internal Audit.

The principal risks managed at the Group level are: sensitivities to petroleum environment (oil and gas prices, refining and distribution margin, petrochemical margins), risks relating to hydrocarbon markets in connection with trading activity, risks relating to financial markets (foreign exchange risk and more particularly dollar-related risk, interest rate risk given the capital-intensive component of the Group's business lines), legal and political risks induced by operating conditions and the contractual aspects of exploration and production activities, as well as industrial and environmental risks due to the general nature of the Group's business lines.

There is a formal description of the main risks and how they are managed in the "Risk Factors" section of the Annual Report.

Control activities

Control activities, and specifically financial reporting systems, are designed to take into account the specific nature of risks and the level of delegation granted to the business segments and profit centers.

Control at the operating level is exercised by the Group general management through the Executive Committee's approval of investment commitments and expenses in accordance with defined thresholds.

For operations, control activities are based largely on an annually reviewed strategic plan, an annual budget, monthly financial reporting analyzing in detail departures from the budget, and quarterly consolidations reconciled with reporting. These processes are supervised by the Budget Control Department and the Accounting Department and are carried out in conformity with standardized methods of financial reporting that are consistent and comply with the accounting standards for published financial statements.

The choice of financial indicators and accounting methods has been dictated by the basic objective of reflecting the actual risks and measuring the return on average capital employed (ROACE).

The Group Accounting Department monitors changes in accounting regulations, especially international accounting standards, in order to measure the potential impact of accounting standard changes, particularly concerning hedge accounting, off-balance sheet commitments and the scope of consolidation. In this regard, in 2004, the Group began the conversion of its accounts to IFRS and adapted its control system to resulting changes:

- adaptation of the *Financial reporting manual*, communicated by intranet to all subsidiaries;
- training of individuals involved in producing accounting and financial information;
- assessment and review of the principal impacts on the transition balance sheet as of January 1, 2004;
- communication on the status of the plan to the Executive Committee and Audit Committee;
- the transition balance sheet will be reviewed by the Audit Committee and communicated to the directors prior to publication.

The Finance-Treasury Department ensures control and management of risks relating to treasury activities and rate and foreign exchange instruments within the framework of the strict rules defined by the Group's general management. Cash, positions and the management of financial instruments are centralized by the Finance-Treasury Department.

Hydrocarbon reserves are reviewed by a committee of experts (the Reserves Committee), approved by the General management of Exploration-Production Division and validated by the Group's general management.

In addition, the Disclosure Committee, composed of the Group's main functional executives, ensures compliance with procedures aimed at ensuring the quality and accuracy of publications intended for the financial and stock markets.

At the profit center or subsidiary level, control activities are organized around the main operating cycles, which are exploration and reserves, investments, production and sales, petroleum trading, purchasing, inventories, payroll and treasury. These are adapted to the Group's petroleum environment while observing the COSO framework.

Documentation and communication of rules of control

The rules of internal control are determined for the three levels of operating organization: Group (for rules of general application); business segments (for rules specific to each type of business line); and profit center or subsidiary (for all other rules).

They are communicated through written procedure notes, which are available on the intranets of both the Group and of the segments.

The main procedures in effect at the Group level concern acquisitions-disposals, investments, financing and treasury, budgetary control, and financial reporting. The main procedures of the segments concern primarily the rules of management control appropriate for each business line. Profit centers and subsidiaries are responsible for implementing the Group rules through detailed procedures adapted to their size or local environment. TOTAL has completed the documentation of procedures for the preparation and control of published financial information (*disclosure controls and procedures*).

In 2004, the Group adapted its internal control system to the requirements stipulated in Section 404 of the Sarbanes-Oxley Act. The principal actions implemented, under the monitoring of an oversight committee, were the following:

- review of the Group's principal internal control processes and their documentation;
- implementation, under the supervision of a compliance officer, of the process of evaluation of internal controls and monitoring of any remediation plans.

Supervision of the internal control system

Supervision of the internal control system is the joint responsibility of the holding company, each segment and the profit centers or subsidiaries, for the parts that are delegated to them respectively.

Audit of the internal control system is primarily a central function handled by the Group Audit Department, which reports to the Executive Committee and is represented by the Risk Assessment and Strategy Manager. The timetable of inspections is determined annually, with the Independent Auditors, who conduct the internal control inspections that they consider necessary as part of their work to certify the financial statements.

The conclusions of the audits are recorded in regular summaries, which are reported to the Audit Committee and to the Board of Directors. The Independent Auditors also report their comments to the Audit Committee as part of their statutory mission.

In 2004, the Audit Department employed 75 professionals and was involved in 240 assignments. The Internal Audit Director participated in all meetings of the Audit Committee.

This report, prepared with the assistance of the Corporation's appropriate operational divisions, was presented to the Audit Committee and the Board of Directors.

* Statutory auditors' report (article L.225-235 of the French Company Law)

For the year ended December 31, 2004

(free translation of a French language original)

Statutory auditors' report, prepared in accordance with article L.225-235 of the French Company Law (Code de Commerce), on the report prepared by the President of the Board of TOTAL S.A., on the internal control procedures relating to the preparation and processing of financial and accounting information.

To the shareholders,

In our capacity as statutory auditors of TOTAL S.A., and in accordance with article L.225 235 of the French Company Law (Code de Commerce), we report to you on the report prepared by the President of your company in accordance with article L.225-37 of the French Company Law (Code de Commerce) for the year ended December 31, 2004.

Under the responsibility of the Board, it is for management to determine and implement appropriate and effective internal control procedures. It is for the President to give an account, in his report, notably of the conditions in which the duties of the board of directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the President's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the President of the Board's report, prepared in accordance with article L.225-37 of the French Company Law (Code de Commerce).

Paris La Défense, February 17, 2005

The statutory auditors

KPMG AUDIT
Département de KPMG S.A.

ERNST & YOUNG AUDIT

René Amirkhania

Gabriel Galet

Philippe Diu

* Compensation of Directors and Executive Officers

In 2004, the aggregate amount paid directly or indirectly by the French and foreign affiliates of the Company as compensation to the executive officers of TOTAL (29 executive officers) as of December 31, 2004 as a group was 16.9 M€, including 8.1 M€ paid to the seven members of the Executive Committee. Variable compensation accounted for 41% of the aggregate amount paid to the executive officers in 2004. Executive officers who are directors of affiliates of the Company are not entitled to retain any directors' fees.

Mr Thierry Desmarest's total gross compensation in 2004, including benefits in-kind, amounted to 2,787,239 euros. This compensation, set by the Board of Directors of TOTAL S.A., is composed of a fixed base salary of 1,297,051 euros in 2004, the same amount as in 2003, and a variable portion, which is computed using the previous year's fixed base salary as the basis, which amounted to 1,490,188 euros in 2004. The variable portion is calculated by taking into account the Group's return on equity during the relevant fiscal year, as well as comparing the results to those of the other major international oil companies.

The variable portion that will be paid to Mr Thierry Desmarest in 2005, based on the Group's results for fiscal year 2004, amounts to 1,512,217 euros.

Mr Thierry Desmarest's total gross compensation was 2,528,076 euros in 2003 and 2,409,952 euros in 2002.

There is no specific pension scheme for the Chairman, who instead is eligible for the same supplementary pension scheme as the Group's other officers.

The amount paid to the members of the Board of Directors as directors' fees was 0.76 million euros in 2004, in accordance with the decision of the shareholders Meeting on May 14, 2004. There were 15 directors as of December 31, 2004, compared with 14 as of December 31, 2003.

The aggregate amount paid as directors' fees in 2004 was distributed as follows:

- a fixed amount of 15,000 euros per Director (paid *pro rata temporis* in case of a change during the period);
- a total of 4,500 euros per Director for each actual attendance at a meeting of the Board of Directors, of the Audit Committee or of the Nominating & Compensation Committee.

Details on the compensation of individual Directors is specified on pages 203 to 205.

The list of the Group's senior management as of December 31, 2004 is as follows (29 persons as of December 31, 2004, compared to 28 persons on December 31, 2003):

Management Committee:

Thierry DESMAREST (*)
 François CORNELIS (*)
 Christophe de MARGERIE (*)
 Yves-Louis DARRICARRERE (*)
 Jean-Paul VETTER (*)
 Robert CASTAIGNE (*)
 Bruno WEYMULLER (*)

Michel BENEZIT
 Alain CHAMPEAUX
 Pierre-Christian CLOUT
 Jean-Claude COMPANY
 Jean-Pierre CORDIER
 Jean-Michel GIRES
 Philippe GOEBEL
 François GROH
 Jean-Jacques GUILBAUD
 Ian HOWAT
 Jean-Marc JAUBERT
 Pierre KLEIN
 Jean-Bernard LARTIGUE
 Thierry LE HENAFF
 Jean-Marie MASSET
 Charles MATTENET
 Eric de MENTEN
 Jean PRIVEY
 Jean-Pierre SEEUWS
 André TRICOIRE
 Hugues WOESTELANDT

(*) Member of the Executive Committee as of December 31, 2004

Treasurer:

Charles PARIS de BOLLARDIERE

**TOTAL share subscription and purchase options granted to Executive Officers as a group
(Management Committee and Treasurer as of December 31, 2004)**

	1998 Plan	1999 Plan	2000 Plan	2001 Plan	2002 Plan	2003 Plan	2004 Plan	Total
Type of options	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Subscription options	Subscription options	
Exercise price (in euros)	93.76	113.00	162.70	168.20	158.30	133.20	159.40	
Expiration date	3/17/2006	6/15/2007	7/11/2008	7/10/2009	7/9/2010	7/16/2011	7/20/2012	
Options granted	134,700	213,000	245,800	304,850	332,300	355,500	-	1,586,150
Existing options as of January 1, 2004	90,700	198,000	245,800	304,850	332,300	355,500	-	1,527,150
Options granted in year 2004	-	-	-	-	-	-	418,500	418,500
Options exercised in year 2004	54,049	35,805	0	0	0	0	0	89,854
Existing options as of December 31, 2004	36,651	162,195	245,800	304,850	332,300	355,500	418,500	1,855,796

NB : Among the TOTAL Management Committee as of December 31, 2004, certain members coming from Elf Aquitaine hold Elf Aquitaine options entitling them to, in the event of exercise, exchange Elf Aquitaine shares for TOTAL shares on the basis of the exchange ratio set during the 1999 Exchange Offer, being 19 TOTAL shares for 13 Elf Aquitaine shares (see page 191).

**TOTAL share subscription and purchase options granted to Mr. Thierry Desmarest,
Chairman of the Board of TOTAL S.A.**

	1998 Plan	1999 Plan	2000 Plan	2001 Plan	2002 Plan	2003 Plan	2004 Plan	Total
Type of options	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Subscription options	Subscription options	
Exercise price (in euros)	93.76	113.00	162.70	168.20	158.30	133.20	159.40	
Expiration date	3/17/2006	6/15/2007	7/11/2008	7/10/2009	7/9/2010	7/16/2011	7/20/2012	
Options granted	30,000	40,000	50,000	75,000	60,000	60,000	-	315,000
Existing options as of January 1, 2004	30,000	40,000	50,000	75,000	60,000	60,000	-	315,000
Options granted in year 2004	-	-	-	-	-	-	60,000	60,000
Options exercised in year 2004	30,000	22,000	0	0	0	0	0	52,000
Existing options as of December 31, 2004	0	18,000	50,000	75,000	60,000	60,000	60,000	323,000

Allocation of TOTAL Share subscription options and purchase options

		Number of recipients	Number of options granted	Distribution	Average number of options per recipient
1998 Plan ⁽¹⁾					
Share purchase options (decided by the Board of Directors on March 17, 1998; strike: 615 French francs or 93.76 euros; discount: 4.94%)	Top executives ⁽⁶⁾	16	157,500	16.5%	9,844
	Officers	162	347,600	36.4%	2,146
	Other employees	824	449,900	47.1%	546
	Total	1,002	955,000	100%	953
1999 Plan ⁽¹⁾					
Share purchase options (decided by the Board of Directors on June 15, 1999; strike: 113.00 euros; discount: 4.74%)	Top executives ⁽⁶⁾	19	279,000	18.6%	14,684
	Officers	215	517,000	34.5%	2,405
	Other employees	1,351	703,767	46.9%	521
	Total	1,585	1,499,767	100%	946
2000 Plan ^{(2) (5)}					
Share purchase options (decided by the Board of Directors on July 11, 2000; strike: 162.70 euros; discount: 0.0%)	Top executives ⁽⁶⁾	24	246,200	10.1%	10,258
	Officers	298	660,700	27.2%	2,217
	Other employees	2,740	1,518,745	62.6%	554
	Total	3,062	2,425,645	100%	792
2001 Plan ^{(3) (5)}					
Share purchase options (decided by the Board of Directors on July 10, 2001; strike: 158.30 euros; discount: 0.0%)	Top executives ⁽⁶⁾	21	295,350	11.0%	14,064
	Officers	281	648,950	24.1%	2,309
	Other employees	3,318	1,749,075	64.9%	527
	Total	3,620	2,693,375	100%	744
2002 Plan ^{(4) (5)}					
Share purchase options (decided by the Board of Directors on July 9, 2002; strike: 158.30 euros; discount: 0.0%)	Top executives ⁽⁶⁾	28	333,600	11.6%	11,914
	Officers	299	732,500	25.5%	2,450
	Other employees	3,537	1,804,750	62.9%	510
	Total	3,864	2,870,850	100%	743
2003 Plan ^{(4) (5)}					
Share subscription options (decided by the Board of Directors on July 16, 2003; strike: 133.20 euros; discount: 0.0%)	Top executives ⁽⁶⁾	28	356,500	12.2%	12,732
	Officers	319	749,206	25.5%	2,349
	Other employees	3,603	1,829,600	62.3%	508
	Total	3,950	2,935,306	100%	743
2004 Plan ⁽⁴⁾					
Share subscription options (decided by the Board of Directors on July 20, 2004; strike: 159.40 euros; discount: 0.0%)	Top executives ⁽⁶⁾	30	423,500	12.6%	14,117
	Officers	319	902,400	26.8%	2,829
	Other employees	3,997	2,039,730	60.6%	510
	Total	4,346	3,365,630	100%	774

(1) The Vesting Schedule is equal to 5 years while the duration of the option is 8 years, with effect from their grant date.

(2) The Vesting Schedule is equal to 4 years plus 5 years during which the underlying shares cannot be sold. The duration of the option is 8 years.

(3) The options may be exercised from January 1, 2005 and must be exercised within 8 years of the grant date. The Vesting Schedule also prohibits sale of underlying shares for 4 years.

(4) The Vesting Schedule is equal to 2 years plus 4 years during which the underlying shares cannot be sold. The duration of the option is 8 years.

(5) Certain employees of Elf Aquitaine in 1998 received confirmation in 2000, 2001, 2002 and 2003 of Elf Aquitaine options allocated in 1998 subject to the realization of performance objectives by the Elf Aquitaine group between 1998 and 2002 (see page 190).

(6) Management Committee members and Treasurer as defined as of the date when the Board of Directors granted the options.

Share subscription and purchase options at December 31, 2004

	1998 Plan	1999 Plan	2000 Plan	2001 Plan	2002 Plan	2003 Plan	2004 Plan	Total
Type of options	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Subscription options	Subscription options	
Date of the Shareholders Meeting	May 21, 1997	May 21, 1997	May 21, 1997	May 17, 2001	May 17, 2001	May 17, 2001	May 14, 2004	
Date of the Board of Directors meeting	March 17, 1998	June 15, 1999	July 11, 2000	July 10, 2001	July 9, 2002	July 16, 2003	July 20, 2004	
Total number of options granted, of which:	955,000	1,499,767	2,425,645	2,693,375	2,870,850	2,935,306	3,365,630	16,745,573
• Directors	30,000	40,000	50,000	75,000	60,000	60,000	60,000	375,000
• ten highest employees grantees (*)	111,000	172,000	138,000	166,000	176,500	175,000	204,000	1,142,500
Date as of which the options may be exercised:	March 18, 2003	June 16, 2004 (**)	July 12, 2004 (***)	January 1, 2005	July 10, 2004	July 17, 2005	July 21, 2006	
Expiration date	March 17, 2006	June 15, 2007	July 11, 2008	July 10, 2009	July 9, 2010	July 16, 2011	July 20, 2012	
Exercise price (in euros)	93.76	113.00	162.70	168.20	158.30	133.20	159.40	
Number of options:								
• existing as of January 1, 2004	722,538	1,406,617	2,409,045	2,683,625	2,863,200	2,935,306	-	13,020,331
• granted in 2004	-	-	-	-	-	-	3,365,630	3,365,630
• cancelled in 2004	-	-	1,300	2,700	800	2,100	12,000	18,900
• exercised in 2004	333,526	380,088	1,300	-	772	950	-	716,636
• existing as of December 31, 2004	389,012	1,026,529	2,406,445	2,680,925	2,861,628	2,932,256	3,353,630	15,650,425

(*) Employees of TOTAL S.A. and all other consolidated companies in the Group, excluding Directors of TOTAL S.A.

(**) January 1, 2003 for employees under contract with a foreign affiliate of the Company

(***) January 1, 2004 for employees under contract with a foreign affiliate of the Company

Share subscription options granted to the ten employees receiving the largest number of options
Share subscription or purchase options exercised by the ten employees exercising the largest number of options

	Total number of options granted / shares subscribed or purchased	Price (in euros)	Allocation date	Expiration date
Options granted in 2004 to these ten employees of TOTAL S.A. and all other companies in the Group receiving the largest number of options	204,000	159.40	07/20/2004	07/20/2012
Options exercised in 2004 by these ten employees of TOTAL S.A. and all other companies in the Group exercising the largest number of options	29,100	93.76	03/17/1998	03/17/2006
	<u>32,200</u>	<u>113.00</u>	06/15/1999	06/15/2007
	61,300	103.87(*)		

(*) Weighted average price