

Annual Report **2003**



TOTAL

→| **Key Figures 2003**

→|1 **Chairman's Message**

→|6 **Management Committee**

→|8 **Organization Chart**

→|10 **Corporate governance**

- 11 Directors Charter
- 12 Board of Directors
- 14 Audit Committee
- 15 Nomination and Remuneration Committee
- 17 Internal control procedures
- 20 Compensation of Directors and Executive Officers

→|24 **Corporate social responsibility**

- 25 Environmental Stewardship
- 28 Preparing the future of Energy
- 30 Enhancing Safety
- 34 Human Resources
- 35 Ethics and local development

→|38 **Investor Relations**

- 40 TOTAL share
- 43 Shareholding structure
- 44 Relations with shareholders

→|48 **Management report**

→|54 **Activities**

Informations on the Company
Main events

Upstream

- 57 →| Exploration & Production
- 75 →| Gas & Power

Downstream

- 81 →| Refining & Marketing
- 87 →| Trading & Shipping

Chemicals

- 91 →| Overview 2003
- 93 →| Base Chemicals & Polymers
- 95 →| Intermediates & Performance polymers
- 97 →| Specialties

Other matters

→|99 **Financial and legal information**

Detailed summary after page 98

Key Figures **2003**

Abbreviations

b	barrel	t	metric ton	B	billion
cf	cubic feet	boe	barrel of oil equivalent	T	trillion
/d	per day	k	thousand	MW	megawatt
/y	per year	M	million	MWp	megawatt peak
€	euro				

As used in this report, the terms TOTAL, Company and Group, refer collectively to TOTAL S.A. and its affiliated companies © TOTAL S.A. April 2004.

Key Figures 2003

Financial data

In millions of euros, except earnings per share, dividends and percent amounts.

	2003	2002	2001
Sales	104,652	102,540	105,318
Operating income from business segments ⁽¹⁾	13,004	10,995	13,121
Net operating income from business segments ⁽¹⁾	6,973	5,868	7,564
Net income (Group share) ⁽¹⁾	7,344	6,260	7,518
Earnings per share (in €) ^{(1) (2)}	11.56	9.40	10.85
Dividend per share (in €) ⁽³⁾	4.70	4.10	3.80
Net debt-to-equity ratio	26%	29%	31%
Return on equity	26%	20%	24%
Cash flow from operating activities	12,487	11,006	12,303
Total expenditures	7,728	8,657	10,566

Operating highlights

	2003	2002	2001
Hydrocarbon production (kboe/d)	2,539	2,416	2,197
Liquids production (kb/d)	1,661	1,589	1,454
Gas production (Mcf/d)	4,786	4,532	4,061
Refinery runs (kb/d) ⁽⁴⁾	2,481	2,349	2,465
Refined product sales (kb/d) ⁽⁵⁾	3,652	3,380	3,434

(1) Adjusted for special items.

(2) Based on fully diluted weighted average number of shares.

(3) 2003 dividend: subject to approval by the May 14, 2004 Annual Shareholders' Meeting.

(4) Including share of Cepsa.

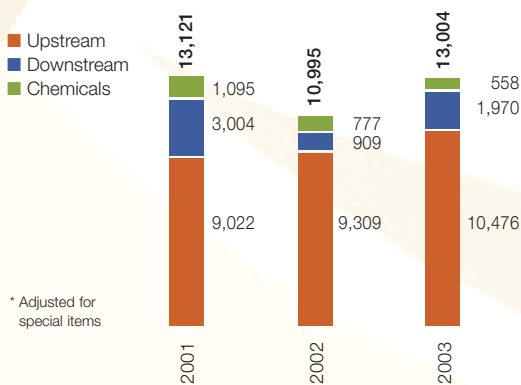
(5) Including Trading activities and share of Cepsa.

Financial Overview 2003

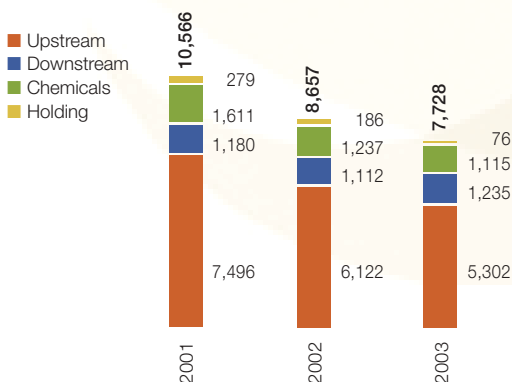
Sales (M€)



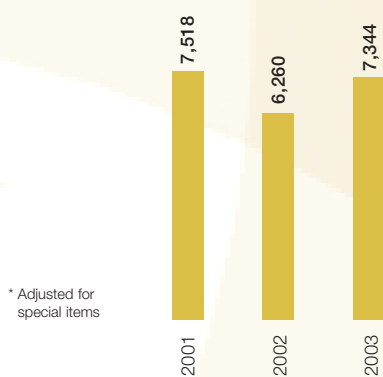
Operating income from business segment* (M€)



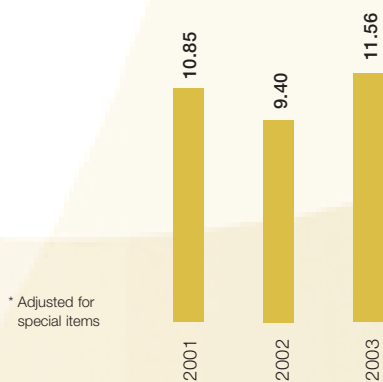
Total expenditures by segment (M€)



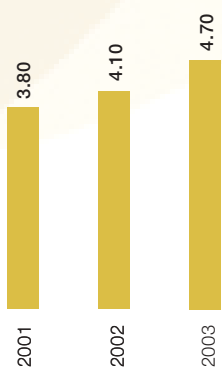
Net income* (Group share) (M€)



Earnings per share* (€/share)



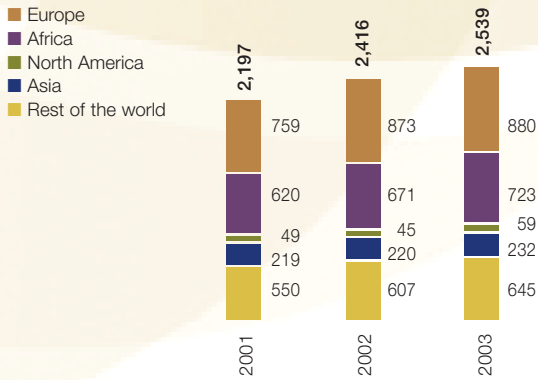
Dividend per share (€)



Business Segments Overview 2003

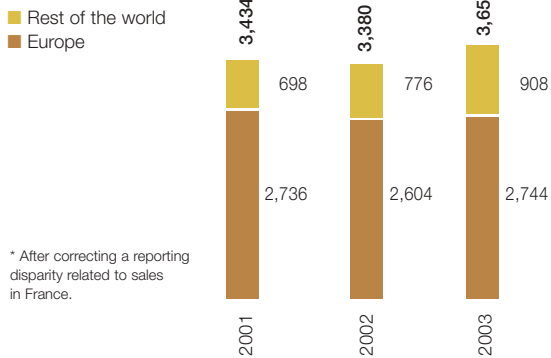
Upstream

Liquids and gas production by region (kboe/d)



Downstream

Refined product sales (kb/d) including Trading*

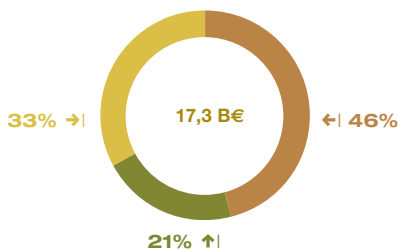


* After correcting a reporting disparity related to sales in France.

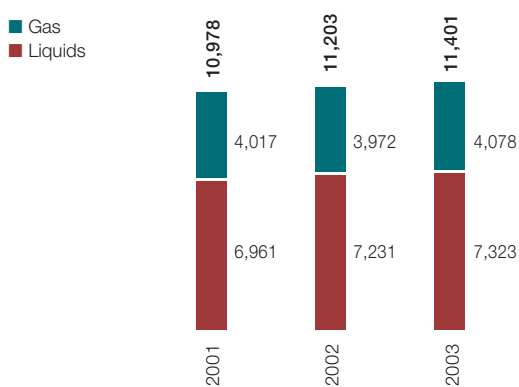
Chemicals

Sales by sector

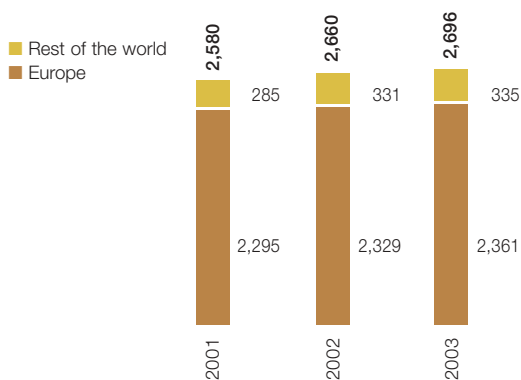
- Base Chemicals & Polymers
- Intermediates & Performance Polymers
- Specialties



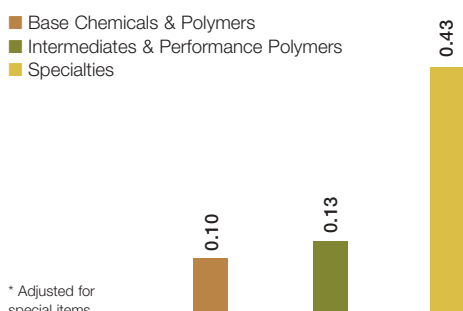
Liquids and gas reserves (Mboe)



Refining capacity (kb/d) at year-end



Operating income by sector* (B€)

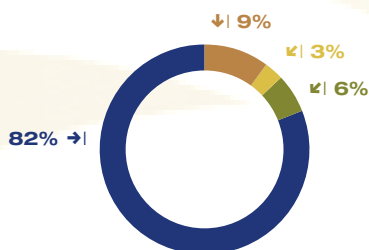


Group Shareholder Base 2003

At year-end 2003, the Group's estimated shareholder base was as follows:

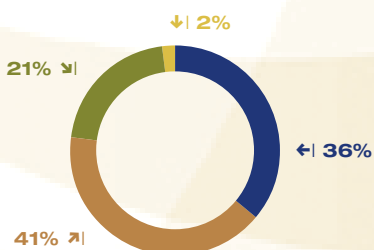
By shareholder category

- Stable shareholders & other registered shareholders
- Employees
- Shares owned by the Group
- Others



By region

- France
- Rest of Europe
- North America
- Rest of the world

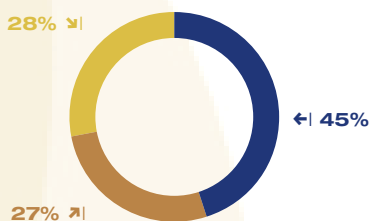


TOTAL has approximately 540,000 shareholders.

Human Resources 2003

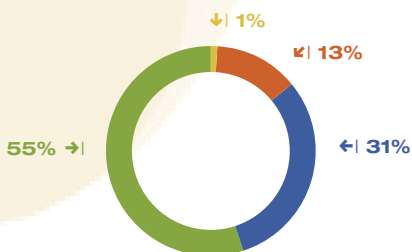
Employees by region

- France
- Rest of Europe
- Rest of the world



Employees by segment

- Holding
- Upstream
- Downstream
- Chemicals



Consolidated subsidiaries. Employees at year-end: 110,783.



TOTAL

TOTAL's new logo is the expression of a new Group and its future. Its emblem suggests the global reach of our activities, our involvement in multiple energies and the purpose of our business, which is to bring energy and motion to the world.

“ In 2003 the milestones for the Group included a number of important successes and the change of our name to TOTAL. In the Upstream segment, TOTAL recorded the highest growth rate among the major oil companies while maintaining a high level of profitability. In the Downstream segment, we took steps to improve our refining system and to strengthen our marketing positions. In Chemicals, the ongoing program to restructure activities, reduce costs, and rebalance the asset portfolio towards growth areas helped us to resist the unfavorable economic context for this segment. Overall, we look back at 2003 as the year when we achieved the ambitious objectives for growth, synergies and productivity that we set for the 1999-2003 period. I would like to thank all the teams of TOTAL for their hard work. ”



Chairman's Message

The Group demonstrated its strength and stability in 2003, even though the general business environment, which was on the whole more favorable than in 2002, had contrasting effects on our different activities. Compared to 2002, TOTAL benefited from higher oil and gas prices and a strong rebound in refining margins. On the other hand, economic recovery turned out to be disappointing, in the industrialized nations particularly in continental Europe. Furthermore, the dollar depreciated by 16% against the euro, which had a negative impact on our earnings, which are denominated in euros.

In 2003, the Group recorded net income of 7.34 billion euros adjusted for special items, an increase of 17% over the previous year. Earnings per share adjusted for special items rose to a record level of 11.56 euros, compared to 9.40 euros in 2002, a 23% increase, reflecting the positive impact of the share-buybacks which we pursued at a high pace in 2003. Expressed in dollars to facilitate comparison with the other major oil companies, our earnings per share increased by 47%.

Our strategy of profitable growth is based on a proactive approach that emphasizes sustainable development and under which the strategies we adopt and the results we achieve are clearly established and communicated to the public. TOTAL is committed to achieving concrete objectives in the areas of social and environmental responsibility. The Group's first Social and Environmental report, distributed at the General Shareholders' Meeting in May 2003, clearly set forth our commitment to evaluation, exchange of information and transparency. The second edition, which includes more detailed information on indicators and specific examples, is the benchmark against which we measure our accomplishments and which we use to engage and facilitate an open dialogue with all those who wish to join us in our campaign to prepare for the future.

In the Upstream segment, the 5.1% growth in our oil and gas production was the strongest of the major oil companies in 2003. This result is directly attributable to the contributions of Sincor in Venezuela, the production of Cepsa in Algeria, the Balal and South Pars fields in Iran, and the Amenam field in Nigeria.

TOTAL has continued to be successful in exploration, with major discoveries. Our proved oil and gas reserves increased 2% to 11.4 billion barrels of oil equivalent at the end of 2003.

In 2003, the growing importance of the Gas & Power activities was illustrated by our acquisition of a 25% interest in the Altamira LNG regasification terminal project in Mexico, the Taweelah power plant in Abu Dhabi becoming fully operational and the start-up of TOTAL's first wind farm, near the Dunkirk refinery in France.

In 2003, the Downstream segment benefited from higher European refining margins, which more than offset the impact of the dollar's depreciation against the euro. All of the Group's European refineries are able to comply with the 2005 European low-sulfur specifications, well before these new regulations take effect. The progressive adaptation of our refining system to comply with the specifications scheduled to take effect in 2009 is underway as well. In addition, we have approved a project to build a new conversion unit at the Normandy refinery in France. This is an example of our determination to operate high-performance industrial facilities and of our commitment to minimize industrial risk and protect the environment.

In our retail marketing activities, the year was marked by launching of a program to rebrand our retail distribution network as well as our storage and industrial sites, following up on the change in the Group's name and visual identity. By the end of 2004, more than 11,000 service stations will feature the new TOTAL logo. In parallel with putting this new image in place, the Group has pursued a strategy of selective development in high value added specialty markets, and the expansion of its activities in growth markets such as the Mediterranean basin, Africa and Asia.

TOTAL's Chemicals segment continued to experience very difficult market conditions in 2003, as did other companies active in the European chemical industry. It faced severe competition in a context of weak demand as well as higher energy and raw material costs and a sharp depreciation of the dollar against the euro.

Operating income adjusted for special items for this segment fell by 28% compared to the previous year. In response to this situation, the Group is studying a reorganization of the Chemicals segment which would lead to a more streamlined organizational structure and to the creation of a new decentralized entity combining assets in chlorochemicals, intermediates and performance polymers that would operate alongside our petrochemicals and specialties businesses.

In 2003, the Group pursued a policy of refocusing its activity in the Chemicals segment on its core businesses and also consolidated its presence in certain rapidly growing Asian markets. We acquired a 50% stake in the assets of the Daesan petrochemical complex in South Korea and launched a polystyrene unit located in Sanshui in China's Guangdong province. We completed the sale of our paints business, as well as our bromine and derivatives activities.

TOTAL has achieved the ambitious objectives set by management for the period 1999-2003. The result is a retained positive impact of 4.8 billion euros on operating income. The Group's return on average capital employed has risen above that of our major competitors. Looking forward, we believe we still have the potential for improvement. Therefore, the Group has set new targets for the 2004-2008 period: to raise the return on average capital employed from 13.5% to 15.5%, based on a prudent reference environment thanks to strong growth in production, continued efforts to improve productivity, and capital discipline.

This strategy of profitable growth is based on a sustained investment program of from 9 to 10 billion dollars per year, while maintaining our net-debt-to-equity ratio in the vicinity of 25% to 30%.

TOTAL plans to allocate approximately 75% of annual capital expenditures to the Upstream segment, primarily for large-scale projects with low technical costs. Our goal is to increase oil and gas production by an average of 4% per year in the 2004-2008 period.

The Group also intends to pursue a dynamic dividend policy, with a targeted pay-out ratio of 50%. For the year 2003, the Board has decided to propose the distribution of a dividend of 4.70 euros per share to the General Meeting of Shareholders, an increase of 15% over the previous year, thus doubling the dividend compared to four years ago.

Considering the prospects for growth in our businesses, our productivity programs, and our cost reductions, I have complete confidence that TOTAL has the ability to achieve profitable growth based on the quality and commitment of the teams. TOTAL charts a steady course: the Group has demonstrated that it can deliver top of the industry performance, both in growth and in profitability. We will continue to lead our company along this path.



Thierry Desmarest

Questions to the Chairman

Thierry Desmarest

Chairman and Chief Executive Officer



What is your opinion of TOTAL's 2003 results?

“TOTAL produced good results in 2003. This performance is partially explained by relatively high oil and gas prices, even though our results in euros were negatively affected by the weakness of the dollar. But our performance is also based—and this is a very important factor in the longer term—on the impact of our growth and productivity programs. Each of our business segments has contributed to our results: Upstream, Downstream and Chemicals. Every one of these segments is not only able to finance its own investments, but also to contribute to the Group's cashflows and to increasing dividends.

These results have also allowed us to pursue a dynamic program of share buybacks. All these factors demonstrate that the Group is capable of simultaneously pursuing strong growth, undertaking share buybacks and maintaining a very solid balance sheet with a net-debt-to-equity of 26% at the end of 2003.”

How would you summarize the situation four years after the mergers?

“Four years ago when the European authorities approved the proposed merger operations, we made a number of commitments regarding increased production, synergy targets, and productivity gains. All of these have been achieved. Over a period of four years, TOTAL's

hydrocarbon production has increased by 23%. The increase in our production is significantly superior to that of the other majors. Our major competitors actually experienced on average a drop in their production in 2003, while ours grew by 5%.

This growth was not achieved at the expense of profitability. Since 2002, TOTAL has been the leader among the major oil companies in terms of return on capital employed: the Group's return on average capital employed (ROACE) was 19% in 2003.

Based on an index of 100 in 1999, the Group has increased its dollar-denominated earnings per share, adjusted for special items, by a factor of 2.5, while the average of our competitors has been 2. The programs we have been pursuing since 1999 have gone well, and we are pleased with the very favorable results they have produced.”

What is the outlook for growth in hydrocarbon production for TOTAL?

“Today we are at the beginning of a new five-year period that will run through the end of 2008. We intend to increase our production over this period by an average of 4% per year. Various fields will contribute to this growth. For the most part, they are in countries with potential for growth. We have put together a

portfolio of very high-quality projects that are geographically well-diversified and based on large fields with relatively low costs. Therefore, if the price of oil falls, we should still maintain a satisfactory level of profitability for our operations. We are also working on launching new large-scale projects to build the production base over the long term. In this context, I would particularly cite the Dolphin project in Qatar and the Kashagan project in Kazakhstan. In addition, new heavy oil projects are planned in Canada and Venezuela. A new liquefied natural gas plant is under construction in Norway. Also, we are negotiating new business opportunities in Russia, Qatar, Iran and Angola. There are significant discoveries that we have made recently that should be developed over the coming years. All of these projects will allow us to sustain a high level of growth over the long term.”

How important do you consider the gas agreement with Saudi Arabia?

“TOTAL is especially pleased to have been chosen by Saudi Arabia to participate in gas exploration on a very large permit located in the southern part of the Rub Al-Khali. The agreement we have entered into will allow the Group to further strengthen its long-established cooperation with the Saudi national oil company, Aramco. More generally, this will allow the Group to enhance its position in the Middle East, which is the world’s largest source of hydrocarbon production and reserves. TOTAL is the only international oil company to be active in eleven Middle Eastern countries. Clearly this is a significant advantage.”

What is your analysis of the competitiveness of renewable energy sources?

“These energy sources are still relatively expensive, but they are becoming increasingly competitive. For example, the cost of wind-produced electricity has been cut almost by half in the last ten years. In November 2003, TOTAL established a wind generation facility near the Dunkirk refinery, with very large windmills that are able to produce electricity at about twice the cost of conventional sources. Further advances are necessary, but the essential fact is that progress is being made. Cost reductions in the production of solar energy are more difficult to achieve, but we are continuing our efforts. For example, the Group has commissioned a factory in Belgium that produces a new generation of solar panels. Further improvements will nevertheless be necessary to assure the competitiveness of this energy source.”

In the Downstream segment, what are your views on the completion of the synergies programs related to the merger?

“The Group has achieved everything it announced it would do. Our programs have made it possible for us to surpass the targets set for the Downstream segment at the time of the mergers. In refining, the targets were achieved by establishing a refining hub system, improving operations through the widespread implementation of industrial “best practices”, and increasing integration with the Group’s petrochemical activities. In marketing, the reorganization of teams, the concentration of efforts on the TOTAL brand, and the differentiation of offers for motor fuels have not only resulted in cost savings, but have also served to enrich and reinforce the value of what we offer.”

The Group has announced an important reorganization of its chemicals activities. What is the goal?

“TOTAL’s current chemical operations are based on many different businesses coming from Elf-Atochem, TOTAL and PetroFina. The result is a spectrum of activities much wider than that of most of our competitors. In petrochemicals, we have begun to implement synergies with refining, and we will continue to strengthen and enhance our positions with investments in Asia and the Middle East. At the other end of the spectrum, our specialty chemicals include some significant businesses, such as Hutchinson, which has 25,000 employees. These specialty activities have resisted well, with decentralized, dynamic structures, even though the business environment has not been very favorable over the last two years.

Then there is the middle of the spectrum, which includes chlorochemicals, intermediates and performance polymers. We have relatively strong market shares in these areas, but in a context of intense competition in Europe. These activities are suffering from the depreciation of the dollar, because they export heavily to dollar zones. We are proposing a reorganization of this sector, which includes about a hundred industrial sites around the world, with 60 in Europe (of which 40 are in France). The idea is to bring them all together in one full-service company, structured to be self-sustaining and managed in a decentralized way. This entity would have annual revenues of approximately 5 billion euros, and employ 20,000 employees, including 12,000 in France. The goal is to establish a new chemical group destined to be independent, with a solid financial base and good potential for development.”

The Management Committee



The Management Committee

From left to right

3rd row → | Hugues WOESTELANDT | Michel BONNET | Eric de MENTEN | Pierre KLEIN | Pierre-Christian CLOUT |
2nd row → | Pierre GUYONNET | Jean PRIVEY | Jean-Pierre SEEUWS | Yves-Louis DARRICARRERE | Jean-Paul VETTIER |
1st row → | Michel BENEZIT | Ian HOWAT | Robert CASTAIGNE | Christophe de MARGERIE | Thierry DESMAREST |

TOTAL's three business segments are formed around profit centers: Upstream, Downstream and Chemicals. Upstream includes oil and gas exploration and production, and gas, power and other energy sources. Downstream covers refining and marketing, along with trading and shipping. The Chemicals segment comprises three main areas: Base Chemicals & Polymers, Intermediates & Performance Polymers and Specialties. The profit centers are supported by the parent company's functional divisions: Strategy and Risk Assessment, Human Resources and Corporate Communications, Finance. TOTAL is managed by the Executive Committee (COMEX) and the Management Committee (CODIR). The Executive Committee is TOTAL's primary decision-making body in matters of overall strategy and has investment authority. It also prepares decisions for submission to TOTAL's Board of Directors. The Management Committee facilitates coordination among the various Group units, monitors the results of the operational divisions and reviews the reports of the functional divisions.



François GROH	Alain CHAMPEAUX	Jean-Michel GIRES	Philippe GOEBEL
Bruno WEYMULLER	André TRICOIRE	Charles MATTENET	Jean-Claude COMPANYY
François CORNELIS	Jean-Jacques GUILBAUD	Jean-Marie MASSET	Jean-Bernard LARTIGUE

The Executive Committee (COMEX)

Thierry Desmarest Chairman and Chief Executive Officer
François Cornélis Vice-Chairman, President of Chemicals
Robert Castaigne Chief Financial Officer
Yves-Louis Darricarrère President of Gas & Power
Christophe de Margerie President of Exploration & Production
Jean-Paul Vettier President of Refining & Marketing
Bruno Weymuller President of Strategy and Risk Assessments

The Management Committee (CODIR)

The committee includes all Executive Committee members and 20 senior managers from the various functional and operational divisions.

→ **Holding company** | Michel Bonnet,
 Jean-Jacques Guilbaud, Jean-Michel Gires,
 Pierre Guyonnet, Ian Howat.

→ **Upstream** | Michel Bénézit, Jean-Marie Masset,
 Charles Mattenet, Jean Privey.

→ **Downstream** | Alain Champeaux,
 Jean-Claude Company, François Groh, Pierre Klein,
 Eric de Menten, André Tricoire.

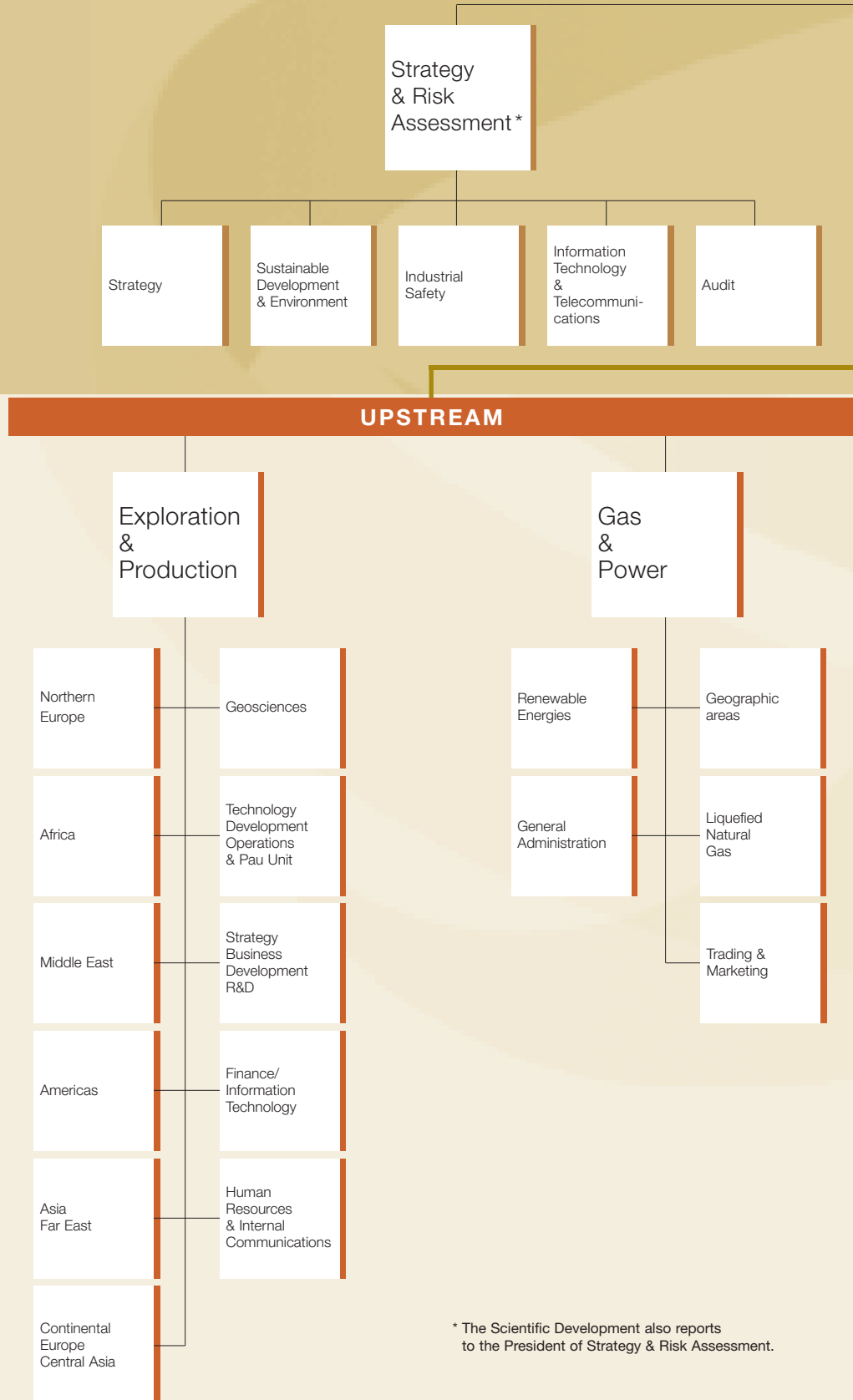
→ **Chemicals** | Pierre-Christian Clout, Philippe Gœbel,
 Jean-Bernard Lartigue, Jean-Pierre Seeuws,
 Hugues Woestelandt.

COMEX and CODIR composition as of March 1, 2004.

Organization Chart

March 1, 2004

Special
Advisor



* The Scientific Development also reports to the President of Strategy & Risk Assessment.

Executive Committee

Management Committee

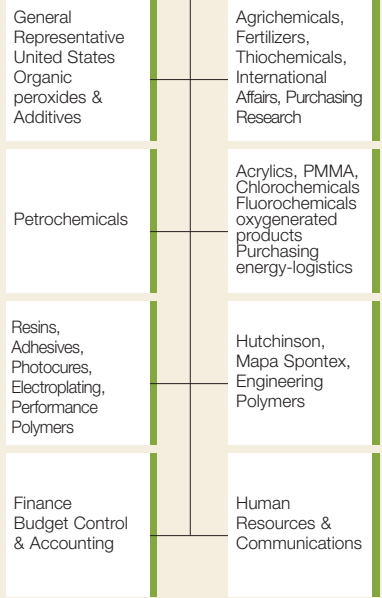
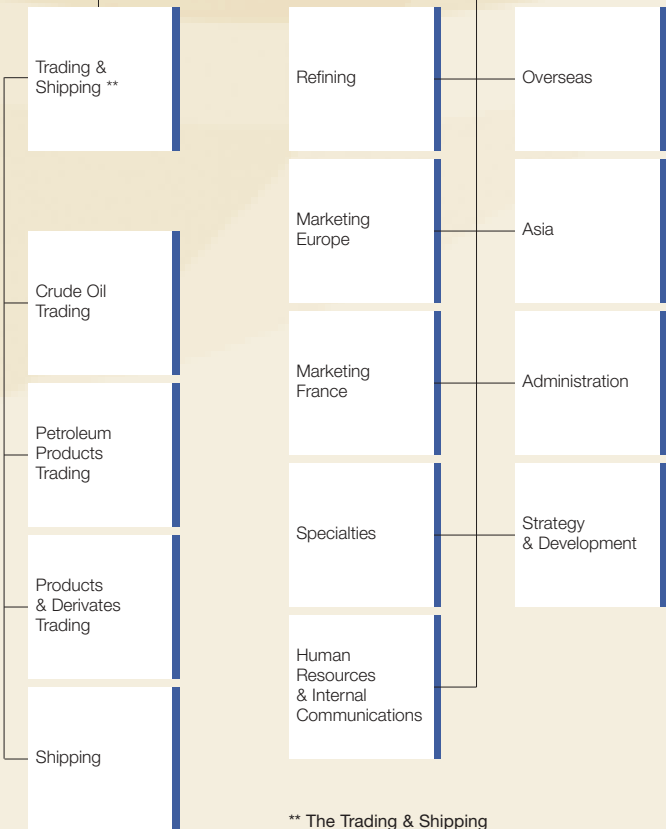


DOWNSTREAM

CHEMICALS

Refining & Marketing

Chemicals



** The Trading & Shipping division reports to the CFO.



The background is a solid dark purple color. Overlaid on this are several large, overlapping, semi-transparent circles in various shades of purple, creating a layered, geometric effect. The circles are positioned in a way that they appear to be part of a larger, abstract design.

Corporate governance

Chairman's report prepared in accordance with article 117 of the French Financial Security act of August 1, 2003

TOTAL pursues an active information policy with respect to corporate governance as well as the transparency of compensation and the allocation of stock purchase and subscription options for all of its corporate officers.

As early as 1995, the Group established two special committees within the Board of Directors: an Appointments and Compensation Committee and an Audit Committee. At its meeting on February 19, 2003, the Board of Directors examined the corporate governance regulations initially adopted in 1995 and 2001 in light of more recent changes and recommendations in that area, including those from the AFEP-MEDEF Report in September 2002.

Pursuant to the Financial Security Act of August 1, 2003, this section on Corporate Governance includes information on procedures for planning and organizing the Board of Directors meetings, internal controls implemented by the Company and any limitations that the Board of Directors has placed on the powers of the Chief Executive Officer.

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 his independence of judgment and participate actively in the work of the Board, specifically on the basis of information communicated to him by the Company. A Director must inform the Board of conflict of interest situations in which he may find himself and projects that are proposed to him and in which he would consider participating. When such occasions arise, he is required to clearly and candidly express any opinions, including opposing opinions if any, he may have to plans and projects discussed by the Board. He must own at least 500 registered company shares and comply strictly with provisions regarding the use of privileged information.

Aside from stipulating that all 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 stock market lending or short selling in such 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 firstly of determining the overall direction of the Company's operations and supervising the implementation of same. With the exception of powers and authority expressly assigned to shareholder meetings and within the limits of the company mission, the Board addresses any issue of interest to the proper operation of the Company, and its decisions govern the matters falling within its purview. Within this framework, and without this list being exhaustive, the Board:

- Appoints the corporate officers responsible for managing the company and supervising its operations;
- Defines TOTAL's strategy;
- Discusses and debates major transactions considered by the Group, subject to terms and conditions that it shall decide;
- Is kept informed of any significant event pertaining to the operation of the Company;

- Oversees the quality of the information supplied to shareholders and the financial markets through the financial statements that it prepares and the annual report, or when major transactions are conducted;
- Calls and sets the agenda of Meetings of Shareholders;
- Each year, prepares the list of Directors who are considered independent pursuant to the criteria generally recognized in Corporate Governance;
- Performs the audits and inspections that it deems appropriate

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

- Proper definition of powers and authority within the company as well as proper exercise of the respective powers and responsibilities of Company governing bodies;
- That no person has the power to obligate the Company without supervision and control;
- The proper functioning of internal audit bodies and outside auditors' satisfactory performance of their mission;
- 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 videoconferencing media that conform to the technical characteristics provided by regulations.

The Board establishes special committees, whether permanent or temporary, which are required by applicable legislation or which it deems appropriate. The Board allocates directors fees to the Directors and may allocate additional directors fees to Directors who participate in special committees of the Board, while complying with the total amount established for that purpose by the Shareholder Meeting.

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.

Membership of the Board of Directors

of TOTAL S.A. during 2003⁽¹⁾:

Thierry Desmarest

Aged 58. Chairman and Chief Executive Officer of TOTAL S.A. since May 31, 1995. Director of Sanofi-Synthélabo. Member of the Supervisory Board of Air Liquide, Areva. Director of TOTAL S.A. since 1995 and until 2004. Appointed Chairman and Chief Executive Officer of Elf Aquitaine since February 15, 2000. Holds 14,800 shares.

Yves Barsalou

Aged 71. Independent Director⁽²⁾⁽³⁾. Honorary Chairman of Crédit Agricole. Director of Société des Caves de Roquefort, Sodagri, Banco Espírito Santo. Member of the Supervisory Board of *Midi Libre*. Director of TOTAL S.A. since 2000 and until May 2003. Held 741 shares.

Daniel Bouton

Aged 53. Independent Director⁽²⁾. Chairman and Chief Executive Officer of Société Générale. Director of Schneider Electric S.A, Arcelor, Veolia Environnement. Director of TOTAL S.A. since 1997 and until 2006. Holds 800 shares.

Bertrand Collomb

Aged 60. Independent Director⁽²⁾. Chairman of Lafarge. Director of Vivendi Universal. Member of the Supervisory Board of Allianz. Director of TOTAL S.A. since 2000 and until 2006. Holds 1,178 shares.

Paul Desmarais Jr.

Aged 49. Independent Director⁽²⁾. Chairman and co-Chief Executive Officer of Power Corporation of Canada. Vice-Chairman and Executive Director of Pargesa Holding S.A. Director and member of the Executive Committee of Great-West (Canada), Bruxelles Lambert Group, London Insurance Group. Director of Suez. Director of TOTAL S.A. since 2002 and until 2005. Holds 500 shares.

Xavier Dupont

Aged 70. Independent Director ⁽²⁾ ⁽³⁾. Chairman and Chief Executive Officer of Natexis Quantactions France. Member of the Supervisory Board of Banque Privée Saint Dominique, Acofi. Director of TOTAL S.A. since 2000 and until May 2003. Held 1,000 shares.

Jacques Friedmann

Aged 71. Independent Director ⁽²⁾. Director of BNP Paribas, L.V.M.H. Director of TOTAL S.A. since 2000 and until 2006. Holds 1,519 shares.

Bertrand Jacquillat

Aged 59. Independent Director ⁽²⁾. University Professor. Co-founder and Chairman and Chief Executive Officer of Associés en Finance. Director of TOTAL S.A. since 1996 and until 2005. Holds 900 shares.

Antoine Jeancourt Galignani

Aged 66. Independent Director ⁽²⁾. Former Chairman of Assurances Générales de France. Chairman of Gecina. Chairman of the Supervisory Board of Euro Disney SCA. Director of Société Générale, Kaufman & Broad. Director of TOTAL S.A. since 1994 and until 2006. Holds 865 shares.

Anne Lauvergeon

Aged 44. Independent Director ⁽²⁾. Chairman of the Areva Management Board. Director of Suez, Sagem. Director of TOTAL S.A. since 2000 and until 2006. Holds 500 shares.

Maurice Lippens

Aged 60. Independent Director ⁽²⁾. Chairman of Fortis. Director of Suez-Tractebel, Bruxelles Lambert Group. Director of TOTAL S.A. since 2003 and until 2005. Holds 800 shares.

Michel Pébereau

Aged 61. Independent Director ⁽²⁾. Chairman of BNP Paribas. Director of Lafarge, Saint-Gobain. Member of the Supervisory Board of Axa. Chairman of Association Française des Banques. Director of TOTAL S.A. since 2000 and until 2006. Holds 589 shares.

Thierry de Rudder

Aged 54. Independent Director ⁽²⁾. Managing Director of Bruxelles Lambert Group. Director of Suez-Tractebel. Director of TOTAL S.A. since 1999 and until 2004. Holds 989 shares.

Jürgen Sarrazin

Aged 67. Independent Director ⁽²⁾. Former Chairman of the Dresdner Bank Management Board. Director of TOTAL S.A. since 2000 and until 2006. Holds 1,777 shares.

Robert Studer

Aged 65. Independent Director ⁽²⁾ ⁽³⁾. Former Chairman of the Board of Directors of Union des Banques Suisses. Director of B.A.S.F., Espirito Santo Financial Group, Renault, Schindler Holding. Director TOTAL S.A. since 2000 and until May 2003. Held 1,463 shares.

Serge Tchuruk

Aged 66. Independent Director ⁽²⁾. Chairman and Chief Executive Officer of Alcatel. Director of Thales, Société Générale. Director of TOTAL S.A. since 1989 and until 2004. Holds 50,935 shares.

Pierre Vaillaud

Aged 68. Independent Director ⁽²⁾. Former Chairman and Chief Executive Officer of Elf Aquitaine and Technip. Director of Technip, Egis. Member of the Supervisory Board of Cegelec, Oddo Pinatton. Director of TOTAL S.A. since 2000 and until 2006. Holds 1,113 shares.

(1) Information at December, 31, 2003.

(2) Independent Director: Director considered as independent with corporate governance criteria generally admitted and with no material relationship with TOTAL S.A. (reviewed every year by the Board of Directors and for the last time on February 18, 2004).

(3) Director until May, 6, 2003.

Meetings of the Board of Directors

As a rule, the Board of Directors is called by letter sent eight days in advance. Insofar as possible, the documents that the Directors need to examine for making decisions are enclosed with the notice or sent within a few days thereafter. The minutes of each meeting are subject to express approval at the next meeting of the Board.

The Board of Directors met six times in 2003. The attendance rate for all Directors was 82.42%.

The agenda of the meetings involved examining the following points:

January 7:

- I 2003 budget,
- I the Group's insurance policy,
- I the Group's financial policy,
- I plan to acquire petrochemical assets and form a joint venture with Samsung Chemicals.

February 19:

- I financial statements of fiscal year 2002 (consolidated financial statements, financial statements of parent company),
- I rewriting the Directors Charter and the regulations of the Audit Committee and the Appointments and Compensation Committee,
- I change in the Company's name and the Group's logo,
- I calling the annual Meeting of Shareholders
- I setting the Chairman's compensation for 2003.

May 5:

- I 2003 first-quarter results,
- I preparation for the annual Meeting of Shareholders.

July 16:

- I estimation of results for the first half of 2003,
- I allotment of stock options,
- I long-term plan of Exploration & Production division.

September 2:

- I final results for first half of 2003 (consolidated financial statements, financial statements of parent company),
- I long-term marketing plan of Refining-Marketing division.

November 6:

- I results for the third quarter of 2003,
- I new issue of stock reserved for employees,
- I Group strategy and five-year plan.

The Audit Committee

The mission of this Committee is to assist the Board of Directors so that the latter can ensure the quality of internal auditing and oversight and the reliability of the information provided to shareholders as well as to financial markets. The Audit Committee ("the Committee") performs the following specific tasks:

- I Recommend the appointment of Auditors and their compensation, and ensure their independence;
- I Reestablish the rules for the use of Auditors for work other than auditing accounts;
- I Examine the assumptions employed in preparing financial reports, study the company financial statements of the parent firm and the consolidated annual, semiannual, and quarterly financial statements prior to their examination and review by the Board, having regularly reviewed the financial situation, cash flow situation, and the obligations of the Company;
- I Evaluate internal audit procedures, and specially ensure the establishment and proper operation of a committee to review and verify the data to be published. Review its conclusions;
- I Examine the annual work schedules of external and internal auditors;
- I Examine the internal audit report and other reports (Auditors, annual report, etc.), oversee the proper application of the financial ethics code applicable to the main financial officers of the Group;
- I Evaluate the organization of the delegation of authority and the appropriateness of risk monitoring and oversight procedures;
- I Evaluate and assess the appropriateness of the selection of accounting principles and methodologies;
- I Examine the conditions for the use of derivatives products;
- I Issue an opinion regarding major transactions contemplated by the Group;
- I Review the annual report of significant litigation.

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

In selecting the members of the Committee, the Board pays particular attention to their financial and accounting qualifications. Members of the Audit 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 (ii) compensation and pensions

due for previous work for the Company which is not dependant upon future work or activities.

The Committee appoints a Chairman. The Finance Manager is the Committee Secretary.

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

The Audit Committee may meet with the company chief executive officer and perform visits or hold meetings with the managers of operating or functional entities that are appropriate to the accomplishment of its mission.

The Committee interviews and examines the Auditors. It may meet with them without any Company representatives 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 Rudder, all independent Directors. The Committee is chaired by Mr. Jacques Friedmann.

Committee members' length of service as TOTAL directors is, as of December 31, 2003, three years, seven years, and four years, respectively.

At its meeting on February 18, 2004, the Board of Directors confirmed the appointment of Mr. Jacques Friedmann, chief financial officer, former chairman and chief executive officer of Union des Assurances de Paris, director of BNP Paribas, as "financial expert" on the Audit Committee.

The Audit Committee's Work in 2003

The Audit Committee met six times in 2003. The actual attendance rate for its members at those meetings was 100%. The meeting on February 18 was devoted to examining the consolidated earnings of the Group and the financial statements of TOTAL S.A., the parent company, for fiscal year 2002. In the second quarter, the Committee met on May 5 to examine the consolidated financial statements of the first quarter, and the accounting and outsourcing of labor-relations commitments.

The meeting on July 15 in the second half of the year, was devoted to examining the methods of implementing the accounting standard FAS 143, which modifies the rules for calculating the provisions for site restoration used in the Group's consolidated financial statements, the May 2004 expiration of the terms in office of the Independent Auditors and the conditions under which they may be retained for non-audit services; at the meeting on August 6, the financial statements for the second quarter and first half of 2003 were examined.

On November 5, the meeting was devoted to examining the financial statements for the third quarter of 2003, the consequences for the Group of the Financial Security Act of August 1, 2003, and the Group's internal audit framework. The meeting on December 3 reviewed the Group's labor-relations commitments under the law of August 21, 2003 on pensions and the conditions for extending the terms in office of the Independent Auditors.

Every quarter, the Committee examined the Group's financial condition and the work conducted by Internal Audit.

The Appointments and Compensation Committee

The principal objectives of this Committee are to:

- Recommend to the Board of Directors the persons who may be appointed as Directors or corporate officers (hereinafter "corporate officers") and to prepare the corporate governance rules and regulations that are applicable to the Company;
- Review and examine the executive compensation policies implemented in the Company 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 Appointments

1. Assists the Board in the selection of directors, corporate officers, and directors serving as committee members.
2. Recommends annually to the Board the list of directors that may be considered "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 corporate officers of TOTAL SA, including retirement;
 - b) Allocations of stock subscription or purchase options and specifically allocations to corporate officers by name.
2. Examines the compensation of members of the Executive Committee, including stock option plans and plans based on share value trends ("equity-based plans"), retirement and pension systems, and in-kind benefits.

The Committee is made up of at least three Directors designated by the Board of Directors. Independent Directors shall 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 (ii) compensation and pensions due for previous work for the Company which is not dependant upon future work or activities.

The Committee appoints its Chairman and its secretary.

The latter is a managing executive of the Company.

The Committee meets at least twice a year.

The Committee invites the chief executive officer to submit his 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 from the chief executive officer the benefit of the assistance of any executive manager 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 requests from the Board the means and resources to make use of outside assistance.

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

The Committee met twice in 2003. The actual rate of attendance of its members at those meetings was 100%. Its members are Messrs. Bertrand Collomb, Michel Pébereau and Serge Tchuruk, all of whom are independent directors. The Committee is chaired by Mr. Michel Pébereau.

The Committee proposed to the Board of Directors the list of the independent Directors according to generally recognized criteria for corporate governance who did not have any significant relationship with TOTAL S.A.

At its meeting on February 19, 2003, the Board drafted as follows the list of independent Directors of the Company: Messrs. Barsalou, Bouton, Collomb, Desmarais, Dupont, Friedmann, Jacquillat, Jeancourt-Galignani, Ms. Lauvergeon, Messrs. Lippens, Pébereau, de Rudder, Sarrazin, Studer, Tchuruk and Vaillaud.

Pursuant to the recommendations of the AFEP-MEDEF Report of September 2002, a formal evaluation of the operation of the Board of Directors was done by an outside firm in November and December 2003.

General Management

Upon proposal from the Appointments and Compensation Committee, the Board of Directors, at its meeting on July 9, 2002, decided to maintain the previous method of general management, i.e. to combine the duties of Chairman of the Board of Directors and Chief Executive Officer. That decision has not since been changed.

Internal control procedures

The internal control framework used by the TOTAL group is that of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). That framework sets objectives for internal control to assure that the appropriate processes have been implemented in terms of steering and optimization of operations, reliability of financial information and compliance with current laws and regulations.

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

Organization and Principles of Control

The Group's system of control is built around a three-level operating organization: Group, business segments and profit centers. Each level is directly involved in and responsible for the conception and implementation of control depending on the level of centralization that General Management wants. At each of these three levels, internal control is set out in specific procedures of organization, delegation of responsibilities and training of personnel who conform to the general framework of the Group.

The organization of internal control is based first on key factors that are deeply rooted in its culture, such as integrity, ethics and competence of the employees. The Group's upper management is regularly sensitized to the content and importance of the rules of conduct, which are formalized in a code of ethics. Each subsidiary or profit-center operating and financial officer makes an annual commitment to obey the rules of internal control and sincerity of his financial information through an internal representation letter sent to the Group's Financial Officer.

These principles of control have been confirmed and their formal implementation has been reinforced through the Corporate Governance initiatives which are described in a separate section of the Annual Report.

Risk Assessment Process

Identifying and analyzing risks that might affect the achievement of the group's objectives is the responsibility of the Executive Committee, assisted by the Risks Committee, the Management control and the Internal Audit.

The main risks that are managed at the Group level are: sensitivities to petroleum environment parameters (oil and gas prices, refining and distribution margin, petrochemicals 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 the operating environments and the contractual aspect of exploration-production activities, 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 this report.

Control Activities

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

The activities of control at the Group and business segments level are centered primarily around a strategic plan, which is reviewed annually, an annual budget, monthly financial reporting that analyzes in detail the discrepancies with the budget, and consolidations of quarterly accounts reconciled with the reporting. Those processes are conducted in conformity with standardized methods of financial reporting that are homogeneous and comply with the accounting standards for published financial statements. The choice of financial indicators and accounting methods has been dictated by the essential objective of reflecting the actual risks and measuring the return on average capital employed (ROACE). In 2003, the Group set up a structure for monitoring changes in accounting regulations, especially international accounting standards, to measure in real time the potential impact of changes concerning more particularly hedge accounting, off-balance sheet commitments and the scope of consolidation.

The Group's control is exercised also on the operating level by the control of expenses and investment commitments, which are validated centrally by the Group's Executive Committee or by the Management Committees of each activity sector, based on thresholds defined by General Management.

Lastly, the disclosure committee, composed of the Group's main functional managers, regularly reviews the potential impact of current risks and verifies the sincerity of outside publications.

At the level of profit centers or subsidiaries, 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 set for the three levels of the operating organization: Group, for those of general application; business segments, for those specific to each type of business line; and profit center or subsidiary for all the rest.

They are communicated through written procedure notes, which are also available on the intranets of the Group and the activity sectors for those that are common in nature. 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 activity sectors concern primarily the rules of management audit proper to each business line. The profit centers or subsidiaries are responsible for setting forth the Group rules in detailed procedures adapted to their size or local environment.

In 2003, the TOTAL group expanded the documentation of disclosure controls and procedures. It also launched a project to adapt its internal control system to the new constraints of certification by outside auditors.

Supervision of the Internal Control System

Supervision of the internal control system is the joint responsibility of the holding company, each activity sector 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 represented by the Risk Assessment and Strategy Manager. The timetable of inspections is determined annually, jointly 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 of the Board of Directors. The Independent Auditors also report their comments to the Audit Committee as part of their statutory mission.

In 2003, the Audit department employed 75 professionals and was involved in 240 assignments. Internal audit participated in all meetings of the Audit Committee.

Statutory auditors' report (article L. 225-235 of the Commercial Code)

Statutory auditors' report, prepared in accordance with article L. 225-235 of the Commercial Code, on the report prepared by the President of the board of TOTAL S.A., describing the internal control procedures relating to the preparation and processing of financial and accounting information.

For the year ended December 31, 2003
(free translation of a French language original)

To the shareholders,

In our capacity as statutory auditors of TOTAL S.A., and in accordance with article L. 225-235 of the Commercial Code, we report to you on the report prepared by the President of your company in accordance with article L. 225-37 of the Commercial Code for the year ended December 31, 2003.

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, of the conditions in which the tasks of board of directors are prepared and organized and the internal control procedures in place within the company.

Neuilly-sur-Seine and Paris-La Défense, March 11, 2004

The statutory auditors

Barbier Frinault et Autres
Ernst & Young Network

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

In accordance with the professional guidelines applicable in France, we have obtained 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.

On the basis of the procedures we have performed, we have no matter to report in connection with the description of the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the President of the board of directors' report, prepared in accordance with article L. 225-37 of the Commercial Code.

KPMG Audit
Department of KPMG S.A.

Compensation of Directors and Executive Officers

The aggregate amount paid directly or indirectly by the French and foreign affiliates of the Company as compensation to the Executive Officers as a group (the members of the Management Committee and the Treasurer) was 14.6 million euros in year 2003 (twenty eight Executive Officers), which is equal to the amount paid in year 2002 (twenty nine Executive Officers)⁽¹⁾. Variable compensation accounted for 35.5% of the aggregate amount in 2003. Executive officers who are Directors of affiliates of the Company are not entitled to retain any Directors' Fees.

Mr. Thierry Desmarest's total compensation including benefits in kind paid in 2003 amounted to 2,528,076 euros. This compensation, set by the Board of Directors, is composed of a fixed base salary of 1,297,051 euros in 2003, the same amount as in 2002, and a variable portion, which is computed using the previous year's fixed base salary as the basis, which amounted to 1,231,025 euros in 2003. 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 by major international oil companies.

The variable portion that will be paid to Mr. Thierry Desmarest in 2004, based on the Group's results for fiscal year 2003, amounts to 1,490,188 euros.

Mr. Thierry Desmarest's total gross compensation was 2,409,952 euros in 2002 and 2,225,070 euros in 2001.

There is not a specific pension scheme for the Chairman, who instead is eligible for the same complementary pension scheme as the Group's other officers.

The amount paid to the members of the Board of Directors as directors' fees was 0.67 million euros in 2003 (pursuant to the decision of the Combined Shareholders' Meeting on March 22, 2000). There were 14 directors as of December 31, 2003 compared with 16 as of December 31, 2002.

(1) For the members of the Executive Committee, this amounted to 6.94 million euros in 2003 (7 members) and 6.98 million euros in 2002 (7 members).

The aggregate amount of 0.67 million euros paid as directors fees in 2003 was distributed as follows:

- I a fixed amount of 15,000 euros per director (paid prorata temporis in case of a change during the period);
- I an amount of 4,500 euros per director for each effective attendance at a meeting of the Board of Directors, of the Audit Committee or of the Nomination and Remuneration Committee.

Set forth below is the name of each executive officer of the Company as of December 31, 2003 (28 officers as of December 31, 2003 and 29 officers as of December 31, 2002):

The individual compensation of each Director is specified on pages 187 to 190.

Management Committee

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

Michel BENEZIT
 Michel BONNET
 Alain CHAMPEAUX
 Pierre-Christian CLOUT
 Jean-Claude COMPANYY
 Jean-Michel GIRES
 Philippe GOEBEL
 François GROH
 Jean-Jacques GUILBAUD
 Pierre GUYONNET
 Ian HOWAT
 Pierre KLEIN
 Jean-Bernard LARTIGUE
 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, 2003.

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, 2003)

	1998 Plan	1999 Plan	2000 Plan	2001 Plan	2002 Plan	2003 Plan	Total
Type of options	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Subscription options	
Exercise price (in euros)	93.76	113.00	162.70	168.20	158.30	133.20	
Expiration date	03/17/2006	06/15/2007	07/11/2008	07/10/2009	07/09/2010	07/16/2011	
Options granted	135,200	213,500	248,800	308,650	334,300	-	1,240,450
Existing options as of January 1, 2003	135,200	213,500	248,800	308,650	334,300	-	1,240,450
Options granted in year 2003	-	-	-	-	-	356,500	356,500
Options exercised in year 2003	35,000	15,000	0	0	0	0	50,000
Existing options as of December 31, 2003	100,200	198,500	248,800	308,650	334,300	356,500	1,546,950

NB: Among the Management Committee of TOTAL as of December 31, 2003, 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 178).

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	Total
Type of options	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Subscription options	
Exercise price (in euros)	93.76	113.00	162.70	168.20	158.30	133.20	
Expiration date	03/17/2006	06/15/2007	07/11/2008	07/10/2009	07/09/2010	07/16/2011	
Options granted	30,000	40,000	50,000	75,000	60,000	-	255,000
Existing options as of January 1, 2003	30,000	40,000	50,000	75,000	60,000	-	255,000
Options granted in year 2003	-	-	-	-	-	60,000	60,000
Options exercised in year 2003	0	0	0	0	0	0	0
Existing options as of December 31, 2003	30,000	40,000	50,000	75,000	60,000	60,000	315,000

Allocation of TOTAL stock options

		Number of recipients	Number of options granted	Distribution	Average number of options per recipient
1998 Plan ⁽¹⁾	Top Executives ⁽⁶⁾	16	157,500	16.5%	9,844
Share purchase options <i>(decided by the Board of Directors on March 17, 1998 ; strike : 615 F or 93.76 euros ; discount : 4.94%)</i>	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⁾	Top Executives ⁽⁶⁾	19	279,000	18.6%	14,684
Share purchase options <i>(decided by the Board of Directors on June 15, 1999 ; strike : 113 euros ; discount : 4.74%)</i>	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)}	Top Executives ⁽⁶⁾	24	246,200	10.2%	10,258
Share purchase options <i>(decided by the Board of Directors on July 11, 2000 ; strike : 162.70 euros ; discount : 0.0%)</i>	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)}	Top Executives ⁽⁶⁾	21	295,350	11.0%	14,064
Share purchase options <i>(decided by the Board of Directors on July 10, 2001 ; strike : 168.20 euros ; discount : 0.0%)</i>	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)}	Top Executives ⁽⁶⁾	28	333,600	11.6%	11,914
Share purchase options <i>(decided by the Board of Directors on July 9, 2002 ; strike : 158.30 euros ; discount : 0.0%)</i>	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)}	Top Executives ⁽⁶⁾	28	356,500	12.2%	12,732
Share subscription options <i>(decided by the Board of Directors on July 16, 2003 ; strike : 133.20 euros ; discount : 0.0%)</i>	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

(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 one year 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 2 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 177).

(6) Management Committee and Treasurer as defined as of the date of the Board of Directors which decided to grant options.

Share subscription and purchase options at December 31, 2003

	1998 Plan	1999 Plan	2000 Plan	2001 Plan	2002 Plan	2003 Plan	Total
Type of options	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Subscription options	
Authorized by Shareholders' Meeting of	May 21, 1997	May 21, 1997	May 21, 1997	May 17, 2001	May 17, 2001	May 17, 2001	
Allocated by the Board of Directors' meeting of	March 17, 1998	June 15, 1999	July 11, 2000	July 10, 2001	July 9, 2002	July 16, 2003	
Total number of options granted :	955,000	1,499,767	2,425,645	2,693,375	2,870,850	2,935,306	13,379,943
• Directors and Officers	30,000	40,000	50,000	75,000	60,000	60,000	315,000
• ten first employees*	111,000	172,000	138,000	166,000	176,500	175,000	938,500
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	
Expiration date	March 17, 2006	June 15, 2007	July 11, 2008	July 10, 2009	July 9, 2010	July 16, 2011	
Exercise price (in euros)	93.76	113.00	162.70	168.20	158.30	133.20	
Options:							
• exercisable as of January 1, 2003	900,880	1,455,967	2,414,645	2,687,275	2,869,850	-	10,328,617
• granted in year 2003	-	-	-	-	-	2,935,306	2,935,306
• cancelled in year 2003	-	5,100	5,600	3,650	6,650	-	21,000
• exercised in year 2003	178,342	44,250	-	-	-	-	222,592
• exercisable as of December 31, 2003	722,538	1,406,617	2,409,045	2,683,625	2,863,200	2,935,306	13,020,331

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

Options granted to the ten employees receiving the largest number of options -
Options exercised by the ten employees exercising the largest number of options

	Total number of options granted/exercised	Strike price (in euros)	Allocation date	Expiration date
Options granted in 2003 to the ten employees of TOTAL S.A. and all other companies in the Group (excluding Directors of TOTAL S.A.) receiving the largest number of options	175,000	133.20	07/16/2003	07/16/2011
Options exercised in 2003 by the ten employees of TOTAL S.A. and all other companies in the Group (excluding Directors of TOTAL S.A.) exercising the largest number of options	61,000 15,000	93.76 113.00	03/17/1998 06/15/1999	03/17/2006 06/15/2007
	76,000	97.56*		

* Weighted average price.



Bruno Weymuller

President of Strategy
and Risk Assessments

“It is our duty to constantly reduce our environmental footprint and to effectively manage industrial risk. In addition, our research and production optimization initiatives must contribute to a seamless transition to the energy model of the future.”



**Corporate
social
responsibility**



*Corporate Social
Responsibility Report 2003*

TOTAL's corporate social responsibility policy is designed primarily to reduce our environmental footprint while preparing the future of energy, enhance the safety of operations, and manage our global workforce as part of a constructive employee relations process. The Sharing Our Energies report, published at the same time as the Annual Report, discusses our corporate social responsibility initiatives and objectives. Below, we present an overview of the main subjects covered. For more detailed information, see the report, which is also available at www.total.com.

Environmental Stewardship

Curbing Greenhouse Gas Emissions

TOTAL has not waited until the 2005 application of the European Union Directive on abating emissions from certain of our European sites to reduce emissions from all its operations worldwide.

In 2003, direct emissions from our operated activities stood at 66.0 million tons of CO₂ equivalent (Mt CO₂eq), compared with 85.9 Mt CO₂eq in 1990, representing a reduction of 23.2%. Over the same period, Exploration & Production's operated production increased by nearly 70%, refinery throughput by 26%, and petrochemicals output by 15%.

Compared to 2002, our emissions declined by 1.9 million tons as a result of reduced flaring of associated gas on some West African fields and the shutdown of the Wichita plant in the United States. However, refining emissions increased because of a higher capacity utilization.

This improvement is in line with the voluntary reduction targets that each business has set for 2005:

- Operated site emissions:
 - _ For Exploration & Production, a reduction of 30% from 1990 levels per metric ton of oil equivalent produced.
 - _ For Refining, a reduction of 20% from 1990 levels per metric ton of feedstock processed, a particular challenge because of the facility upgrading required to meet new automotive fuel standards.
 - _ For Chemicals, a reduction of 45% from 1990 levels in terms of absolute emissions.
- Power generation emissions:
 - A reduction of 37% in the kg CO₂eq/MWh ratio, with a 2010 target of 350 kg CO₂eq/MWh.

This assertive process entails the implementation of dedicated drivers to reduce emissions at source and to enhance energy efficiency.

Reducing Emissions and Releases

Upstream

In 2000, TOTAL decided to eliminate routine flaring of gas in all new projects, in particular by developing or reinjecting associated gas when the reservoir properties are suitable. We are also reducing flaring on existing fields. In 2002, we became an active member of the Global Gas Flaring Reduction Partnership (GGFR), an initiative launched by the World Bank in late 2001 to support national governments and the petroleum industry in reducing flaring of gas from Exploration & Production operations.

As well, our R&D teams are participating in a variety of studies on carbon dioxide (CO₂) capture and geological sequestration. TOTAL has been a sponsor of the joint program on the science and policy of global change at the Massachusetts Institute of Technology since 1999, and participates in Club CO₂ with French public research institutes, the European Carbon Dioxide Thematic Network (CO₂NET), and the International Energy Agency Greenhouse Gas (IEAGHG) R&D Program.

Refining

Cars are in the front line when it comes to reducing greenhouse gas emissions. That's why TOTAL constantly interacts with carmakers to jointly study the automotive fuels of the future and then tailor our industrial facilities accordingly.

Chemicals

The Chemicals business is helping to abate CO₂ emissions by pursuing two avenues of improvement: enhancing the energy efficiency of its facilities to reduce CO₂ emissions and expanding marketing of pure CO₂ downstream from its ammonia units.

It is also focusing on reducing emissions of other major greenhouse gases, such as nitrous oxide (N₂O), which is generated during fertilizer production, and fluorocarbons such as hydrofluorocarbons (HFC) and perfluorinated carbons (PFC). The business is committed to reducing N₂O emissions from nitric acid units by testing new catalysts and to curbing HFC emissions by incinerating HFCs at the Pierre-Bénite plant in France.

Improving Air Quality

Systems have been installed in all our refineries, petroleum product depots and service stations to recover vapor emitted during petroleum product loading and offloading (tanker trucks and railcars). We have also begun equipping pumps at some service stations with nozzles to recover hydrocarbon vapors released during fueling. In France, these systems have been installed at certain retail outlets, including older ones with gasoline throughput of more than 3,000 cubic meters a year and new ones with throughput of 500 cubic meters. Atofina, TOTAL's Chemicals business, reduced its emissions of volatile organic compounds (VOCs) by 33% between 1990 and 2002 and is aiming for a further 20% reduction by 2007. We are also working to reduce nitrogen oxide (Nox) and particulate matter emissions, in cooperation with carmakers. As well, pilots were launched in 2003 at the Provence and Les Flandres refineries in France to reduce SO₂ emissions through more efficient management of the sulfur recovery units.

Significant improvement is expected in 2004, and the main lessons will then be extended to our other refineries.

Conserving Water

Efficiently managing water consumption is a priority for TOTAL, in particular by identifying improvements that could be made in areas where our operations compete for water with other local applications, such as farming. Accordingly, we will be preparing a more detailed audit of our water use, and each of our core businesses will conduct at least one test to optimize water consumption at a number of sites in 2004.

PHOTOS FROM LEFT TO RIGHT



- **Nigeria** — The Amenam/Kpono oil field in the Gulf of Guinea is now producing. The aim of the second phase of the project is to increase production, to valorize the gas by piping it to the Bonny liquefaction plant, and to reduce the environmental impact of the offshore operations.
- **France** — The "Prime G" unit at the Flanders refinery allows TOTAL to produce low-sulfur (50 ppm) gasoline.
- **France** — The FOST (Fast Oil Spill Team) is a cooperative that groups together the heavy equipment needed to combat oil spills. It also provides training for oil-spill teams from cooperative members as well as other companies. Shown here: a floating boom deployed during a safety drill in the Sormiou inlet near Marseilles.

Improving Prevention of Freshwater and Seawater Pollution

In the days and weeks following the sinking of the *Erika*, TOTAL offered to provide practical assistance in three areas where our technical expertise makes us particularly efficient:

- Helping to clean up and restore the coastline.
- Pumping out the cargo from the *Erika*.
- Storing and treating waste recovered on the beaches.

These three commitments were fulfilled with the completion of the waste treatment program in December 2003.

At the same time, our Shipping business stepped up its cooperation with the French Transportation Ministry, shipping operators, and European Union authorities to amend tanker safety legislation, while also tightening our own vessel vetting criteria.

In conjunction with the French national authorities, we regularly conduct pollution control drills to test practices and organization. Our Parapol offshore emergency response plan, which enables us to respond to spills anywhere in the world, was revised at the end of 2003. Under the plan, an emergency response team can be sent to a spill site at the request of the subsidiary or industrial facility concerned. A drill to validate the team's operations is scheduled for 2004.

Managing Waste and Rehabilitating Industrial Sites

In line with our commitment to reduce the ultimate waste generated by our operations, Exploration & Production is gradually phasing out conventional oil-based drilling mud and replacing it with water-based mud or oil-based mud using special dearomatized fluids. Like Exploration & Production, Refining is examining ways of optimizing treatments for oil-based muds. In the Chemicals segment, petrochemicals, chlorochemicals, fertilizers, intermediates and performance polymers have stopped internal landfills, while increasing recycling and minimizing the amount of ultimate waste to be stored offsite. Specialty Chemicals has set the same objective for 2007.

These initial measures will be strengthened across all businesses in 2004 with the preparation of waste management plans and verification of final disposal conditions.

Sustainable resource management also encompasses redevelopment of end-of-life industrial facilities to restore them to conditions as close as possible to the baseline environment, and then monitor them regularly to maintain them in this state. This type of reclamation program is being applied to many of our facilities, including depots and service stations designed back when containment measures were less stringent. Lastly, decommissioning of the Frigg field installations in the North Sea will begin in 2004 and continue until 2012.



Promoting Environmental Management

Systems specifically tailored to each of our businesses have long been in place to manage our environmental performance, as well as safety and quality performance. These systems underpin the five-stage continuous improvement process that consists of setting objectives, implementing initiatives, measuring results, monitoring performance, and reporting data.

In addition, this voluntary process, which is based on information, feedback, dialogue, awareness and training for all, is being bolstered with ISO 14001 certification. Initiated in 1997, the certification process was actively pursued in 2003. At year-end, a further 34 sites had earned certification, raising the total to 159, taking into account the sale or closure of seven sites in 2003.

We anticipate that 50% of our major sites will be ISO-certified by 2005, a figure that will increase to 75% by 2007.

Maintaining Biodiversity

Our environmental assessments examine the potential impact of projects on biodiversity, which is a key criterion for project approval by management committees at the most senior level.

In addition, we work closely with stakeholders on this issue. We actively participate in industrial forums, such as the International Petroleum Industry Environmental Conservation Association (IPIECA), that promote exchanges of experience. We are also identifying the sites where our operations could adversely affect vulnerable ecosystems and protected areas, and will strengthen management systems where appropriate.

In addition, the TOTAL Corporate Foundation contributes to our environmental stewardship, particularly in the area of maintaining biodiversity. Its initiatives focus on expanding scientific knowledge, protecting endangered species and ecosystems, especially offshore, and informing and enhancing public awareness.

Preparing the Future of Energy

To ensure a seamless transition to the energies of the future, we are working hard to extend the lifetime of oil and natural gas resources. Two decisive drivers in this process are optimizing producing fields and exploring non-conventional fields.

Preparing for the future also entails developing capabilities in the area of renewable energies, and we are therefore active in photovoltaics, wind power and biofuels.

Lastly, we are investigating energy applications across the hydrogen chain, from production and distribution to storage and use, while minimizing or even eliminating greenhouse gas emissions.

Optimizing the Potential of Mature Fields

We are pursuing our efforts to grow existing field reserves by enhancing recovery of their ultimate resources, thereby extending the production life of mature fields with declining output in Gabon, Cameroon, the North Sea and the Middle East. The economic stakes are high, considering that more than 60% of the original oil in place is untapped in an end-of-life field. But constant technological developments now let us meet challenges that seemed insurmountable just a decade ago. A host of innovations—including 4 D seismic, numerical flow simulation, horizontal and extended reach wells and multi-drain drilling, reentry into existing vertical wells to drill horizontal drains, and enhanced recovery processes—has made it easier to identify and locate potential reserves and to access and develop them cost effectively.

Developing Oil and Natural Gas Resources

TOTAL has acquired a world-class portfolio of deepwater acreage in Angola, Gabon, Nigeria and the Gulf of Mexico, supported by unmatched expertise in deploying cutting-edge technologies. The bringing on stream of the Girassol field in 1,400 meters of water offshore Angola in December 2001, followed by Jasmim in December 2003, illustrates our proficiency in the sophisticated technologies required to develop major deepwater fields.

Barely tapped, extra heavy oil resources will begin to deliver their enormous potential over the next few years as new technology enhances recovery. In view of the tremendous stakes, we acquired a 43.5% interest in the Surmont lease in Canada's Athabasca region in January 2003

and gave the go-ahead for the first phase of extraction on December 15, 2003. This project will leverage the know-how acquired with the Sincor project, inaugurated in March 2002.

Because of its inherent properties, natural gas will play an essential role in the energy supply of the future. TOTAL began forging solid capabilities in developing and operating high-temperature, high-pressure resources with the Lacq field in southwestern France in the 1950s. More recently, we honed our expertise with Elgin & Franklin in the U.K. sector of the North Sea, brought on stream in 2001.

A wide array of challenges remains to be met, such as developing gas reserves in Tierra del Fuego, Azerbaijan and Kazakhstan, as well as the associated gas from oil fields in Angola.

A pioneer in the liquefied natural gas (LNG) industry, TOTAL is a major operator with interests in five liquefaction complexes that together account for nearly 40% of global capacity. Reducing LNG chain costs is critical to developing large projects currently under study. We are exploring a number of research avenues, such as increasing liquefaction train unit size, designing floating plants, and developing new equipment.

In October 2003, we signed an agreement to acquire a 25% interest in the Altamira LNG regasification terminal project on Mexico's east coast, our first such investment. Regasification terminals are a critical link in the LNG chain, and this project marks a new stage in our midstream deployment.

Developing Renewable Energies

TOTAL Energie, a joint subsidiary of Electricité de France (EDF) and TOTAL, is a leading global supplier of photovoltaic systems in developing countries. Through it, we are a partner in two large-scale rural electrification programs: one in Morocco to provide 16,000 rural homes southeast of Rabat and Casablanca with photovoltaic equipment by 2005 and one in South Africa to equip 15,000 homes in KwaZulu/Natal province by end-2006.

In addition to our interest in Total Energie, we have a 42.5% stake in Photovoltech, which manufactures polycrystalline silicon-based photovoltaic cells and modules. This technology is more efficient and less expensive than existing processes.

We are also developing innovative, environmentally-friendly wind power projects. In November 2003, we inaugurated our first wind turbines at the Mardyck refinery, near Dunkirk, France. With an installed capacity of 12 MW a year, equivalent to the domestic consumption of 15,000 people, the five large, latest-generation wind turbines combine high electrical output, a small footprint and low noise levels.

Biomass consists of living plant matter from land or sea and can be used to produce biofuels from oilseeds (rapeseed, sunflowers or soybean), sugar crops (sugarbeet and sugarcane), or cereals (wheat and corn). The European Union Directive of May 8, 2003 encourages increased use of pure or blended biofuels, and sets ambitious targets for 2005 and 2010. As a committed pioneer with more than ten years' experience with biofuels, TOTAL is carefully monitoring this situation and contributing to biofuel research in Europe. We are exploring two main types of biofuel:

- Ethyl tertiary butyl ether (ETBE) which is synthesized from isobutylene, a refining by-product, and sugarbeet or cereal-origin ethanol.
- Vegetable oil methyl esters, or biodiesels, obtained by methanol reaction with oil from oilseeds (mainly rapeseed in France).

We are also examining new avenues for the future, tailored to technological advances in engines, in particular synthetic fuels obtained from biomass gasification.

Exploring New Technologies

Due to the progress made in recent years, the hydrogen fuel cell is positioned as a promising alternative source of energy for at least three major applications: powering portable devices, decentralized power generation for home or business use, and powering automobiles.

TOTAL has decided to explore hydrogen and fuel cells as a producer and retailer of automotive fuels, as well as a specialty chemicals manufacturer. As part of this approach, we are a partner in the Hydrogen Competence Center in Berlin, which comprises demonstration areas and a pilot hydrogen station that will supply captive public transportation fleets. We are also working with Renault to determine the viability of reforming conventional fuels in onboard power generation applications and applications to supply propulsion cells. In late 2003, we signed a framework cooperation agreement with Delphi, a leading global automotive equipment manufacturer, to jointly develop new equipment, fuel and petroleum products.

Enhancing Safety

Safety is central to TOTAL's businesses, because our oil, gas and chemical operations involve manufacturing and handling flammable, explosive and toxic products. To manage the related risks, we have long-established strategies and standards that were harmonized in 2001, in particular with the signature by Chairman and CEO Thierry Desmarest of the Health Safety Environment Quality Charter.

Safety is the subject of a continuous improvement process. To support it, in early 2002, the Executive Committee approved a safety action plan that sets two medium-term priority objectives:

- Improving technological risk management.
- Significantly reducing the number and severity of work-related incidents.

Considerable progress has already been made in these key areas of industrial safety.

Managing Technological Risks

Reducing Risks at Source, Prevention and Protection Measures

Safety is integrated into facility design and subsequent upgrading. This sometimes makes it hard to single out investments specifically related to risk management.

In addition to the spending integrated into industrial projects, in early 2002 TOTAL approved a specific plan to strengthen risk management measures worldwide, entailing investments of 500 million euros over four years. The plan incorporates the usual safety expenditure, as well as projects to reduce risk at source and initiatives to improve employee and equipment safety. Investments are selected in line with the priorities identified during hazard analyses. Under the plan, Refining & Marketing and Chemicals respectively spent 46 million euros and 70 million euros in 2003, to protect units, blastproof control rooms and make the supply chain safer (storage and transportation).

Safely Transporting Hazardous Materials

Risks also have to be managed during offsite transportation of the hazardous materials. In overland transportation, we are pursuing initiatives to achieve optimum safety by selecting the safest methods of transportation, improving them, and closely supervising operations, in particular through assigning transportation safety advisors.

In shipping, a core component of our safety strategy is to improve the management of a significant proportion of our fleet through time charters. Where market demand warrants, we also use spot charters. In all cases, the vessels are selected on the basis of their compliance with European Union and international regulations, the results of pooled inspections by oil companies during stopovers in ports, and our own vetting process, which is among the toughest in the industry. It includes a wide range of requirements, including age limits on the vessels that can be chartered.

Broader Dialogue on Risks

On July 30, 2003, France passed Technological Risk Prevention Act introducing a host of new provisions, especially regarding urban growth around hazardous sites and dialogue with the public. The legislation also includes a significant labor relations component aimed at increasing participation in risk management issues by our own and contractor employees at Seveso-classified sites. We participated in the preparation of this Act, leveraging our experience as a multinational. At end-December 2003, we had 102 facilities classified "Seveso upper tier" in France, out of a total of 650, as well as a number of Seveso or Seveso-like sites in Europe and the rest of the world.

We are therefore heavily impacted by the new legislation and intend to play a major role in its application. For example, we helped to set up the community advisory panels created under the Act to promote regular, sustainable local dialogue on risks and risk prevention with stakeholders, including elected officials, neighbors and governments. We also attended their initial meetings.

In addition, we are enhancing cooperation around our high-risk sites worldwide. For instance, the Chemicals business launched the *Terrains d'Entente/Common Ground*[®] initiative in July 2002. Throughout 2003, a variety of regular meetings were held in France and Europe, encouraging the development of a safety culture shared by neighbors and site employees.

→ **France** — With its "*Terrains d'Entente*[®]" initiative, the Group's chemicals segment ensures that communities near its worksites are kept informed about the risks inherent in its activities and fosters transparency in cases of minor incidents and major accidents. The wide-ranging program includes guided tours, site open days, industrial classes, letters to local residents, public information meetings, exhibitions and educational partnerships. "*Terrains d'Entente*[®]" programs are also being set in place by a growing number of overseas subsidiaries.

→ **France** — The wind-farm on the Flanders refinery site at Mardyck. Each of the 5 turbines is equipped with its own automated control system, which also includes safety mechanisms.

→ **Alaska** — For workers called on to operate in extreme environments, the Group organizes intensive safety sessions called "survival training".



PHOTOS FROM TOP TO BOTTOM

Workplace Safety

Safety Results in Line with Our Objectives

One workplace safety indicator that TOTAL monitors in particular is the total recordable incident rate (TRIR), or the number of incidents with or without lost time recorded for our own and contractor employees, expressed per million man-hours worked.

The safety action plan approved in early 2002 is targeting a 60% reduction in the total recordable incident rate over four years. That would lower the rate from 15.4 incidents per million man-hours at end-2001 to six at end-2005.

Midway through implementation of the plan, and for the second year in a row, results are in line with this objective. The total recordable incident rate was 9.5 at end-2003 (versus a target of 10.8), down 38% since the beginning of 2002. This is a significant result, equivalent to 3,580 incidents averted. For a scope equivalent to that of other oil majors (oil and petrochemical operations only), our 2003 rate was six recordable incidents per million man-hours worked, down 52% from 2001.

Contractor Safety

The safety of contractor employees working on our sites is a major concern for TOTAL. We have to hire specialized companies, for example, for exploration and production operations that require specific capabilities and equipment or when temporary peaks occur during construction phases.

Our priorities are to ensure that contractor and TOTAL employees working on a site all embrace the same demanding safety standards and to significantly reduce the number and severity of workplace accidents. To do this, in 2003 we introduced a dedicated policy applicable to contractors, based on:

- Coordinating our safety management systems and those of contractors.
- Restricting subcontracting.
- Developing partnerships and retaining the best companies.

Organizations and People

Effective Organizations

In 2003, we introduced Group Safety Guidelines, which shape the documents specifying the guidelines of our different businesses. In particular, the guidelines provide more detail on some of the components of the Health Safety Environment Quality Charter.

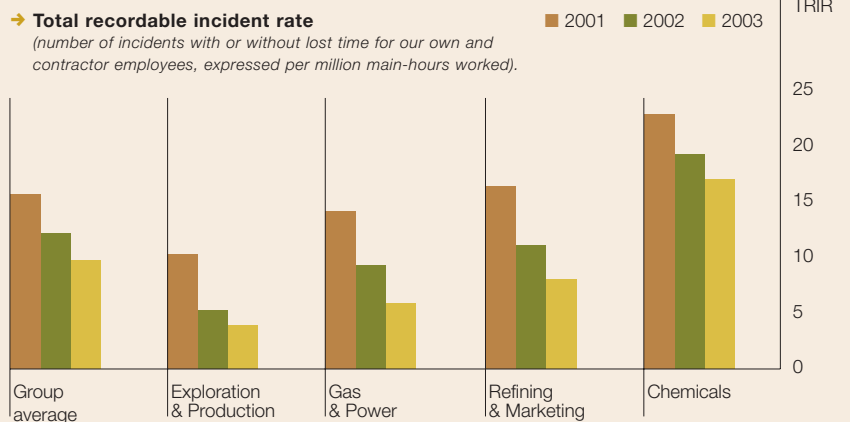
Intended to be transposed and implemented by each business according to its needs, the guidelines cover key safety issues, organizational issues and topics identified as critical after accident analyses. Those issued in 2003 covered accident and incident handling, driving safety, work in confined areas, and contractor safety policy.

As well, units are continuing to deploy safety management systems (SMS).

Promoting a Safety Culture

In addition to more effective organizations, safety is enhanced through responsible behavior and the engagement of all employees. Everyone is made aware of their personal role in enhancing safety through internal newsletters, brochures, information campaigns and training.

→ France — Personnel driving motor vehicles as part of their regular duties undergo defensive-driving training at the Beltoise Evolution center in Trappes outside Paris.



AZF Redeveloping the Toulouse Industrial Basin

As Thierry Desmarest, TOTAL's Chairman and CEO, pledged when he visited the AZF site on September 21, 2001, the day of the explosion, we are assuming our responsibilities as a manufacturer without waiting to identify the causes of the explosion, which are still unknown. This commitment reflects our solidarity with the victims and the people of Toulouse.

Extraordinary resources were deployed immediately to deliver emergency aid, repair damage quickly and completely, and identify the possible causes of the disaster.

This exceptional program has proven highly effective. Most of the rehabilitation work has been completed, while the injury and property damage compensation process is almost complete. In addition, the large majority of companies were able to continue operating, ensuring a rapid return to normal life and business by the people of Toulouse. Lastly, most employees have been reassigned or were able to take early retirement.

Compensation

To date, 97% of the 75,000 claims have been settled out of court, thanks to the attention paid to the most seriously injured, the resources deployed, and cooperation among stakeholders. As of December 31, 2003, 1.465 billion euros had been distributed to victims. As of today, only 120 claims have been the subject of legal proceedings.

This exceptional process included three particularly significant measures:

- The immediate allocation of emergency aid to the most disadvantaged and hardest hit by the disaster; more than 12 million euros was released outside the compensation process.
- The recognition of "specific damage" stemming from the collective nature of the disaster, which increased the compensation to the injured, and in particular doubled the funds paid to bereaved families and the most seriously injured.
- Broader access to compensation for Group employees injured in the disaster.

Solidarity with Employees and Contractors

All 459 Grande-Paroisse employees, with the exception of six still recovering from their injuries, have been transferred or have found other jobs with our assistance. In addition, dedicated initiatives implemented jointly by TOTAL, the State and industry organizations ensured continued employment for site subcontractors and employees of small companies in the area affected by the explosion.

Economic Redevelopment

After the April 11, 2002 announcement that Grande-Paroisse's AZF plant would not reopen, TOTAL pledged to contribute assertively to the redevelopment of the Toulouse industrial basin by creating 1,000 jobs. As part of this commitment, in the summer of 2002 we set up a dedicated unit to attract projects by regional companies.

At end-2003, we were supporting close to 300 companies and individual entrepreneurs through our initiatives, resulting in commitments to create 1,300 jobs over 15 months, of which 300 directly by TOTAL. In January 2003, Total Energie, a joint subsidiary of TOTAL and electric utility *Electricité de France*, announced that it had decided to locate its European solar panel production plant in Toulouse. Then, in July, we announced that we would be setting up a center, managed by a leading IT services company, for part of our Refining & Marketing information systems. This activity is expected to create more than 200 jobs over three years, for an investment of 5 million euros.

For the future, in light of the disaster's impact on industrial operations and the environment, TOTAL has created the Industrial Safety Institute with the support of the State and France's largest companies. This signals our commitment to making a significant contribution to improving the safety of industrial processes through technological research, university and continuing education, and our dedication to enhancing dialogue with neighbors.

Investigation Update

TOTAL believes that identifying the causes of the disaster is incumbent on us as a manufacturer and that it is our duty to the victims and everyone in Toulouse.

The judicial investigations have not yet identified the causes of the explosion. The reconstructions conducted in 2002 as part of the criminal proceedings ruled out the theory that products had been mixed accidentally. Following the reconstructions, most of the charges against Grande-Paroisse employees were dismissed. The Toulouse public prosecutor is appealing this decision.

Other technical assumptions concerning an accidental cause of the explosion are still being actively studied by the judicial experts, and none has been ruled out. Our internal investigation committee is using its considerable resources to continue its work, in cooperation with the judicial experts.

Human Resources

In 2003, TOTAL's consolidated workforce shrank from 121,469 to 110,783, mainly due to the divestment of SigmaKalon in February. In all, 6,000 new employees were hired, with the proportion of employees in "new" countries continuing to increase. This is a long-term trend that is creating new issues for Human Resources, such as managing international teams, adapting to local resources and widely varying national regulations, and including health care or training programs in our operations to meet the needs of host communities.

In response, in 2003 we created the Social Innovation and Diversity Department within Human Resources and Corporate Communications to assess our labor relations practices, define internationalization and gender diversity policies, coordinate our health care policy, and develop university-level partnerships with our main partner countries, in particular to enable foreign students to study in France.

Internationalization and Diversity

TOTAL is pursuing its goal of increasing the proportion of women in the workforce, which rose from 24% in 2002 to 26% in 2003. This target is one component of a global diversity plan launched specifically to encourage gender diversity and internationalization. The plan implements initiatives concerning hiring, career development, mobility, the balance between personal and work life, and support for maternity leave—all designed to eliminate the main hurdles to accessing higher responsibilities. It also includes awareness, training and communication actions to encourage the cultural change required to ensure that these objectives are understood, embraced and developed.

The businesses have maintained an extensive training commitment, combining internships, mentoring and e-learning, to ensure that our teams worldwide have the appropriate qualifications to handle complex operations and to meet the growing employee demand for greater responsibility. This is a cornerstone of mobility, as is the centralized appraisal of managerial positions, which was completed in 2003 for nearly all Group employees.

In the area of employee stock ownership, TOTAL has ensured that the supervisory boards for the TOTAL Actionnariat France and TOTAL Actionnariat International mutual funds comprise a majority of employee representatives. Employees in 90 countries have invested in these funds. As for benefits, TOTAL has negotiated a collective agreement with unions that introduces a supplementary health care plan for 71,000 employees.

The European Works Council focused on occupational health and safety in 2003. The liaison office examined the progress of the safety action plan from the standpoint of managerial involvement, industrial safety methods and practices, and transparency and front-line communication.

New Management and Analysis Resources

2003 saw significant progress in the management, reporting and analysis tools available to Human Resources. We deployed our main career management application, which tracks 30,000 employees, including all Oil Sector employees in France and most managers from all businesses outside France. This application encourages geographic and professional mobility, career internationalization, and diversification of manager profiles. It is accessible to all Human Resources managers.

TOTAL also expanded and computerized the reporting process for employee data, recruitments and labor relations practices. The process is now based on two surveys, the Group-wide Global Workforce Survey, conducted twice a year, and the Global Employee Panorama, carried out once a year based on a representative sample of companies. Both enable us to measure and assess our labor relations performance and better respond to external expectations and regulatory obligations.

Lastly, the internal opinion survey is now conducted annually and covers most of the Group. The last one, which took place in November, encompassed 137 sites; 23,800 employees were contacted and 10,200 responded.

A Health Care Policy

In 2003, TOTAL laid the foundations of a health care policy coordinated by the Human Resources Department and applied by the units depending on their own risks and the needs of the people concerned. The policy covers three main areas.

Employee Health

Employee health care is a priority. It includes regular medical checkups for all employees, health prevention in the workplace, risk management of work-related illnesses and incidents, awareness and information campaigns, arranging for treatment or emergency operations where necessary, and deploying appropriate personnel and resources.

Health Impact Assessments

The health impact of processes on neighbors and the potential hazards for anyone in contact with our products is the second area covered by our health care policy. We work with public authorities, researchers and the competent associations to assess the long-term effects, enhance process information and traceability, reduce risks, and more effectively manage crises and their consequences.

Occupational physicians are now being involved more closely in our health care, risk anticipation and crisis management programs.

They took part in a number of actions in 2003:

- Launching a health audit of our industrial facilities in China.
- Monitoring the asbestos issue, with in particular an inventory of its possible presence at downstream sites in Africa and Asia.
- Managing post-traumatic stress disorder, which occurs when a serious event disrupts an industrial site.
- Conducting a large number of awareness campaigns (smoking, driving, cardiovascular disease, HIV/AIDS, alcohol, stress, etc.).

Health Environment of Operations

TOTAL also takes an active role in certain public health issues, especially in countries where people are affected by pandemics that seriously threaten development, such as parasite-borne diseases, human retroviruses and emerging viral diseases. We work closely with the public authorities and reputable organizations, respecting local culture and promoting medical research and training of people to meet these needs. For example, we have introduced HIV/AIDS programs for employees and their families at our Sub-Saharan Africa subsidiaries.

These issues are managed by technical groups comprising physicians, toxicologists and safety, environment and human resources specialists. They are supported by outside experts and supervised by a Steering Committee combining safety, environment and human resources remits.

Ethics and Local Development

Ethics

Our presence in more than 130 countries requires that we pay special attention to fundamental human and social rights, due to the challenges of ensuring the compatibility of extremely diverse economic situations, political practices and cultural references with the universality of basic human principles. Morally irreproachable behavior on the part of our teams is critical to deploying the "governance contract" as understood by public opinion.

One component of this behavior is respect for the founding principles of human rights and compliance with the UN, European Union and French laws, rules and resolutions stemming from these principles, in particular in the area of investment and labor law. These principles are set out in our Code of Conduct. Their application is reflected in our everyday operations by the trust-based, fair relations we are committed to nurturing with employees, contractors, industrial partners and local communities.

In 2003, the Ethics Committee pursued its initiatives to enhance employee awareness of the Code of Conduct and how to apply it. A total of 2,000 employees took part in 15 day-and-a-half-long training sessions in Angola, Belgium, France (six sessions), Gabon, Italy, Nigeria, Norway, Morocco, South Africa and Spain. The program will continue in 2004. At the same time, following pilot tests in the United Kingdom and Morocco in 2002, ethical profiling was extended to around 20 units worldwide in 2003.

Another highlight of 2003 was our support for the Extractive Industries Transparency Initiative (E.I.T.I.), which targets enhanced transparency in management of mineral resources in least developed countries. Improved management of revenues generated by extractive industries in some countries is a decisive lever for better governance.

In June 2003, the E.I.T.I. recommendations were adopted by the eight countries at the G8 Summit in Evian, France, while in December TOTAL issued a press release in support of the slightly earlier declaration by Nigerian President Obasanjo that his country would implement the E.I.T.I. recommendations.

Local Development

Subsidiaries spent more than 77 million euros on close to 2,000 societal initiatives in 2003. Seventy-five percent of societal spending was directed to local communities in non-OECD countries.

In emerging countries, our local development programs are designed to rectify the human and economic imbalances that our industrial installations and labor relations practices, along with the industrial and financial resources deployed to implement chemical or energy projects, can create in local communities that are often very underprivileged and deprived of institutional support.

In northern countries, our local development initiatives are mainly directed at the underprivileged and those who have fallen through the social safety net. We support educational, social and economic projects, usually in partnership with the public authorities and NGOs familiar with front-line problems.

All our local development initiatives are governed by the same core principles:

1. Consistency between local practices and our Group-wide principles, as expressed particularly in our Code of Conduct.
2. Respect for the prerogatives of host countries, especially in the areas of health care, education and the economy; there is no subsidiarity between public and private responsibility.

3. Identification of effective local contact persons who express the genuine expectations of communities, and partnership with development experts to design, implement and track societal programs. These experts may be recognized representatives of local communities, government officials or members of non-governmental organizations.
4. Transparency concerning project type and implementation.
5. Ongoing attention to ensure that the positive impacts of programs are shared fairly.

Education and Training

The educational programs that we support in partnership with the public authorities and, often, specialized local NGOs cover a wide spectrum, ranging from children's education and vocational training to support for potential dropouts.

Initiatives are financed in many countries. In 2003 for example, a number of education-related projects were implemented in Argentina, including support for alternative schools, creation of a computer room, and a partnership with Caritas to fund after-school support centers. In Chile, the Cordillera de GasAndes Foundation, set up in 1996 as part of the GasAndes gas project, in which TOTAL has a 56.5% interest, has financed numerous educational initiatives in neighboring communities, especially San Jose de Maipo. Similar projects are being implemented in Asia, Africa and Europe.

Skills Transfer and Scholarships

Over the years, in the Middle East in particular, we have built up an effective skills transfer strategy to contribute to high-level training to encourage the in-depth participation of nationals in major investment projects undertaken by TOTAL. In addition, host countries benefit from technologies for optimum development of reserves.

Skills transfers mainly take place in the context of project implementation and management, within joint ventures known as operating companies (OPCOs), and dedicated training programs.

At the same time, we continue to sponsor science students around the world. Traditionally frequent in the Middle East, the practice of awarding scholarships and bursaries was expanded in 2003 with the introduction of a global policy designed to enable young foreign students to study in France, to earn master's degrees and MBAs, or to learn or perfect their knowledge of French.

Around 15 countries benefit, mainly emerging nations where TOTAL has well-established operations, such as Iran, the United Arab Emirates, China, and Ivory Coast.

Human Development through Economic Support

TOTAL deploys a variety of economic support programs in emerging countries. Our first line of action is to encourage local employees and subcontractors to participate in our projects, as illustrated by Dalia in Angola and Amenam-Kpono in Nigeria. This process is known as "regionalizing" projects.

We also give precedence to purchasing local goods and services, provided that local suppliers and contractors meet our requirements and commitments in terms of service quality, environmental stewardship, safety and working conditions.

We deploy more targeted front-line initiatives to support the rural economy or local craft industries, such as micro-credit and financing to build infrastructure. In Myanmar, for example, our socio-economic program focuses on micro-credit, enabling 2,500 villagers to realize their agricultural or business projects since 1997. In 2003, TOTAL encouraged local economic development through programs to support small and medium-sized businesses outside Europe. In this process, our experience in France with regional development initiatives is a valuable advantage fostering professionalism and sustainability.

Over the last 25 years, TOTAL Développement Régional and SOFREA, a wholly-owned subsidiary responsible for promoting regional economic development, have supported 2,250 projects, providing aggregate financing of 257.5 million euros and helping to create or maintain 27,100 jobs. Outstanding loans to small businesses totaled 18 million euros at end-2003.

Health Care Initiatives

TOTAL takes part in initiatives designed to improve the health of local communities in host countries. Focused on regions and countries lacking health care systems, our projects also concentrate on the most vulnerable populations, especially children and those most exposed to endemic diseases.

Our actions frequently rely on local NGOs, which are the best informed about the medical needs of local people. Tangibly, we support initiatives approved by the local authorities to combat endemic diseases such as HIV/AIDS and malaria and to train medical personnel, and provide financial support to hospitals and health centers.

PHOTOS FROM LEFT TO RIGHT



- **Indonesia** — TOTAL's community programs in the Mahakam delta, set up in collaboration with the local authorities, include:
 - a) support for the local economy; seen here is a newly opened shop.
 - b) restoration of the mangrove forest via a voluntary replanting program.
- **France** — TOTAL sets up training schemes for host-country nationals employed on Group projects and worksites. Some training sessions, such as this "process" course, take place at the La Défense headquarters.





Robert Castaigne
Chief Financial Officer

“The Group’s return on average capital employed (ROACE) was 19% in 2003, which places TOTAL at the top level among its competitors. New performance targets set for the 2006-2008 timeframe are intended to improve the Group’s profitability in a constant environment.”



Shareholder Information

In terms of financial communication, through a major effort by staff, we were able to publish the 2003 quarterly financial statements in greater detail and sooner than we did in 2002. For example, the financial statements for the first half of 2003 were published on August 6 whereas, in 2002, they were published on September 4.

TOTAL has decided to be much more active for individual shareholders. In 2004, distribution of the *Shareholder Newsletter* will be greatly expanded. For the first time, the issue devoted to 2003 results will be sent to all 540,000 individual shareholders of the Group.

In 2003, General Management conducted several roadshows throughout the world for institutional investors and participated in about 400 meetings with investors and analysts.

The following pages contain all useful information on the performance of TOTAL's share (return compared to that of the CAC 40, the Group's dividend policy, etc.) and a detailed description of actions conducted by TOTAL to inform all of its institutional as well as individual shareholders with full transparency.

Practical data

- **First in capitalization in Paris financial center and euro zone at year-end 2003**

- Listed on exchanges:
 - | **Paris, Brussels, London and New York**

- Included in indexes:
 - | **CAC 40,**
 - | **Dow Jones Stoxx 50,**
 - | **Dow Jones Euro Stoxx 50**

- Weight in indexes as of 12/31/03:
 - | **15.78% of CAC 40**
 - | **6.92% of Euro Stoxx 50**

- Included in sustainable development indexes:
 - | **FTSE4Good**

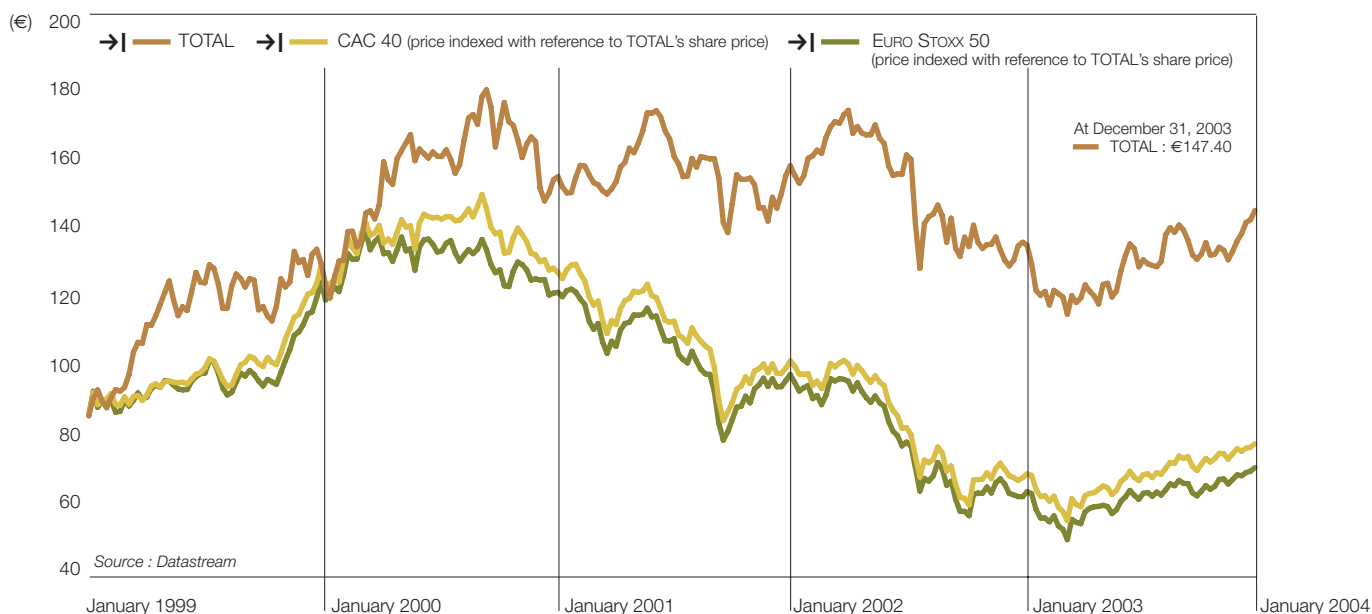
- Codes :
 - | **ISIN : FR0000120271**
 - | **Reuters : TOTF.PA**
 - | **Bloomberg : FP FP**
 - | **Mnemo : FP**

- Nominal value: **10 euros**

- Credit rating at year-end 2003:
 - | **Standard & Poor's : AA / A1+ / Stable**
 - | **Moody's : Aa2 / P1 / Stable**

TOTAL share

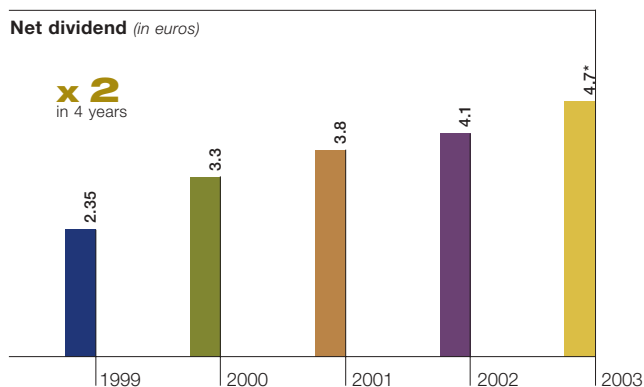
Market price and volume of TOTAL share in Paris (1999-2003)



Dividend per share: doubled in 4 years...

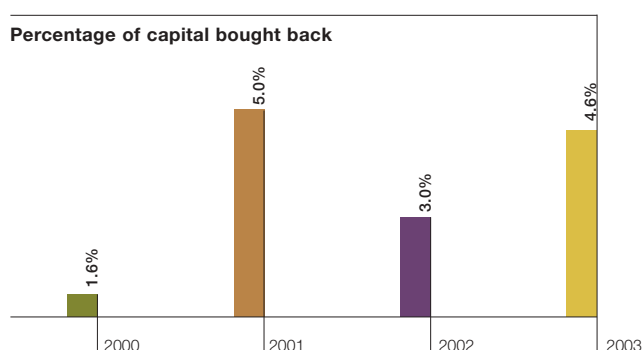
→| For fiscal year 2003, as in the past, TOTAL continued to increase the dividend amount by proposing a dividend of €4.70 per share to the General Meeting of Shareholders, an increase of 15% compared to last year. In four years, the amount of the dividend has doubled. The Group plans to pursue a dynamic dividend policy with a 50% pay out ratio target.

* Subject to approval by the General Meeting of Shareholders on May 14, 2004.

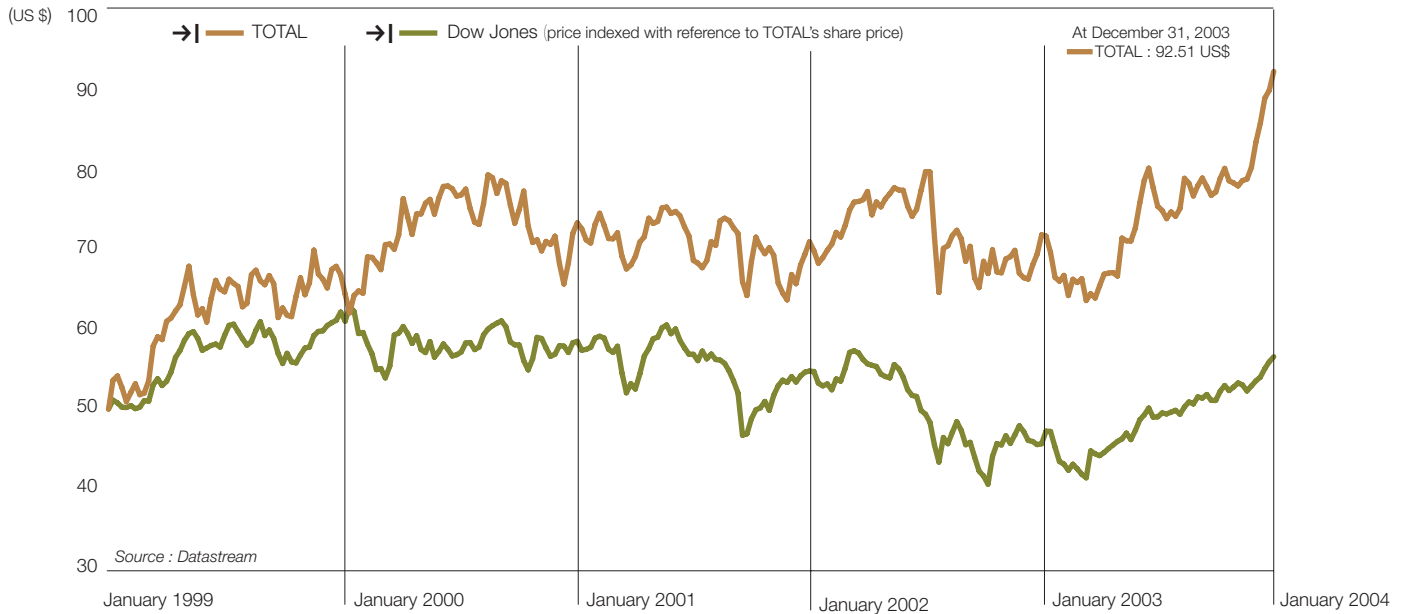


Share buyback program continued...

→| During 2003, TOTAL bought back 31 million shares at a cost of approximately €4.0 billion. The buybacks involved 4.6% of the capital. Considering a favorable oil environment (price of oil at a high level), the Group was able to buy back shares while reducing its net-debt-to-equity ratio and proposing to increase the dividend. For 2004, shares buybacks will be continued and modulated based on the environment and disposals.



The TOTAL ADS in New York (1999-2003)



Yield: 15.8% per year over 5 years...



For every 1,000 euros invested in TOTAL stock as of December 31 in year n, by an individual residing in France, assuming that the gross dividends (including 50% tax credit) are reinvested in TOTAL stock, and excluding tax and social security withholding.

	→ The annual yield on the investment would be:	→ The capital invested at the end of the period would be:
In 5 years	TOTAL: 15.8% CAC 40: 0.23%	€2,082
In 10 years	TOTAL: 15.7% CAC 40: 7.31%	€4,299
In 15 years	TOTAL: 23.8% CAC 40: 8.52%	€24,593

→ Performance of the share

	2003	2002	2001	2000	1999
Price of share (in euros)					
Highest (during regular trading session)	147.9	179.4	179.8	189.0	141.0
Lowest (during regular trading session)	110.5	121.2	126.0	118.5	86.0
Last of the year (close)	147.4	136.1	160.4	158.4	132.5
Trading volume (average per session)					
Paris Stock Exchange	2,950,951	2,979,693	2,482,110	1,759,658	1,317,580
SEAQ International ^(a)	857,933	1,913,200	2,568,514	1,963,004	1,559,303
New York Stock Exchange ^(b) (number of ADS)	487,942	477,912	436,654	441,063	308,228
Dividend per share (in euros)					
Net dividend	4.70 ^(d)	4.10	3.80	3.30	2.35
Tax credit ^(c)	2.35	2.05	1.90	1.65	1.175

(a) To make the trading volume on the SEAQ International comparable to the trading volume in Paris, the number of transactions recorded in London is usually divided by two to account for activity of market makers in London. However, the volumes presented in the table above have not been divided by two.

(b) Two ADSs correspond to one TOTAL share.

(c) Based on a tax credit of 50%. For individuals, the tax credit is equal to 50% of the net dividend. Conversely, for other shareholders, the tax credit has been eliminated by the Finance law for 2004.

(d) Subject to approval by the General Meeting of Shareholders of May 14, 2004.

→ TOTAL share over the last 18 months (on Paris Stock Exchange)

	Average volume during regular trading session	Highest during regular trading session (in euro)	Lowest during regular trading session (in euro)
September 2002	3,693,751	149.7	125.1
October 2002	3,890,513	148.0	127.9
November 2002	2,696,294	141.4	132.1
December 2002	2,708,902	138.4	128.2
January 2003	3,534,752	142.7	115.2
February 2003	3,026,501	127.5	116.0
March 2003	3,425,751	125.3	110.5
April 2003	3,107,205	130.2	116.6
May 2003	2,936,797	127.4	116.9
June 2003	3,613,260	138.8	124.2
July 2003	2,679,709	134.8	127.7
August 2003	2,557,688	142.8	128.6
September 2003	2,949,723	144.2	128.7
October 2003	2,386,282	139.0	129.2
November 2003	2,672,258	137.0	130.1
December 2003	2,571,127	147.9	133.6
January 2004	2,643,763	149.7	139.4
February 2004	2,320,697	149.9	139.6

Shareholding structure

Principal shareholders

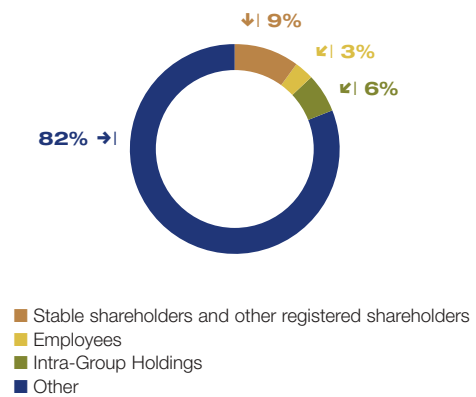
TOTAL's principal shareholders as of December 31, 2003 are listed in the following table. Their interest was established based on 649,118,236 shares corresponding to 661,238,566 voting rights as of December 31, 2003.

2003		
	% of capital	% of voting rights
1. Principal Shareholders represented on Board of Directors as of December 31, 2003	5.6	9.1
BNP Paribas	0.3	0.4
Areva	0.3	0.7
Société Générale	0.1	0.2
Groupe Bruxelles Lambert	3.6	6.6
Compagnie Nationale à Portefeuille	1.3	1.2
2. Group employees ⁽¹⁾	3.4	3.9
3. Other stable shareholders (non-Group)	3.4	6.6
Total stable shareholders (1+2+3)	12.4	19.6
Intra-Group holdings	5.7	-
TOTAL S.A.	1.9	-
Total Nucléaire	0.1	-
Subsidiaries of Elf Aquitaine	3.7	-
Other bearer shareholders	81.9	80.4
including bearers of ADS ⁽²⁾	5.7	5.6

(1) Based on the definition of employee shareholders pursuant to Article L.225-102 of the Commercial Code.

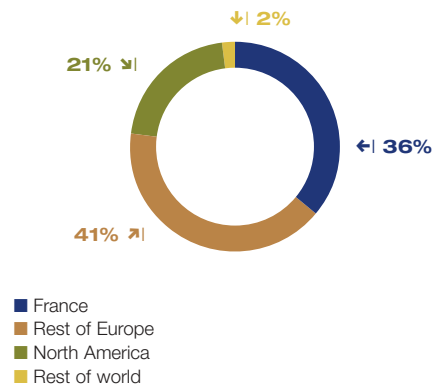
(2) American Depositary Shares listed on the New York Stock Exchange.

Distribution of shareholders



Distribution of shareholders by geographic zone

The number of TOTAL Shareholders is approximately 540,000.



Relations with our individual shareholders

General Meeting of Shareholders: a new meeting notice...

The General Meeting of Shareholders was held on May 6, 2003 with more than 2,000 shareholders in attendance at the Paris Convention Center. The Meeting adopted all the resolutions approved by the Board of Directors that were proposed to it and especially the resolution changing the name of the parent company from "TOTAL FINA ELF S.A." to "TOTAL S.A."

For that Meeting, with the help of the Shareholders' Advisory Committee, the Group worked especially hard to increase the informative value of the "Meeting Notice" that is sent to all shareholders who own 100 shares or more.

As it was last year, the Meeting was webcast live and then available archived on the Internet.

Actionaria Trade Show: a stronger presence...

On November 21 and 22, 2003, the Actionaria Trade Show was an opportunity for TOTAL to show its commitment to individual shareholders.

→ The Group sent more than 40,000 invitations, the "Privilege Pass," to the various shareholders who are regulars at the show, urging them to come to the booth and fill out a questionnaire entitled "Becoming Better Acquainted with the Expectations of Individual Shareholders."

The TOTAL team received more than 2,400 people at its booth. Seventy-three percent of the visitors were already shareholders of the Group and a vast majority of them had been faithful shareholders for more than five years. More than 600 non-shareholders of the Group

also had a chance to get the information they wanted.

- Thierry Desmarest participated in the debate "Chairmen of Large Groups Answer Your Questions" before an audience of more than 1,300 individual shareholders. It was an opportunity for him to discuss the Group's results and outlook with them.
- Thierry Desmarest also interacted with shareholders who were not physically present at the Actionaria Trade Show by participating in a live chat on the Boursorama website: "Live Dialogue." All in all, more than 800 web surfers followed the live chat and more than 35,000 pages were viewed on the presentation and the transcript of the dialogue. It was the largest audience for a thirty-minute dialogue.

Shareholder conferences: more of them...

In 2003, the Group increased the number of information sessions for individual shareholders. Thierry Desmarest personally led two of those conferences: the first at the Actionaria Trade Show and the second in December in Paris. The Group also traveled to Besançon, Nancy and Nice. All in all, more than 3,500 people attended those five conferences. Now, the cities of Lille, Rouen and Lyon are scheduled for 2004.

The Shareholders' Circle: launch of workshop "Understanding TOTAL Financial Statements Better"...

Overall in 2003, about fifteen events reserved for members of the Shareholders' Circle were scheduled and nearly 1,500 people were able to take advantage of them.



Since May 2003, the Shareholder's Circle has offered a new workshop module entitled "Understanding TOTAL Financial Statements Better." This workshop is meant to help our shareholders have an easier time interpreting the financial data published by the Group.

About 200 people have already taken the workshop, which is offered in Paris and regionally. Sessions are scheduled for 2004 in Paris, Marseille, Bordeaux, Nantes and Mulhouse.

The event of the year was unquestionably the Chagall exhibition at the Grand Palais. On that occasion, the Shareholders' Circle gave more than 3,000 of its members the special issue of *Connaissance des Arts* magazine devoted to the exhibition. TOTAL also had the pleasure of inviting more than 800 members of the Shareholders' Circle.

The Shareholders' Circle is open to any shareholder who owns at least 30 bearer shares and/or one registered share.

Shareholders Advisory Committee: new arrivals...

2003 was an opportunity to bring the number of members of the Advisory Committee to twelve and welcome four new members. The transfer of power from the outgoing members to the incoming members provided an opportunity to take stock of the work of the Committee with Thierry Desmarest.

This year, the Committee provided clarification as to the meeting notice, issues of importance to shareholders in connection with the Meeting of Shareholders, the overhaul of the entire individual shareholder communication apparatus, the new layout of the Shareholder Newsletter, the change in identity of the Shareholders' Circle and the "shareholder's notebook" section of the annual report. The Committee also ran a real-life test and validated the workshop module "Understanding TOTAL Financial Statements Better" before it was offered to the members of the Shareholders' Circle.





Registered status: lasting advantages...

BNP Paribas Securities Services is TOTAL's agent for management of registered shares. To convert your TOTAL shares to registered shares, just fill out the form that we will mail you upon request and send it to your financial intermediary.

The advantages of registered status include free custody charges; reduced brokerage fees: 0.30% before tax with no flat minimum; a dedicated toll-free number for all transactions with BNP Paribas Securities Services (free call from France): 0 800 11 7000 or (331) 55 77 39 68; personal notice of Meetings of Shareholders and double voting right after you hold your shares for two continuous years.

On the Internet: a content-packed "Finance" site...

In the course of 2004, the new version of the total.com website will be available. At that time, the "Finance" site will be filled with content and an "E-mail Alert" feature will be created. Then you will be alerted by e-mail of an event, a release or an update of one of our documents.



Relations with institutional shareholders and financial analysts:

On the occasion of the two roadshows in 2003, which occurred after the publication of the results for 2002 and the first half of 2003, the members of top Management of the Group met, as they do every year, with portfolio managers and financial analysts in the main financial centers in Europe (Paris, Brussels, Amsterdam, London, Dublin, Edinburgh, Frankfurt, Zurich, Geneva, Stockholm, Helsinki, Copenhagen, Milan and Madrid), North America (New York, Boston, Philadelphia, Chicago, Denver, Dallas, Houston, San Francisco, Los Angeles and San Diego) and Asia (Tokyo).

Several information conferences were also organized when the earnings were published. The handout material from those conferences is available in the "Finance" section of the website www.total.com. Three telephone conferences led by the Group's Chief Financial Officer, Robert Castaigne, were also conducted to discuss the earnings for the first, second and third quarters of 2003.

Overall in 2003, the Group organized about 400 meetings with investors and analysts.

TOTAL Investor Relations wins award...

On October 16, 2003 when IR Magazine awarded trophies for the euro zone, TOTAL's financial communications division was singled out several times for its quality. The Group won four prizes: Best Investor Relations from a Chairman, Best Vice President Investor Relations, Best Communication as to Value Creation, and Best Roadshow Organization.

→ | 2004 Calendar

March 30: Shareholder Conference in Lille
April 13: Shareholder Conference in Rouen
May 7: Earnings for first quarter 2004
May 14: General Meeting of Shareholders at the Paris Convention Center at 10:00 a.m.
May 24: Payment of cash dividend
August 5: Earnings for second quarter and first half of year
October 4: Shareholder Conference in Lyon
November 10: Earnings for third quarter
November 19 and 20: Actionaria Trade Show

→ | 2005 Calendar

May 17: General Meeting of Shareholders at the Paris Convention Center

→ | Contacts

Individual Shareholders:

For any general information, switching to registered status, joining the Shareholders' Circle...

Service des Relations avec les actionnaires Individuels TOTAL

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 92078 Paris-La Défense cedex

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 (call is free from France).

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Fax: 01 47 44 20 14 or (331) 47 44 20 14

E-mail: actionnairesindividuels@total.com

E-mail for the Shareholders' Circle:
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TOTAL American Services, Inc.
 100, Pavonia Avenue, Suite 401
 Jersey City, NJ 07 310

Tel: (001)(201) 626-3500

Fax: (001)(201) 626-4004

E-mail: ir.nyc@total.com

Management report from the Board of Directors

Overview of TOTAL's fiscal year

The Group's three business segments are:

- I the Upstream segment, which includes exploration, hydrocarbon production, gas, electricity, and other forms of energy;
- I the Downstream segment, which includes refining, petroleum product marketing and distribution, specialty products, and the trading and shipping of crude oil and products;
- I the Chemicals segment, which includes Base chemicals & Polymers, Intermediates & Performance Polymers and Specialties.

In 2003, the self-help programs that were launched in 2000 following the mergers of TOTAL, PetroFina and Elf were completed. The ambitious objectives for growth, synergies and productivity have been achieved thanks to the hard work of all the employees of TOTAL.

For 2003, 5% production growth, the implementation of productivity programs and the continued share buybacks drove earnings per share adjusted for special items to a record high of 11.56 euros. Expressed in dollars, earnings per share rose to 13.08, reflecting an increase of 47% for 2003 compared to 2002.

TOTAL has set new performance objectives for the years 2004-2008, consisting of a 4% average annual growth rate for hydrocarbon production while continuing to improve returns for the Group in a constant environment.

Full-year 2003 results

2003 oil environment was more favorable than in 2002 : the Brent price increased by 15% to 28.8 \$/b from 25.0 \$/b and the European refining margin (TRCV) increased strongly to 20.9 \$/t from 8.0 \$/t in 2002.

The dollar decreased in 2003 by 16% relative to the euro : the average exchange rate moved to 1.13 from 0.95 in 2002.

Besides, the global environment was tougher for Chemicals in 2003 than a year ago due to a persistent unfavorable economic context in Europe and the weak dollar.

Sales rose by 2% to 104,652 million euros (M€) in 2003 from 102,540 M€ in 2002.

Operating income from the business segments adjusted for special items increased by 18% to 13,004 M€ in 2003 from 10,995 M€ in 2002.

The 2.0 billion euros (B€) increase in 2003 versus 2002 operating income from the business segments adjusted for special items is due to +1.1 B€ of positive impacts from self-help programs (growth: +0.6 B€; synergies and productivity: +0.5 B€), +0.8 B€ for the generally more favorable environment; +0.2 B€ related to the lower level of refinery turnarounds; and -0.1 B€ for the changes in the Chemicals portfolio.

The +0.8 B€ impact from the environment on operating income breaks down as follows:

- I + 1.9 B€ from higher hydrocarbon prices;
- I + 1.3 B€ from higher refining margins;
- I - 2.0 B€ from the weaker dollar relative to the euro;
- I - 0.4 B€ from the further degradation of the Chemicals environment.

The impact of special items on 2003 operating income from the business segments was a negative 25 M€, made up mainly of asset impairments in the Chemicals segment. In 2002, special items had a negative impact of 659 M€ related primarily to write-downs of assets in Argentina.

Net operating income from the business segments adjusted for special items increased by 19% to 6,973 M€ in 2003 from 5,868 M€ in 2002.

Net income adjusted for special items increased by 17% to 7,344 M€ in 2003 from 6,260 M€ in 2002.

Reported net income was 7,025 M€ in 2003 compared to 5,941 M€ in 2002.

Special items had a negative impact of 319 M€ on 2003 net income, made up mainly of restructuring charges and a provision in the Chemicals segment. Special items had a negative impact of 319 M€ on 2002 net income, made up mainly of write-downs of assets in Argentina, changes in the UK tax system,

and gains on the sale of financial participations, notably Sanofi-Synthelabo shares.

For 2003, earnings per share adjusted for special items, based on 635.1 million fully-diluted weighted-average shares, was 11.56 euros, an increase of 23% compared to the 2002 earnings per share adjusted for special items of 9.40 euros. Earnings per share increased by more than net income, reflecting the accretive impact of the share buyback program.

Cash flow from operating activities increased by 13% to 12,487 M€ in 2003 from 11,006 M€ in 2002. Excluding 719 M€ of disbursements covered by a previously established reserve related to the Toulouse-AZF plant, 2003 cash flow from operating activities increased by 20%.

In 2003, investments were 7,728 M€, a decrease of 11% compared to 2002. Expressed in dollars, investments increased by 6%.

Divestments, based on selling price, were 1,878 M€, including the sale of the paints business.

Net cash flow ⁽¹⁾ was 6,637 M€ in 2003 compared to 4,662 M€ in 2002.

The return on average capital employed (ROACE) for Total was 19% in 2003, the highest level among its major competitors.

The return on equity in 2003 was 26% compared to 20% in 2002.

(1) Net cash flow = cash flow from operating activities + divestments - investments

Market environment	2003	2002	%
€/ \$	1.13	0.95	-16% *
Brent (\$/b)	28.8	25.0	+15%
European refining margin TRCV (\$/t)	20.9	8.0	+161%

* Change in the dollar versus the euro.

Number of shares (millions)	2003	2002	%
Fully-diluted weighted average shares	635.1	666.1	-5%
Fully-diluted shares at year-end	625.1	655.0	-5%

Consolidated accounts – TOTAL (in millions of euros)	2003	2002	%
Sales	104,652	102,540	+2%
Operating income from the business segments adjusted for special items	13,004	10,995	+18%
Net operating income from the business segments adjusted for special items	6,973	5,868	+19%
Net income adjusted for special items	7,344	6,260	+17%
Net income	7,025	5,941	+18%
Earnings per share (euros) adjusted for special items	11.56	9.40	+23%
Dividend (euros/share)	4.70 *	4.10	+15%
Investments **	7,728	8,657	-11%
Divestments *** based on selling price	1,878	2,313	-19%
Cash flow from operating activities	12,487 ****	11,006	+13%

* Subject to approval at the May 14, 2004 General Meeting of Shareholders.

** Including increases in long-term loans.

*** Including repayments of long-term loans.

**** Includes disbursements of 719 M€ for the full year 2003 covered by a previously established reserve related to the Toulouse-AZF plant.

Impact of special items (in millions of euros)	2003	2002
Impact of special items on operating income		
Restructuring charges	-1	-29
Impairments	-17	-659 *
Other	-7	+29
Total	-25	-659
Impact of special items on net income		
Gains on asset sales	+22	+626
Toulouse-AZF plant impact	0	-61
Restructuring charges and early retirement plans	-144	-158
Impairments	-11	-467 **
Other	-186 ***	-259
Total	-319	-319

* Includes -500 M€ related to the impact of the situation in Argentina.

** Includes -310 M€ related to the impact of the situation in Argentina.

*** Includes -155 M€ provision for Chemicals.

Upstream

Upstream – key figures	2003	2002	%
Production (kboe/d)	2,539	2,416	+5%
• Liquids (kb/d)	1,661	1,589	+5%
• Gas (Mcf/d)	4,786	4,532	+6%
Proved reserves (Mboe)	11,401	11,203	+2%
• Liquids (Mb)	7,323	7,231	+1%
• Gas (Bcf)	22,267	21,575	+3%
Operating income (M€) adjusted for special items	10,476	9,309	+13%
Net operating income (M€) adjusted for special items	5,259	4,648	+13%
Investments (M€)	5,302	6,122	-13%
Divestments at selling price (M€)	428	603	-29%
Cash flow from operating activities (M€)	9,214	7,721	+19%

Operating income adjusted for special items from the Upstream segment rose by 13% to 10,476 M€ in 2003. The positive effects of production growth and higher hydrocarbon prices more than offset the negative impact of a weaker dollar against the euro.

Net operating income adjusted for special items for the Upstream segment increased by 13% to 5,259 M€ in 2003.

Upstream ROACE was 29% in 2003.

For the year 2003, hydrocarbon production increased by 5%, in line with the announced objective.

Liquids production increased by 5% in 2003 due to the contribution of Sincor in Venezuela, Cepco's production in Algeria, Balal and South Pars in Iran, and Amenam in Nigeria.

Gas production grew by 6% in 2003. The largest contributors to the increase were the Gulf of Mexico, Indonesia and the North Sea.

Proved hydrocarbon reserves increased by 2% in 2003 to a level representing 12.3 years of production at the current rate. For consolidated subsidiaries, the 2001-2003 3-year average reserve replacement rate was 145% with corresponding finding costs of 0.7 \$/b and reserve replacement costs of 4.3 \$/b.

The main discoveries in 2003 were made in Angola (on blocks 17 and 32), in Kazakhstan, in the Gulf of Mexico, and in the British North Sea.

Main appraisals in 2003 have been undertaken in Kazakhstan on the Kashagan field (in which TOTAL has raised its stake from 16.7% to 20.4%), in Nigeria on the Usan/Ukot and Nkarika fields and in Brunei on block B.

Moreover, TOTAL has taken new permits mainly in Saudi Arabia, in Russia, in Nigeria and in the Gulf of Mexico.

2003 highlights included many start-ups among which Amenam in Nigeria, Balal in Iran, Matterhorn in the United States, Al Jurf in Libya

as well as the build-up of the Sincor upgrader in Venezuela and production from South Pars in Iran.

Other highlights for the year included launching several developments : Dalia on block 17 in Angola, Greater Ekofisk in the Norwegian North Sea as well as the first phase of the Surmont heavy oil project in which TOTAL has taken a 43.5% stake at the beginning of the year.

Regarding LNG, 2003 was highlighted by a rapid development of activities in Nigeria and in Mexico where TOTAL took a stake in a regasification terminal project. In France, TOTAL signed a preliminary agreement to acquire a stake in the Fos II terminal project.

In European midstream gas, TOTAL has strengthened its positions through the acquisition of ExxonMobil's distribution business in the UK and through the signing of a preliminary agreement with Gaz de France to separate their cross-shareholdings in two jointly-owned gas transmission and supply subsidiaries in France : GSO and CFM.

Gas and power activities were highlighted by the commissioning of the Bang Bo combined cycle power plant in Thailand and of the Taweelah A1 plant in Abu Dhabi.

For renewable energies, TOTAL has inaugurated its first wind power plant at the Flandres refinery in France.

Downstream

Downstream – key figures	2003	2002	%
Refinery throughput* (kb/d)	2,481	2,349	+6%
Refined product sales** (kb/d)	3,652	3,380 ⁽²⁾	+8%
Operating income (M€) adjusted for special items	1,970	909	+117%
Net operating income (M€) adjusted for special items	1,460	846	+73%
Investments (M€)	1,235	1,112	+11%
Divestments at selling price (M€)	466	283	+65%
Cash flow from operating activities (M€)	3,099	1,447	+114%

* Including share of Cepsa.

**Including Trading activities and share of Cepsa.

(2) After correcting a reporting disparity related to sales in France.

Operating income adjusted for special items from the Downstream segment increased sharply to 1,970 M€ in 2003 from 909 M€ in 2002.

The rebound in refining margins and steady marketing margins in Europe combined to the positive impact of self help programs have by far more than offset the negative impact of the depreciation of the dollar relative to the euro.

Net operating income from the Downstream segment adjusted for special items increased by 73% to 1,460 M€ in 2003 compared to 846 M€ in 2002. The increasing contribution of Cepsa's upstream operations in 2003 has led to the decision to allocate the equity interest in Cepsa's net results among the business segments. In the past, the entire contribution of Cepsa was reflected in the Downstream segment. Taking into account the reallocation of the contribution of Cepsa since 2002, net operating income from the Downstream segment adjusted for special items would have been increased by 85% in 2003.

Downstream ROACE was 15% in 2003.

For the year 2003, refinery throughput increased by 6% to 2,481 kb/d. The refinery utilization rate rose to 92% in 2003 from 88% in 2002. Refined product sales were 3,652 kb/d in 2003.

In refining, the main highlights for 2003 concerned the review of a project aiming at the construction of a distillates hydrocracker at the Normandy refinery in France. This project, including the hydrogen supply unit, represents a total investment of approximately 500 M€ over 2003-2006. It will enable the refinery to reduce substantially its heavy oil production and enhance its supply flexibility for diesel, jet fuel and heating oil. The unit will also produce high quality bases for lubricants and speciality fluids. The project has been launched in February 2004.

In marketing, TOTAL has strengthened its positions in Italy, Portugal and Germany through service-stations swaps with its main competitors. In France, following the implementation of a new market segmentation strategy, the Group increased its market share of on-road fuel in 2003.

Chemicals

Chemicals - key figures (in millions of euros)	2003	2002	%
Sales	17,260	19,317	-11%
Operating income Adjusted for special items	558	777	-28%
Net operating income Adjusted for special items	254	374	-32%
Investments	1,115	1,237	-10%
Divestments at selling price	891	140	x5,4
Cash flow from operating activities	268 *	1,053	-75 %

* This amount would be 987 M€ excluding the disbursement of 719 M€ related to the Toulouse-AZF reserve.

For the year 2003, sales for the Chemicals segment were 17,260 M€, a decrease of 11% compared to 2002. Excluding from both years the paints business divested in February 2003, the decline in sales would have been 2%. This decline is due primarily to the evolution of exchange rates.

Operating income adjusted for special items fell by 28% to 558 M€ in 2003 from 777 M€ in 2002.

The positive impact of productivity programs partially offset the negative effect of a generally more difficult environment compared to 2002.

Operating income for the Base chemicals & polymers sector increased in 2003 but was affected by very low petrochemical margins in Europe despite a rebound in the second quarter.

In 2003, Intermediates suffered an unfavorable economic context made worse by the weak dollar.

Specialties showed good resistance despite a more difficult environment.

Net operating income from the Chemicals segment adjusted for special items decreased by 32% in 2003 to 254 M€ from 374 M€.

Chemicals ROACE was 4% in 2003.

2003 highlights include the sale of the paint business in February and the implementation of a joint-venture with Samsung allowing TOTAL to take a 50% interest in its Daesan petrochemical complex in South Korea.

Parent company accounts and proposed dividend

The parent company, TOTAL S.A., reported net earnings of 3,272 M€ in 2003 compared to 2,410 M€ in 2002. The Board of Directors, after closing the accounts, decided to propose at the May 14, 2004 Annual General Meeting

(AGM) a cash dividend of 4.70 euros per share, representing a 15% increase from the previous year, to which will be added the *avoir fiscal* (French tax credit) pursuant to the terms in force. The dividend will be paid May 24, 2004.

2004 Sensitivities

	Change	2004(e)* Sensitivities		
		Operating income	Net income	EPS ⁽³⁾
€/ \$	± 0.1 \$ per €	1.05 B€	0.54 B€	0.86 €
Brent	± 1 \$ per barrel	0.54 B€	0.26 B€	0.42 €
Refining Margin (TRCV)	± 1 \$ per ton	0.10 B€	0.07 B€	0.10 €

* 2004 sensitivities based on an environment of €/ \$ = 1.10; Brent = 20 \$/b; TRCV = 12 \$/t.

(3) Based on 625.1 million fully-diluted shares at Dec. 31, 2003.

Summary and outlook

To take into account changes in the market environment, TOTAL decided to adjust certain assumptions in its medium-term reference environment: the Brent oil price increased to 20 \$/b from 17 \$/b; the euro/dollar exchange rate was revised to 1.1 dollars per euro from parity; and the mid-cycle for the Chemicals was revised downward. The European refining margin (TRCV) remains unchanged at 12 \$/t.

Large, long-term Upstream projects are still required to show a satisfactory return at 17 \$/b, regardless of the adjustments to the reference environment.

The table below shows 2003 ROACE calculated using the previous⁽⁴⁾ and the new⁽⁵⁾ reference environment assumptions.

	ROACE 2003 calculated using the previous reference environment ⁽⁴⁾	ROACE 2003 calculated using the new reference environment ⁽⁵⁾
Upstream	14%	17%
Downstream	14%	12%
Chemicals	11%	8%
Group	13.5%	13.5%

Having achieved the ambitious objectives set for the 2000-2003 period, TOTAL has set new targets for the coming 2004-2008 period:

- Upstream production is expected to grow by 4% per year on average⁽⁶⁾;
- 2006-2008 ROACE⁽⁷⁾ targets are to maintain Upstream at 17% and to improve Downstream to 15% and Chemicals to 12%;
- For the same period, the ROACE⁽⁷⁾ target for the Group is 15.5%.

TOTAL's strategy for profitable growth over the 2004-2008 period is based on a sustained investment program of 9 to 10 B\$ per year with priority given to the Upstream, which will account for 75% of Capex on average. The 2004 Capex budget has been set at approximately 10 B\$.

TOTAL intends to pursue a dynamic dividend policy targeting a pay-out ratio of 50%.

The net-debt-to-equity ratio⁽⁸⁾ is expected to be in the vicinity of 25% to 30%.

With a 24.4% interest in Sanofi-Synthelabo, TOTAL is closely monitoring the progress of the proposed merger with Aventis. TOTAL supports the proposed transaction, considering that value will be created. Further, TOTAL confirms that its strategy to divest over the medium term is unchanged. The Group anticipates that it will benefit from increased flexibility to exit at the appropriate times and to capture the value creation.

Since the beginning of 2004, the oil market environment has remained favorable with oil prices at a high level and satisfactory refining margins, while the dollar has been relatively weak against the euro and the environment for Chemicals persistently difficult. During January 2004, the Group bought back 0.8 million of its shares for 0.12 B€. Future share buybacks will be adjusted to the environment and divestments.

The steady progress of operations and the commitment of the employees to achieve the new targets should allow TOTAL to continue to generate strong organic growth while delivering high returns.

(4) Brent = 17 \$/b ; TRCV = 12 \$/t ; €/€ = 1; previous mid-cycle for Chemicals.

(5) Brent = 20 \$/b ; TRCV = 12 \$/t ; €/€ = 1.1; mid-cycle for Chemicals revised downward.

(6) 20 \$/b Brent scenario.

(7) ROACE in the new reference environment: Brent = 20 \$/b ; TRCV = 12 \$/t ; €/€ = 1.1; mid-cycle for Chemicals revised downward.

(8) Net-debt-to-equity ratio = net-debt divided by equity after distribution of dividends.



Main events in 2003

→ | January

Canada

TOTAL acquires 43.5% of the Surmont permit (oil sands bitumen) in Athabasca (Alberta).

United Kingdom

TOTAL acquires natural gas retailing business.

→ | February

Sale of the paints business.

Iran

Start up of production from Balal field.

→ | March

Bolivia

TOTAL acquires interest in Ipati block.

Brunei Darussalam

Signature of the production sharing agreement on block J.

Thailand

Bang Bo combined power plant commissioned.

Trinidad and Tobago

Launch of Greater Angostura project.

→ | April

Angola

Two new discoveries in block 17.

Belgium

Atofina increases capacity at its Antwerp polyethylene plant.

Gabon

Signature of the extension of Rabi-Kounga license.

→ | May

Abu Dhabi

Taweelah A1 plant, one of the world's largest cogeneration facilities, fully operational.

Angola

TOTAL launches development of Angola's deepwater Dalia field.

First discovery on block 32.

→ | June

Russia

Technical and scientific cooperation agreement renewed with the State Polar Academy of Saint-Petersbourg.

→ | July

Nigeria

First production of Amenam/Kpono.

Pakistan

Signing of two production sharing contracts for offshore blocks G and H.

→ | **August**

Abu Dhabi

Signing of a memorandum of understanding for the construction of a melamine plant.

South Korea

Creation of the Samsung-Atofina joint venture.

→ | **September**

Libya

Offshore Al Jurf Field starts production.

Nigeria

LNG sales and purchase agreement signed.

→ | **October**

UK North Sea

Start up of Nuggets N4.

Mexico

TOTAL takes a 25% interest in the re-gasification terminal of Altamira.

Nigeria

Significant extension of the Usan discovery.

→ | **November**

Saudi Arabia

TOTAL signs agreement to explore the southern part of Rub Al Khali.

United States

Gulf of Mexico: Start-up of Matterhorn.

France

TOTAL inaugurates first wind power plant on the sites of its Dunkirk refinery in Mardyck.

India

Agreement signed to build a liquefied petroleum gas import and storage terminal.

Japan

Commissioning of a dimethyl ether production plant.

Kazakhstan

Hydrocarbon discoveries on Aktote and Kashagan South West.

→ | **December**

Angola

Production start-up of Jasmim.

Canada

First phase of the Surmont heavy oil sands project launched.

And in first quarter 2004

→ | February

France

Decision made to build a distillate hydrocracker (DHC) at the Normandy refinery.

Announcement of a proposed reorganization of the Chemicals segment.

Kazakhstan

Kashagan development plan approved.

Iran

Signature of a shareholder agreement to create Pars LNG.

→ | March

Norway, North Sea

Start-up of Skirne field.

India

TOTAL takes a 26% stake in the LNG re-gasification terminal of Hazira.





Upstream

The Upstream segment includes Exploration & Production activities and Gas & Power activities.

Exploration & Production has activities in 43 countries with production in 27 of these countries.

The world's fourth largest producer of hydrocarbons*

No.1 in Africa,

No.2 in the Middle East

2.54 Mboe/d produced in 2003,

11.4 Bboe of reserves

as of December 31, 2003,

2003 investments:

5.3 billion euros

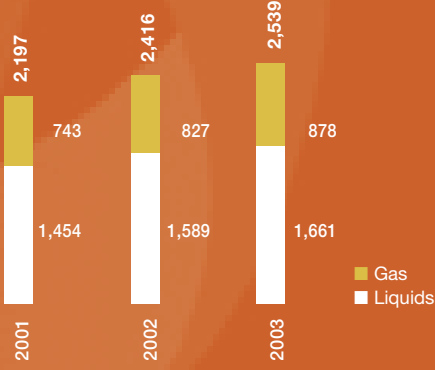
14,017 employees.

** Source: Company data, excluding national oil companies*

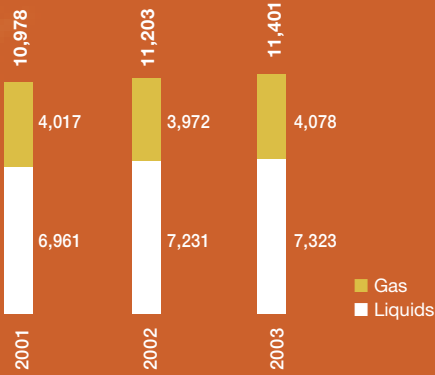
Upstream segment financial data

<i>(in millions of euros)</i>	2003	2002	2001
Non-Group sales	18,704	16,225	14,365
Operating income adjusted for special items	10,476	9,309	9,022

Liquids and gas production (kboe/d)



Liquids and gas reserves (Mboe)



Exploration & Production



Christophe de Margerie
President of Exploration & Production

“Upstream has continued to grow faster than our major competitors and has initiated new projects. From now until 2008, our objective is an annual average growth of 4% in our oil and gas production.”

Exploration and development

TOTAL evaluates exploration opportunities based on a variety of geological, technical, political and economic factors (including taxes and concession terms), as well as on projected oil and gas prices. Discoveries and extensions of existing discoveries accounted for approximately 56% of the 3,090 Mboe added to the Upstream segment's proved reserves during the three-year period ended December 31, 2003 (before deducting production and acquisitions/sales of reserves in place during this period).

TOTAL continued to follow an active exploration program in 2003, with exploration expenditures amounting to 606 million euros. The principal exploration expenditures were made in Nigeria, Kazakhstan, the United States, Libya, Angola, the United Kingdom, the Netherlands, Norway, Bolivia, Algeria, Congo, Brunei, Brazil and Venezuela.

The Upstream segment's development expenditures amounted to more than 3.8 billion euros in 2003. The principal development projects for 2003 were carried out in Norway, Angola, Nigeria, Indonesia, the United States, Iran, the United Kingdom, Gabon, Azerbaijan, Qatar, Congo and Venezuela.

Reserves

The definitions used for proved, proved developed and proved undeveloped oil and gas reserves are in accordance with the applicable U.S. Securities & Exchange Commission regulation, Rule 4-10 of Regulation S-X. Proved reserves are estimated using geological and engineering data to determine with reasonable certainty whether the crude oil or natural gas in known reservoirs is recoverable under existing economic and operating conditions. This process involves making subjective judgments. Consequently, measures of reserves are not precise and

are subject to revision. TOTAL's oil and gas reserves are reviewed annually to take into account, among other things, production levels, field reassessments, the addition of new reserves from discoveries and acquisitions, dispositions of reserves and other economic factors. Unless otherwise indicated, references to TOTAL's proved reserves, proved developed reserves, proved undeveloped reserves and production reflect the entire Group's consolidated net share of such reserves or production. TOTAL's worldwide proved reserves include the proved reserves of its consolidated subsidiaries as well as its proportionate share of the proved reserves of equity affiliates and of two companies accounted for by the cost method.

For further information concerning changes in TOTAL's proved reserves at December 31, 2003, 2002, and 2001, see "Supplemental Oil and Gas Information (Unaudited), page 149.

As of December 31, 2003, TOTAL's combined proved reserves of crude oil and natural gas were 11,401 Mboe (of which 52% were proved developed reserves and 48% proved undeveloped reserves) compared to 11,203 Mboe of combined proved reserves as of December 31, 2002. Liquids represented approximately 64% of these reserves and natural gas the remaining 36%. These reserves are located principally in Europe (Norway, United Kingdom, the Netherlands, France, and Italy), Africa (Nigeria, Angola, Algeria, Congo, Gabon, Libya, and Cameroun), Asia (Indonesia, Thailand, Myanmar and Brunei), North America (United States and Canada), the Middle East (United Arab Emirates, Oman, Iran, Qatar, Syria, and Yemen), South America (Venezuela, Argentina, Bolivia, Colombia, Trinidad and Tobago), and CIS (Kazakhstan, Azerbaijan and Russia).

The table below sets forth the amount of TOTAL's worldwide proved reserves as of the dates indicated (including both developed and undeveloped reserves).

TOTAL's proved reserves ⁽¹⁾

	Liquids (Mb)	Natural Gas (Bcf)	Combined (Mboe)
December 31, 2001	6,961	21,929	10,978
Percent change from December 31, 2000	0%	5.9%	2.0%
December 31, 2002	7,231	21,575	11,203
Percent change from December 31, 2001	3.9%	- 1.6%	2.0%
December 31, 2003	7,323	22,267	11,401
Percent change from December 31, 2002	1.3%	3.2%	1.8%

(1) Includes TOTAL's proportionate share of the proved reserves of equity affiliates and of two companies (Oman LNG and Abu Dhabi Liquefaction Company) accounted for by the cost method. See "Supplemental Oil and Gas Information (Unaudited)", included page 149.



PHOTOS FROM TOP TO BOTTOM

→ **Angola** — Development of the Girassol oil field, in water 1,350 m deep. The Floating Production, Storage and Offloading unit (FPSO) can treat 200,000 barrels/day and has a storage capacity of 2 million barrels.

Facing page

→ **Abu Dhabi** — On all worksites, there are panels illustrating the safety rules that must be obeyed.

→ **Angola** — On offshore platforms, drilling is above all a matter of teamwork.

Production

The Upstream segment's average daily production of liquids and natural gas was 2,539 kboe/d in 2003, up 5.1% from 2,416 kboe/d in 2002. Liquids accounted for approximately 65% and natural gas accounted for approximately 35% of the segment's combined liquids and natural gas production in 2003 on an oil equivalent basis.

The table below sets forth by geographic area the Upstream segment's average daily production of crude oil and natural gas for each of the last three years.

Consistent with industry practice, TOTAL often holds a percentage interest in its acreage rather than a 100% stake, with the balance being held by joint venture partners (which may include other oil companies, state oil companies or government entities). TOTAL frequently acts as operator (the party responsible for technical production) on acreage in which it holds an interest. See "Presentation of Activities by Geographic Area" below for descriptions of the principal producing fields of the Upstream segment.

Substantially all of the crude oil production of the Upstream segment is sold to the Downstream segment which in turn uses a portion in downstream operations and markets a portion of the production to customers throughout the world. See "Downstream — Trading & Shipping".

The majority of TOTAL's natural gas production is sold under long-term contracts. However, its North American production is sold on a spot basis as is part of its United Kingdom, Norwegian and Argentine productions. The long-term contracts under which TOTAL sells its natural gas and LNG production usually provide for a price related to, among other factors, average crude oil and other petroleum product prices as well as, in some cases, a cost of living index. Although the price of natural gas and LNG tends to fluctuate in line with crude oil prices, there is a delay before changes in crude oil prices are reflected in long-term natural gas prices. Because of the relation of the contract price of natural gas and crude oil prices, contract prices are not generally affected by short-term market fluctuations in the spot price of natural gas. See "Supplemental Oil and Gas Information (Unaudited)" included elsewhere herein.



Production by geographic area

	2003			2002			2001		
	Liquids (kb/d)	Naturel Gas (Mcf/d)	Total (kboe/d)	Liquids (kb/d)	Naturel Gas (Mcf/d)	Total (kboe/d)	Liquids (kb/d)	Naturel Gas (Mcf/d)	Total (kboe/d)
Consolidated subsidiaries									
Europe	460	2,286	880	464	2,230	873	417	1,852	759
France	10	153	38	11	176	43	11	181	43
Italy	—	—	—	1	—	1	1	3	1
Netherlands	1	324	58	1	351	62	1	402	71
Norway	276	703	405	280	651	400	257	508	352
United Kingdom	173	1,106	379	171	1,052	367	147	758	292
Africa	612	404	689	589	374	661	540	369	611
Algeria	48	194	85	52	205	92	49	208	89
Angola	156	—	156	158	—	158	96	—	96
Cameroon	14	—	14	15	—	15	16	—	16
Congo	91	—	91	103	—	103	110	—	110
Gabon	104	9	105	100	8	101	105	8	106
Libya	42	—	42	36	—	36	20	—	20
Nigeria	157	201	196	125	161	156	144	153	174
North America	4	294	59	5	214	45	7	221	49
United States	4	294	59	5	214	45	7	221	49
Asia	25	1,156	232	23	1,122	220	24	1,114	219
Brunei	2	61	14	1	52	11	1	51	10
Indonesia	18	791	168	17	731	154	18	739	155
Myanmar	—	132	16	—	150	18	—	129	16
Thailand	5	172	34	5	189	37	5	195	38
Middle East	140	37	146	152	62	163	100	—	100
Iran	50	—	50	38	—	38	22	—	22
Qatar	29	1	29	34	4	35	17	—	17
Syria	34	36	40	54	58	64	32	—	32
U.A.E.	19	—	19	18	—	18	19	—	19
Yemen	8	—	8	8	—	8	10	—	10
South America	130	363	196	116	297	170	102	283	153
Argentina	12	284	64	14	249	59	15	243	59
Bolivia	2	51	11	—	24	5	—	15	3
Colombia	32	28	37	39	24	43	54	25	58
Venezuela	84	c	84	63	—	63	33	—	33
Others	8	—	8	5	—	5	6	—	6
Russia	8	—	8	5	—	5	6	—	6
Total consolidated production	1,379	4,540	2,210	1,354	4,299	2,137	1,196	3,839	1,897
Equity and non-consolidated affiliates									
Africa	34	—	34	10	—	10	9	—	9
Middle East	248	246	295	225	233	269	249	222	291
Total equity and non-consolidated affiliates	282	246	329	235	233	279	258	222	300
Worldwide production	1,661	4,786	2,539	1,589	4,532	2,416	1,454	4,061	2,197

Presentation of production activities by geographic area

The table below sets forth by geographic area TOTAL's principal producing fields, the year in which TOTAL's activities commenced, the type of production, and whether TOTAL is operator of the field.

Main producing fields at December 31, 2003

	Year of entry into the country	Main Group-operated producing fields (Group share %) ⁽¹⁾	Main non-Group-operated producing fields (Group share %)	Liquids or Gas
Europe				
France	1939	Lacq (100.00%)		L, G
Netherlands	1964	F15a (32.47%)		G
		J3a (30.00%)		G
		K1a (40.10%)		G
		K4a (50.00%)		G
		K4b/K5a (26.06%)		G
		K5b (25.00%)		G
		K6/L7 (56.16%)		G
		L4a (55.66%)		G
		Leeuwarden (92.78%)		G
		Zuidwal (42.21%)		G
			Markham unitized field (14.75%)	G
Norway	1965	Frigg (37.79%)		G
			Aasgard (7.65%)	L, G
			Ekofisk (39.90%)	L, G
			Eldfisk (39.90%)	L, G
			Embla (39.90%)	L, G
			Glitne (21.80%)	L
			Heimdal (26.33%)	G
			Hod (25.00%)	L
			Huldra (24.33%)	L, G
			Oseberg (10.00%)	L, G
			Sleipner East (10.00%)	L, G
			Sleipner West (9.41%)	L, G
			Snorre (5.95%)	L
			Statfjord East (2.80%)	L
			Sygna (2.52%)	L
			Tor (48.20%)	L, G
			Tordis (5.60%)	L
			Troll (3.69%)	L, G
			Tune (20.00%)	L
			Vale (24.24%)	L, G
			Valhall (15.72%)	L
			Vigdis (5.60%)	L
			Visund (7.65%)	L, G
United Kingdom	1962	Alwyn North, Dunbar, Ellon, Grant, Nuggets, (100.00%)		L, G
		Elgin-Franklin (EFOG 46.17%)		L, G ⁽²⁾
		Frigg (39.18%)		G
		Otter (54.30%)		L
			Alba (12.65%)	L
			Armada (12.53%)	G
			Bruce (43.25%)	L, G
			Caledonia (12.65%)	L
			ETAP (Mungo, Monan) (12.43%)	L, G
			Keith (25.00%)	L, G
			Markham unitized field (7.35%)	G
			Nelson (11.53%)	L
			SW Seymour (25.00%)	L

(1) The Group's financial interest in the local entity is approximately 100.0% in all cases except TOTAL Gabon (57.9%), TOTAL E&P Cameroun (75.8%), and certain entities in Algeria, Abu Dhabi and Oman (see notes 2 through 11, page 63).

(2) TOTAL has a 35.8% indirect interest in Elgin Franklin via its participation in EFOG.

Presentation of production activities by geographic area

The table below sets forth by geographic area TOTAL's principal producing fields, the year in which TOTAL's activities commenced, the type of production, and whether TOTAL is operator of the field.

Main producing fields at December 31, 2003

	Year of entry into the country	Main Group-operated producing fields (Group share %) ⁽¹⁾	Main non-Group-operated producing fields (Group share %)	Liquids or Gas
Africa				
Algeria	1952		Hamra (100.00%)	L
			Ourhoud (18.00%)	L ⁽³⁾
			RKF (45.28%)	L ⁽³⁾
			Tin Fouye Tabankort (35.00%)	L, G
Angola	1953	Blocks 3-80 (37.50%), 3-85 and 3-91 (50.00%)		L
		Girassol, Jasmim (Block 17) (40.00%)		L
			Block 2-85 (27.50%)	L
			Cabinda (Block 0) (10.00%)	L
			Kuito (Block 14) (20.00%)	L
Cameroon	1951	Ekoundou (25.50%)		L
		Kombo (25.50%)		L
			Mokoko (10.00%)	L
Congo	1928	Nkossa (51.00%)		L
		Sendji (55.25%)		L
		Tchendo (65.00%)		L
		Tchibeli (65.00%)		L
		Tchibouela (65.00%)		L
		Yanga (55.25%)		L
			Loango (50.00%) Zatchi (35.00%)	L L
Gabon	1928	Anguille, Torpille (100.00%)		L
		Atora (40.00%)		L
		Avocette, Coucal (57.50%)		L
		Baudroie Marine (50.00%)		L
		Gonelle (100.00%)		L
		Hylia, Vanneau (75.00%)		L
			Rabi Kounga (47.50%)	L
Libya	1959	Al Jurf (37.50%)		L
		Mabruk (75.00%)		L
			El Sharara (7.50%)	L
Nigeria	1962	OML 57 (40.00%)		L
		OML 58 (40.00%)		L, G
		OML 99 (Amenam-Kpono 30.40%)		L
		OML 100 (40.00%)		L
		OML 102 (40.00%)		L
			Shell Petroleum Development Company fields (SPDC 10.00%)	L, G
North America				
United States	1964	Aconcagua (50.00%)		G
		Bethany (94.86%)		G
		Blue (75.00%)		G
		Maben (54.07%)		G
		MacAllen-Pharr (93.90%)		G
		Matterhorn (100.00%)		L, G
		Slick Ranch (91.37%)		G
		Virgo (64.00%)		G
			Camden Hills (16.67%)	G
			MacAllen-Ranch (20.02%)	G
Canada	2000		Surmont (43.50%)	L

(1) The Group's financial interest in the local entity is approximately 100.0% in all cases except TOTAL Gabon (57.9%), TOTAL E&P Cameroun (75.8%), and certain entities in Abu Dhabi and Oman (see notes 2 through 11, page 63).

(3) TOTAL has an 18% indirect interest in the field of Ourhoud and a 45.28% in the field of RKF via its participation in CEPESA (equity affiliate).

Main producing fields at December 31, 2003

	Year of entry into the country	Main Group-operated producing fields (Group share %) ⁽¹⁾	Main non-Group-operated producing fields (Group share %)	Liquids or Gas
Asia				
Brunei	1987	Maharaja Lela Jamalulalam (37.50%)		L, G
Indonesia	1968	Bekapai (50.00%)		L, G
		Handil (50.00%)		L, G
		Peciko (50.00%)		L, G
		Tambora/Tunu (50.00%)		L, G
			Nilam (9.29%)	G
			Nilam (10.58%)	L
Myanmar	1992	Yadana (31.24%)		G
Thailand	1990		Bongkot (33.33%)	L, G
Middle East				
Abu Dhabi	1939	Abu Al Bu Khoosh (75.00%)	Abu Dhabi offshore (13.33%)	L ⁽⁴⁾
			Abu Dhabi onshore (9.50%)	L ⁽⁵⁾
Dubai	1954		Dubai offshore (27.50%)	L ⁽⁶⁾
Iran	1954	Dorood (55.00%) South-Pars 2&3 (40.00%)	Balal (46.75%)	L ⁽⁹⁾
			Sirri (60.00%)	L ⁽¹⁰⁾
			Various fields onshore (4.00%)	L ⁽¹¹⁾
Oman	1937			L
Qatar	1938	Al Khalij (100.00%)	North Field (20.00%)	L, G
			Deir Ez Zor Gaz (50.00%)	L, G
Syria	1988	Jafra/Qahar (50.00%)		L
Yemen	1987	Kharir/Atuf (28.57%)	Jannah permit (Block 5) (15.00%)	L
				L
South America				
Argentina	1978	Aguada Pichana (27.27%) Argo (37.50%) Canadon Alfa (37.50%) Hidra (37.50%) San Roque (24.71%)		L, G
				L
				L, G
				L
Bolivia	1995		San Alberto (15.00%)	L, G
			San Antonio (15.00%)	L, G
Colombia	1973		Cupiagua (19.00%)	L
			Cusiana (19.00%)	L, G
Venezuela	1981	Jusepin (55.00%)		L
			Zuata (Sincor) (47.00%)	L
Others				
Russia	1989	Kharyaga (50,00 %)		L

(1) The Group's financial interest in the local entity is approximately 100.0% in all cases except TOTAL Gabon (57.9%), TOTAL E&P Cameroun (75.8%), Algeria, Abu Dhabi and Oman (see notes 2 through 11 below).

(2) TOTAL has a 35.8% indirect interest in Elgin Franklin via its participation in EFOG.

(3) TOTAL has an 18% indirect interest in the field of Ourhoud and a 45.28% in the field of RKF via its participation in CEPESA (equity affiliate).

(4) Via ADMA (equity affiliate), TOTAL has a 13.3% interest and participates in the operating company, Abu Dhabi Marine Operating Company.

(5) Via ADPC (equity affiliate), TOTAL has a 9.5% interest and participates in the operating company, Abu Dhabi Company for Onshore Oil Operation.

(6) TOTAL has a 25% indirect interest via Dubai Marine Areas (equity affiliate) plus a 2.5% direct interest via Total E&P Dubai.

(7) TOTAL is the operator of the development of Dorood field with a 55.0% interest in the foreign consortium.

(8) TOTAL is the operator for phases 2&3 of the South-Pars field. The Group has a 40.0% interest in the foreign consortium.

(9) TOTAL has transferred operatorship to NIOC (National Iranian Oil Company) for the Balal field. The Group has a 46.75% interest in the foreign consortium.

(10) TOTAL has transferred operatorship to NIOC for the Sirri A and E fields. The Group has a 60.0% interest in the foreign consortium.

(11) Via POHOL (equity affiliate), TOTAL has a 4.0% interest in the operator, Petroleum Development Oman LLC. TOTAL also has a 5.5% interest in the Oman LNG facility.

Principal activities

Europe

TOTAL's average production in Europe was 880 kboe/d in 2003, up 1% from 873 kboe/d in 2002, representing 35% of its 2003 production.

France

TOTAL's principal gas fields in France, located in the Southwest and in particular at Lacq-Meillon (TOTAL-operated 100.0%), and several smaller gas and oil fields in the same region and in the Paris basin produced an average of 38 kboe/d in 2003, compared to 43 kboe/d in 2002. The "Lacq 2005" project which aims to reinforce industrial safety standards and optimize TOTAL's existing exploitation processes at the Lacq-Meillon field regarding gas treatment was approved and is being implemented.

Italy

The development plan for the Tempa Rossa field in the Gorgoglione concession (TOTAL-operated 50.0%) has been finalized and submitted to the regional authorities for their final approval.

The Netherlands

TOTAL is the second-largest gas operator in the Netherlands with average operated production of 117 kboe/d and an average Group share of 58 kboe/d in 2003. Several development wells were drilled in 2003: K4BE3, F15A5, K6DN4 side track and K5D1 side track to improve their performances. The K5PK compression project was completed in September 2003.

The first phase of the revamping activities on the platforms of the L7 area of production, replacing corroded items with new technology equipment, has been completed.

Norway

In Norway, the country with the largest contribution to the Group's oil and gas production, production increased by 1% in 2003 compared with 2002, reaching an average of 405 kboe/d of which 176 kboe/d originated from the Ekofisk area (TOTAL 39.9%).

The extension to the Vigdis field in the Tampen Area (TOTAL 5.6%) started production in October 2003.

The plan to discontinue activities at the Frigg field (TOTAL-operated, Group interest of 77.0%) went successfully through validation process under the OSPAR convention (The Convention for the Protection of the Marine Environment of the Northeast Atlantic signed by 14 countries) and has been approved by the Norwegian and British authorities.

The development project for the Skirne gas and condensate field (TOTAL-operated 40.0%) is finalized and production started early March 2004. The development of the Alpha North gas and condensate field in the Sleipner Area (TOTAL 9.4%), and the development of the Visund gas field (TOTAL 7.7%), both approved in 2002, as well as the development of the J structure at Oseberg South (TOTAL 10.0%), approved in 2003, are ongoing. Production at the Alpha North field and the J structure is planned to begin in 2004, while production at the Visund field is planned to begin in 2005. The major onshore and offshore development and construction contracts for the Snøhvit natural gas and LNG project (TOTAL 18.4%) have been awarded. Construction on the LNG facilities is progressing and construction of the offshore installations is scheduled to begin in early 2004.

The authorities approved the Ekofisk Area Growth project (TOTAL 39.9%) in June 2003 and the Oseberg West Flank oil development (TOTAL 10.0%) in December 2003. Production for both of these projects is scheduled to start in 2005.

United Kingdom

TOTAL's average production from the UK North Sea amounted to 379 kboe/d in 2003, a 3% increase when compared to 2002. The West Franklin exploration well (EFOG-operated 46.2%), drilled from the Franklin platform, encountered gas-condensate in Jurassic reservoirs (Fulmar formation at a water-depth of 6,150 meters. The well was tested at 990,000 m³/d of gas and 2,000 bl/d of condensate. The Affleck appraisal well, drilled on block 30/19a (TOTAL 17.5%) confirmed the accumulation of oil in the chalk. The evaluation of reserves is in progress. The SW Seymour exploration well (TOTAL 25.0%), was tied-in to the Armada platform and put into production in March 2003, less than five months after the discovery and has produced an average of 7,000 boe/d in 2003. The N4 field, the last of the four structures of the Nuggets complex to be developed in the Alwyn area, was put into production in October 2003 at a rate of 1.6 Mm³/d. The Elgin-Franklin high-pressure/high-temperature field (EFOG-operated 46.2%) produced an average of 225 kboe/d in 2003.

Africa

TOTAL's average production in Africa (including its share through equity affiliates) was 723 kboe/d in 2003, up 8% from 671 kboe/d in 2002, representing 28% of its production in 2003. TOTAL has major exploration and production activities in North Africa and in the countries bordering on the Gulf of Guinea.

Algeria

TOTAL's average production was 115 kboe/d in 2003, compared to 98 kboe/d in 2002, obtained from the Hamra and Tin Fouye Tabankort fields and from its interests in Cepsa, which is involved in the RKF and Ourhoud fields. The Ourhoud field (Cepsa 39.8%) reached its production plateau at a rate of 230 kb/d in 2003. Also, in 2003 TOTAL obtained the exploration rights for the Béchar block under the fourth round of permit awards, subject to ratification by the Algerian authorities. In December 2003, the first exploration well was started under the Rhourde El Sid permit in the Birkinne basin. Exploration activities have continued in 2003 in the Timimoun Basin awarded to TOTAL in 2002.

Angola

TOTAL's average production stabilized at 160 kboe/d in 2003, compared to 162 kboe/d in 2002 (including its share of equity affiliates), coming primarily from Block 17 (TOTAL-operated 40.0%), Block 0 (TOTAL 10.0%) and Block 3 (TOTAL-operated, with an interest of 37.5% in block 3/80 and of 50.0% in blocks 3/85-3/91). On block 17, the performance of the Girassol field and the start-up of production for the Jasmim field in early November 2003 led to an increase in the production rate to an average of 230 kb/d from the date of the Jasmim start-up reaching an average rate of 215 kb/d in 2003, compared to 193 kb/d in 2002. The Dalia development project, which relies on a development scheme similar to that for the Girassol field, was sanctioned by the local authorities in April 2003, with production estimated to be 225 kb/d and expected to begin in the second half of 2006. In 2003, discoveries were made at the Hortensia and Acacia fields, bringing the total number of discoveries made on Block 17 to fifteen. On Block 14 (TOTAL 20.0%), the start-up of phase 2A of the Kuito field increased the production level to 80 kb/d. The Benguela-Belize-Lobito-Tomboco project was approved by local authorities in March 2003. A discovery was made on the Negage-1 well in September 2003.

In Ultra Deep Offshore, the discoveries of Gindungo on Block 32 (TOTAL-operated 30.0%) Saturno-1 and Marte-1 on Block 31 (TOTAL 5.0%) confirmed the potential for exploration in these areas.

The Group has also worked with his partners on the Angola LNG project (TOTAL 13.6%) which aims to valorize gas resources in Angola through liquefaction facilities.

Cameroun

TOTAL's production in 2003 was 14 kboe/d compared to 15 kboe/d in 2002. TOTAL E&P Cameroun, 75.8% of which are owned by the Group, 20% owned by the National Oil Company (SNH, or *Société Nationale des Hydrocarbures*) and 4.2% by minority shareholders, operates 65% of the overall production of the country and owns interests in the majority of the concessions of exploitation granted by the Republic of Cameroon.

Congo

TOTAL produced an average of 91 kboe/d in 2003, compared to 103 kboe/d in 2002, and owns interests ranging from 25.5% to 100.0% in exploration and production licenses located offshore, including the Nkossa field (TOTAL-operated 51.0%) and the Tchibouela field (TOTAL 65.0%), which are the main producers. Within the framework of an agreement signed in 2003 with the Republic of Congo, TOTAL has assigned its 65.0% interest in the Likouala concession. The MTPS (*Mer Très Profonde Sud*) exploration permit which was initially to end in 2001, has been extended up to the end of 2004. TOTAL (through its affiliates TOTAL E&P Congo and TOTAL E&P Angola) has a 35.5 % interest in a joint development area (ZIC), which encompasses the southern portion of the former Haute Mer permit (Congo) and the northern portion of Block 14 (Angola). In 2003, TOTAL was awarded the Haute Mer C exploration permit (TOTAL-operated 100.0%). The related production sharing contract is in the process of final approval.

Gabon

TOTAL's average production in 2003 was 105 kboe/d, an increase of 4% compared to 2002. TOTAL Gabon (formerly named Elf Gabon) operates about thirty concessions and exploration and production licenses. TOTAL's major producing fields are the Rabi-Kounga (TOTAL 47.5%), Atora (TOTAL-operated 40.0%), Baudroie (TOTAL-operated 50.0%), Avocette (TOTAL-operated 57.5%), Anguille and Torpille (TOTAL-operated 100.0%) fields. TOTAL Gabon's shares, which are listed on Euronext Paris, are held by TOTAL (58.3%), the Republic of Gabon (25.0%) and the public (16.7%).



In 2003, TOTAL Gabon signed a production sharing contract which extended the Rabi-Kounga field license until 2013 with the possibility of extensions for two additional five-year periods at the discretion of TOTAL.

Libya

TOTAL's average production in 2003 was 42 kboe/d, compared to 36 kboe/d in 2002, coming mainly from the Mabruk (TOTAL-operated 75.0%), the El Sharara onshore fields (TOTAL 7.5%) and the Al Jurf offshore field (Block NC 137, TOTAL-operated 37.5%), which started production in September 2003. The development of structure B on Block C 137 continued and is expected to have a production plateau of 40 kboe/d. Exploration in the Murzuk basin (Block NC 191, TOTAL-operated 100.0%) continued in 2003 and two wells are expected to be drilled in 2004. The A structure of El Sharara (Block NC 186, TOTAL 24.0%) began production in November 2003, with average production of 8 kb/d.

Morocco

In 2003, TOTAL continued its seismic campaign in the Dakhla offshore zone.

Mauritania

In 2003, TOTAL signed a preliminary survey contract for two blocks in the Taoudeni basin.

Nigeria

TOTAL's average production was 196 kboe/d in 2003, compared to 156 kboe/d in 2002. The fields operated by TOTAL, which include those operated in association with the Nigerian National Petroleum Corporation (NNPC 60.0%, TOTAL 40.0%) and the Amenam field (TOTAL 30.4%), accounted for around 40% of TOTAL's Nigerian production in 2003. The Amenam offshore field started production in July 2003 and should reach its production plateau of 125 kb/d in 2004. The remainder of TOTAL's production is obtained from various concessions operated by the SPDC joint-venture (TOTAL 10.0% interest).

PHOTOS FROM TOP TO BOTTOM



- **Gabon** — The Torpille offshore production platform.
- **South Korea** — The largest FSO operating in the Gulf of Guinea (Nigeria) was built on shore in two halves. The two half-hull sections of the huge 45,000-metric ton vessel, which has a capacity of 2.4 million barrels, were then skidded together and welded into a single unit.
- **Angola** — The Palp-2 platform on Block 3, seen from a tanker off the coast of Angola.

TOTAL has made a significant extension of the Usan field discovery in deepwater Oil Prospecting License (OPL 222, TOTAL-operated 20.0%) offshore south eastern Nigeria.

Two zones were tested in the Usan-4 well which has confirmed the presence of commercial quantities of oil, as well as additional potential in previously untested reservoirs. TOTAL is also a partner (12.5%) under a Production Sharing Agreement in the deep offshore OML 118 permit on which the Bonga field being currently developed and should enter into production in at the end of 2004.

TOTAL owns a 15.0% interest in Nigeria LNG Company, an LNG plant with a capacity of 9 Mt/y produced by three liquefaction trains. Gross production was 8.9 Mt of LNG and 3.7 Mb of condensates in 2003. The construction of the fourth and fifth LNG trains has started and these trains are scheduled to be operational in 2005.

North America

TOTAL's average production in North America was 59 kboe/d in 2003, up slightly from 45 kbep/d in 2002, representing 2% of its total 2003 production.

Canada

Since 1999, TOTAL has participated in a pilot plant for the Surmont permit (TOTAL 43.5%) in Athabasca, Alberta to test Steam Assisted Gravity Drainage technology to produce bitumen in tar sands. In December 2003, all the partners approved the first development phase, with production scheduled to begin in 2006 with a plateau production at 27 kboe/d in 100%.

United States

TOTAL's average production in the United States was 59 kboe/d in 2003, compared to 45 kboe/d in 2002. Since September 2002, the Canyon Express system has delivered gas from the Aconcagua (TOTAL-operated 50.0%), Camden Hills (TOTAL 16.6%) and King's Peak fields. The Matterhorn field (TOTAL-operated 100%) in deep-water Gulf of Mexico, whose development was launched in 2001, started production in November 2003, with a capacity of 40 kboe/d from a tension-leg platform in 850 meters of water. In 2003, TOTAL finalized its exploration plan for the 20 blocks acquired in the NPRA (National Petroleum Reserve of Alaska) in 2001. Also during 2003, TOTAL acquired 21 new deep offshore blocks in the Gulf of Mexico, bringing its total number of offshore blocks in the Gulf of Mexico to 149, and continued streamlining its portfolio.

Asia (outside Middle East)

TOTAL's average production in Asia was 232 kboe/d in 2003, up 5% from 220 kboe/d in 2002, representing 9% of its total 2003 production.

Brunei

On Block B in the deep offshore Brunei Darussalam area (TOTAL-operated 37.5%), production from the Maharaja Lela Jamalulalam field was an average of 14 kboe/d in 2003, compared to 11 kboe/d in 2002. Two new wells were put in production in 2003. The construction of an offshore compression project on one of the existing platforms was launched at the end of 2002, with start-up expected in 2006. The production sharing agreement for the deep offshore Block J (TOTAL-operated 60.0%) was signed in March 2003. Exploration work on Block J (5,000 km²) has been temporarily suspended due to a border dispute with Malaysia.

Indonesia

In 2003 TOTAL's average production was 168 kboe/d, compared to 154 kboe/d in 2002. TOTAL Indonesia celebrated a gas production record of 2,640 Mcf/d on July 16, 2003 (average gas production was 2,340 Mcf/d in 2003). TOTAL's operations in Indonesia are concentrated on the Mahakam permit (TOTAL-operated 50.0%), which contains several fields, particularly Peciko and Tunu, the largest gas fields in the East Kalimantan area. TOTAL's natural gas production is delivered to PT BADAK, the Indonesian company which operates Bontang, the largest LNG plant in the world. This LNG is the subject of long-term contracts concluded with customers in Japan, Korea and Taiwan, primarily for use in their power stations. The total capacity of the eight liquefaction trains at the Bontang plant is 22 Mt/y. Nearly all of Bontang's capacity has been contracted until 2010. Currently, approximately 64% of the gas supplied to Bontang comes from TOTAL-operated production on the Mahakam permit. This contribution is expected to increase to 70% by 2010. The development of the Peciko field continued with the implementation of Phase 3 and Phase 4 (one additional platform was installed in 2003, a second platform is planned for early 2004, and onshore compression facilities will be installed in 2004). On the nearby Tunu field, a new phase of development (Phase 9) is in progress and planned to enter into operation in 2004.

Malaysia

TOTAL acquired a 42.5% interest in the deep offshore Block SKF in 2001. One exploration well is planned for 2004.

Myanmar

The Yadana field (TOTAL-operated 31.2%), located on Blocks M5 and M6 increased gas deliveries to PTT plc destined for power plants in Thailand to 586 Mcf/d in 2003. TOTAL also supplied 37 Mcf/d of gas to the domestic market compared to 25 Mcf/d in 2002). In 2003, TOTAL's average production was 16 kboe/d, compared to 18 kboe/d in 2002.

Pakistan

TOTAL operates, with a share of 40.0%, two deep offshore (1,700-3,400 meters of water) exploration blocks of 7,500 square kilometers each in the Sea of Oman. Drilling of an exploration well is planned for 2004.

Thailand

In 2003, TOTAL's average production from the Bongkot field was 34 kboe/d, compared to 37 kboe/d in 2002. Long-term contracts provide for the sale of all natural gas production from the Bongkot field (TOTAL 33.3%) to PTT plc, a state-owned Thai company. This gas is resold by PTT plc to several local users. PTT plc did not take delivery of the entire contractual quantity in 2003 due to a commercial discussion with TOTAL regarding the mercury content of the Bongkot gas, even though the existing gas facilities are equipped to handle the matter. This discussion has now been concluded positively, and an agreement in principle has been reached to deliver these quantities in 2004 and 2005. All of the condensate produced from Bongkot is also sold to PTT plc. Phase 3C of development continued, with the installation of one wellhead platform and its wells completed in 2003, and a desulphuration platform planned to be installed near the end of 2004. A new floating condensate storage facility was put into service in January 2003.

Middle East

TOTAL's average production in the Middle East (including its share through equity affiliates) was 441 kboe/d in 2003, up 2% from 432 kboe/d in 2002, representing 17% of its total 2003 production.

Iran

TOTAL has four buy-back contracts in Iran, with average production of 50 kboe/d in 2003. The Sirri A&E fields (TOTAL 60.0% interest in the foreign consortium), are now operated by the state-owned National Iranian Oil Company (NIOC). Production on the offshore South Pars Phase 2 and 3 gas and condensate fields (TOTAL-operated 40.0% interest in the foreign consortium) continued at an average rate slightly over 2 Bcf/d and 85 kb/d of condensate. The hand-over of operations by TOTAL to NIOC is in progress. However, TOTAL will be providing technical operational and management assistance to NIOC after the hand-over. The development of the Balal offshore oil field (TOTAL-operated 46.8% interest in the foreign consortium) was completed and operations of the main facilities have been handed over to the NIOC. Drilling campaign is close to completion, and production is in line with expectations at 40 kb/d. Development of the Dorood field (TOTAL-operated 55.0% interest in the foreign consortium) is progressing, and production of the first phase was steady at 15 kb/d during 2003. In February 2004, the Group signed a shareholders agreement among NIOC (50.0%), TOTAL (30.0%) and Petronas (20.0%) to create a new company named Pars LNG, the first step towards the development of a long-term partnership to produce LNG.

Kuwait

In 2003, the Group continued its assistance to the Kuwait Oil Company (KOC) under the agreement between the two companies that calls for TOTAL to provide technical assistance and support for the KOC's upstream operations.

TOTAL has a 20.0% share in the consortium led by ChevronTexaco to participate in the bidding process, which was resumed in June 2003, for production activities in northern Kuwait.

Oman

After debottlenecking the Oman LNG liquefaction plant (TOTAL 5.5%) produced 7.0 Mt in 2003, compared to 6.6 Mt in 2002, which was principally marketed through long-term contracts in Korea and Japan supplemented by short-term contracts and spot sales. Oman LNG has taken an interest of 36.8% (corresponding to an effective 2.0% interest for TOTAL) in a new company, Qalhat LNG, created by the Government of Oman and the Spanish

company Union Fenosa to construct a new liquefaction train with a planned capacity of 3.6 Mt/y. Studies to assess the hydrocarbon potential of exploration Block 34 (TOTAL 100.0%) are continuing. TOTAL owns a 4.0% interest in Petroleum Development Oman (PDO) which produced 28 kboe/d in 2003 (Group share).

Qatar

TOTAL produced an average of 54 kboe/d in Qatar in 2003, compared to 58 kboe/d in 2002. TOTAL holds a 20.0% interest in the upstream operations of Qatargas, which produces natural gas and condensates from one block of the offshore North Field, and a 10.0% interest in the Qatargas liquefaction facilities. The three LNG trains at this facility produced 8.2 Mt in 2003 compared to 7.6 Mt in 2002. A debottlenecking project is being implemented to increase plant capacity to 9.7 Mt/y by 2006. In December 2001, an agreement was signed with Qatar Petroleum to sell 2 Bcf/d of Qatari gas produced by the Dolphin Project (TOTAL 24.5%) for 25 years starting in 2006. The gas will be produced from the North Field in Qatar and transported to the United Arab Emirates through a 380 kilometer gas pipeline. In December 2003, the appraisal program for the production area was successfully completed and the Qatari authorities approved the Dolphin Project final development plan. The Project is expected to cost \$4 billion. Work is continuing on the third phase of development of the Al Khalij field (TOTAL-operated 100.0%), which is planned to increase production capacity by 20 kb/d.

Syria

In 2003, TOTAL's average production was 40 kboe/d, obtained mainly from the Jafra and Qahar fields under the Deir Ez Zor permit (TOTAL 50.0%). The Deir Ez Zor gas and condensate project (TOTAL 50.0%), which has progressively been brought into operation since the end of 2001, collects, processes and transports approximately 175 Mcf/d of associated gas produced under the Deir Ez Zor permit. The project put an end to associated gas flaring and has reduced the green house gas emissions in the region.

→ **France** — The Geovision Room at the Pau Research Center gives geoscientists a large-scale, three-dimensional view of a reservoir "as seen from inside".

→ **Venezuela** — Sincor. The deep-conversion unit, or upgrader, at José, where extra-heavy crude is transformed into very high quality light crude called Zuata Sweet. Seen here: an oven in the production center.

→ **North Sea** — The Elgin/Franklin production, utilities and living-quarters (PUQ) platform is connected by pipelines and service umbilicals to the Elgin wellhead platform (on the left in the photo, linked to the PUQ by a walkway) and the Franklin wellhead platform 5.5 km away.



PHOTOS FROM TOP TO BOTTOM



Saudi Arabia

On November 15, 2003, TOTAL signed an agreement with the Government of the Kingdom of Saudi Arabia to form a joint venture with the national oil company, Saudi Aramco, for the exploration of gas in an area of 200,000 km² in the southern part of the Rub Al-Khali. TOTAL, will hold a 30.0% interest in the joint venture.

United Arab Emirates

TOTAL's activities are located in Abu Dhabi and Dubai. TOTAL's average production was 248 kboe/d in 2003, compared to 216 kboe/d in 2002. The Group's fields are located onshore (Asab, Bab, Bu Hasa, Sahil and Shah) and offshore (Umm Shaif, Zakum, Abu Al Bukhoosh, and Fateh). TOTAL has a 15.0% interest in Abu Dhabi Gas Industries (GASCO), which produces butane, propane and condensate from the associated gas produced from onshore fields. TOTAL also has a 5.0% interest in Abu Dhabi Gas Liquefaction Company (ADGAS), which produces LNG, LPG and condensate from natural gas coming from offshore fields, both gas associated with oil production and non-associated gas. In addition, TOTAL has a 30.0% interest in Ruwais Fertilizer Industries (FERTIL) which produces ammonia and urea from methane produced by the Abu Dhabi National Oil Company (ADNOC). TOTAL, acting as the leader of a consortium (50/50) formed with Tractebel completed the extension of the Taweelah A1 power and desalination plant, which began operating in April 2003. TOTAL is a shareholder (24.5%) in Dolphin Energy Limited which will market the gas produced by the Dolphin Project in Qatar in the United Arab Emirates. The gas sale contracts for the project were signed in October 2003 and the Qatari authorities approved the final development plan in December 2003.

Yemen

The East Shabwa permit (TOTAL-operated 28.6%) produced 23 kb/d and the Jannah permit (TOTAL 15.0%) 43 kb/d in 2003 in 100.0%. TOTAL is the main shareholder with a 42.9% stake in the Yemen LNG Company for which the Yemeni government has approved the export of 6 Mt/y LNG that is intended to be produced from the gas reserves in the Marib region.

South America

TOTAL's average production in South America was 196 kb/d in 2003, up 15% from 170 kboe/d in 2002, representing 8% of its total 2003 production.

Argentina

TOTAL's average production in 2003 was 64 kboe/d, compared to 59 kboe/d in 2002. In 2003, the Aguada Pichana field medium pressure compression plant (TOTAL-operated 27.3%) started-up and a new medium pressure compression project was launched at the San Roque field (TOTAL-operated 24.7%). These plants are intended to maintain gas production at its plateau for these two fields. Also in 2003, construction continued on the offshore facilities for the Carina-Aries (TOTAL-operated 37.5%) gas development (offshore Terra del Fuego) launched in 2001. In 2002, the decision was taken to suspend offshore drilling and the construction of onshore facilities for this development due to the Argentine economic crisis. In 2003, it was decided to resume the development of the project with the objective of beginning production in 2005.

Bolivia

TOTAL owns seven permits in Bolivia. These include San Alberto and San Antonio, which have producing fields (TOTAL 15.0%), and five exploration permits (Blocks XX West, TOTAL-operated 41.0%; Bereti, TOTAL-operated 100.0%; Aquio and Ipati, both TOTAL-operated 80.0%; and Rio Hondo, TOTAL-operated 50.0%). An exploration well, Itau X3 on Block XX West, was completed mid-2003 without reaching the expected results. The Sabalo field, whose development was launched in 2001 under the San Antonio permit, started production early in 2003. As development of the San Alberto field continues, the San Alberto 14 well was drilled in 2003. The results were taken into account and will contribute to future production. In 2003, the average production from the San Alberto and San Antonio fields was 11 kboe/d, compared to 5 kboe/d in 2002. However, Petrobras did not take the whole entire 2003 contractual quantities provided by the take or pay contract, and commercial discussions are in progress. The Transierra pipeline (Gasyr, TOTAL 11.0%) started operating in April 2003.

Brazil

After analyzing the results from the drilling the Anambe well in deep-offshore block BC-2 (TOTAL-operated 35.0%) in 2003, no further exploration activity is planned on this block and, with the exception of the zone in which the Curio discovery was made, the exploration permit was released.

Colombia

TOTAL's average production from the Cusiana and Cupiagua oil fields (TOTAL 19.0%) was 37 kboe/d in 2003, compared to 43 kboe/d in 2002. A "sparse" 3-D seismic survey conducted in 2002 on the Tangara permit (TOTAL 55.0%) was finalized and interpreted in 2003. An exploration well is scheduled in 2004. The Gaitanas explorations permits (TOTAL 70.0%) was relinquished in 2003.

Trinidad and Tobago

On Block 2c (TOTAL 30.0%) located in the shallow waters of Trinidad, the development of the Grand Angostura field was launched in March 2003. This development is progressing as planned and drilling has started on the first wellhead platform, with production expected to begin in 2005. On Block 3a (TOTAL 10.0%), exploration has started with the drilling 10.0 of the Delaware (gas discovery), Bimurraburra (dry) and Puncheon (in progress) wells.

Venezuela

TOTAL's average production was 84 kboe/d in 2003, compared to 63 kboe/d in 2002. In spite of the national strike at the beginning of 2003, Sincor (TOTAL 47.0%) produced an average of 160 kb/d in 100.0% of extra heavy oil (8.5° API EHO) over the year 2003. The capacity tests for the production of synthetic oil (32° API) provided for under the contractual arrangements were successfully conducted. On the Jusepin oil field (TOTAL-operated 55.0%) two new wells were drilled in 2003 and the newly constructed water injection system was put in operation. The first phase of development of the Yucal Placer (TOTAL 69.5%) gas field was particularly affected by the national strike. The drilling program has now been completed and production has been rescheduled to begin in the second quarter of 2004.

Commonwealth of independent states (CIS)

TOTAL's average production in the Commonwealth of Independent States (CIS) was 8 kboe/d in 2003, up slightly from 5 kboe/d in 2002, representing less than 1% of its total 2003 production.

Azerbaijan

In February 2003, the Shah Deniz joint venture (TOTAL 10.0%) decided to proceed with phase one of development of the Shah Deniz gas field. At the end of 2003, the second development well of the Shah Deniz field was underway and the main contracts for construction were awarded. The South Caucasian Pipeline Company (SCPC, TOTAL 10.0%) started construction on a gas pipeline from Baku to the Turkish border. This pipeline will use the same route as the Baku-Tbilissi-Ceyhan (BTC) oil pipeline in Azerbaijan and Georgia. Construction of the BTC oil pipeline, which began in August 2002, is continuing. This pipeline, owned by the BTC Company (TOTAL 5.0%) will link Baku to the Mediterranean Sea. No further exploration activities are contemplated on the Lenkoran-Talysh permit (TOTAL-operated 35.0%) and on the Absheron permit (TOTAL 20.0%).

Kazakhstan

TOTAL increased its participation in the North Caspian Sea permit from 16.7% to 20.4%, on the occasion of the sale of British Gas' interest (pending closing). Drilling activities on this permit continued in 2003, with four rigs in activity. Evaluation of the Kashagan field continued with the testing of the Kashagan East-4 and East-5

PHOTOS FROM LEFT TO RIGHT



- **Qatar** — A platform on North Field (Qatargas), one of the largest gas accumulations in the world.
- **Iran** — The Balal field is located in the middle of the Arabo-Persian Gulf, 100 km from Lavan Island. Seen here: the injection pump.





wells and the drilling of the Kashagan East-6 well. A total of five appraisal wells now confirm the discovery of the Kashagan field along with the two discovery wells Kashagan East-1 and Kashagan West-1. The development plan submitted to the Kazakh authorities after the commerciality was declared in 2002, was approved in February 2004. Preliminary infrastructure construction has started, engineering studies are continuing and the front-end engineering and design for the first two phases of development have been completed. Elsewhere in the permit area, exploratory drilling yielded positive results, with hydrocarbons discoveries at each of the Kashagan South-West and Aktote structures.

Russia

TOTAL's average production was 8 kboe/d in 2003, compared to 5 kboe/d in 2002. Phase two of the development of the Kharyaga (TOTAL operated 50.0%) field started at the beginning of 2003 with a production target of 30 kboe/d. The production sharing agreement between TOTAL and the Russian Federation is currently the subject of arbitration proceedings brought by TOTAL and its partners according to UNCITRAL (United Nations Commission on International Trade Law) arbitration rules in Stockholm. TOTAL entered into two joint venture agreements in the Black Sea, each on a 50/50 basis, to explore deep-offshore permits in the Russian Black Sea. The first agreement with Yukos concerns the exploration of the Shatsky zone in 1,500 to 2,000 meters of water.

A 2-D seismic evaluation of an area of over than 2,000 square kilometers has been completed and is currently being evaluated. The second agreement with Rosneft concerns the exploration of the Tuapse zone in the same area of the Black Sea than Shatsky. The exploration permit was obtained in August 2003 for water depths ranging from 500 to 2,000 meters and the first studies are underway.

PHOTOS FROM TOP TO BOTTOM



- **Russia** — Exploration activities on the Kharyaga field in the Nenets Autonomous District were carried out with all due regard for the environment.
- **Qatar** — Pipelines at the liquefaction plant operated by Qatargas, in which TOTAL is a shareholder
- **Indonesia** — The Bontang terminal, with its storage tanks and LNG tanker-loading jetty.

Crude Oil and Natural Gas Pipelines

The table below sets forth TOTAL's ownership interests in crude oil and natural gas pipelines.

	Origine	Destination	% interest	TOTAL operator	Liquids	Gas
France						
GSO	Network South West		70.00	X		X
CFM	Network Center West		45.00			X
Italy						
SGM	Larino	Collefero	12.00			X
Norway						
Gassled ⁽¹⁾			9.04			X
Frostpipe (inhibited)	Lille-Frigg, Froy	Oseberg	36.25		X	
Oseberg Transport System	Oseberg, Brae and Veslefrikk	Sture	8.65		X	
Norpipe Oil	Ekofisk treatment center	Teeside (United Kingdom)	34.93		X	
Troll Oil Pipeline I and II	Troll B and C	Vestprocess at Mongstad Refinery	3.70		X	
Sleipner East Condensate Pipe	Sleipner East	Karsto	10.00		X	
Kvitebjorn pipeline Heimdal to Brae	Kvitebjorn	Mongstad	5.00		X	
Condensate line	Heimdal	Brae	16.76		X	
Netherlands						
Nogat pipeline	F15	Den Helder	23.19			X
West Gas Transport	K13-K4K5	Den Helder	4.66			X
WGT Extension	Markham	K13	23.00			X
Zuidwal pipeline	Zuidwal	Harlingen Terminal	42.20			X
Oldelamer pipeline	Oldelamer	Garijp Terminal	42.25			X
United Kingdom						
Frigg System: UK line	Frigg UK, Alwyn North, Bruce, and others	St. Fergus (Scotland)	100.00	X		X
Interconnector	Bacton	Zeebrugge (Belgium)	10.00			X
Central Graben Liquid Export Line (LEP)	Elgin/Franklin	ETAP	46.17	X	X	
Shearwater Elgin Area Line (SEAL)	Elgin/Franklin, Shearwater	Bacton	25.73			X
Bruce Liquid Export Line	Bruce	Forties (Unity)	43.25		X	
Central Area Transmission System (CATS)	Cats Riser Platform	Teeside	0.57			X
Gabon						
Rabi Pipe	Rabi	Cap Lopez Terminal	100.00	X	X	
United States						
Canyon Express	Aconcagua	Williams Platform	25.80	X		X

(1) Gassled : unitization of Norwegian gas pipelines through a new joint-venture in which TOTAL has an interest of 9.038%. In addition to the direct share in Gassled, TOTAL E&P NORGE AS has 14.4% interest in the joint-stock company Norseas Gas AS, which holds 3.018% in Gassled.

Crude Oil and Natural Gas Pipelines

The table below sets forth TOTAL's ownership interests in crude oil and natural gas pipelines.

	Origine	Destination	% interest	TOTAL operator	Liquids	Gas
Myanmar						
Yadana	Yadana (Myanmar)	Ban-I Tong (Thai border)	31.20	X		X
Qatar						
Dolphin (project)	Ras Laffan (Qatar)	Taweelah (U.A.E.)	24.50			X
Argentina						
Gas Andes	Neuquen Basin (Argentina)	Santiago (Chili)	56.50	X		X
TGN	Network (North Argentina)		19.21	X		X
TGM	TGN	Urugulana (Brazil)	32.68	X		X
Bolivia						
Transierra	Yacuiba	Rio Rande	11.00			X
TBG	Bolivia-Brazil border	Porto Alegre via São Paulo	9.67			X
TSB (project)	TGM (Uruguay)	TBG (Porto-Allegre)	25.00			X
Colombia						
Ocensa	Cusiana, Cupiagua	Terminal de Covenas	15.20		X	
Oleoducto de Colombia	Vasconia	Covenas	9.50		X	
Oleoducto de Alta Magdalena	Magdalena media	Vasconia	1.00		X	
Azerbaijan						
BTC (project)	Bakou (Azerbaijan)	Ceyhan (Turkey)	5.00		X	
SCP (project)	Bakou (Azerbaijan)	Erzurum (Turkey)	10.00			X

Gas & Power

TOTAL's Gas & Power sector encompasses natural gas transport and storage and power generation from combined cycle gas plants and renewable energies. It also includes marketing and trading activities for natural gas, electricity, LNG, LPG and coal.

These activities are conducted mainly in Europe and Americas, with a growing presence in Asia.

Gas & Power



Yves-Louis Darricarrère
President of Gas & Power

“The Group’s Gas & Power business in 2003 was marked by a major strengthening of our position, particularly in liquefied natural gas and European markets currently undergoing deregulation. Progress made will create new market openings for the Group’s future production.”

Natural gas

In 2003, TOTAL continued its consolidation strategy for its natural gas activities, which is designed to enhance the value of existing natural gas reserves and to make new natural gas resources commercially viable.

A large part of TOTAL’s natural gas production is sold under long-term contracts; however, its North American production and part of its United Kingdom and Argentine production are sold on a spot basis. The long-term contracts under which TOTAL sells its natural gas and LNG production usually provide for a price related to, among other factors, average crude oil and other petroleum product prices as well as, in some cases, a cost of living index. Although prices of natural gas and LNG tends to fluctuate in line with crude oil prices, there is a delay before changes in crude oil

prices are reflected in long-term natural gas prices. Because of the relation of the contract price of natural gas and crude oil prices, contract prices are not generally affected by short-term market fluctuations in the spot price of natural gas.

The deregulation of gas markets is occurring in various places around the world. This trend may undermine the traditional methods of gas sales, which relied primarily on long-term contracts as described above, and increase the risks and opportunities for gas producers, such as TOTAL, who are responding by seeking to secure outlets for their production by developing their natural gas marketing and trading activities. As a result, TOTAL evaluates on a case by case basis whether to target a downstream position along the gas chain in order to secure favorable marketing opportunities for the Group’s current, and anticipated future, reserves and production.

Europe

In France, TOTAL has been active in the downstream segment of the gas chain for 60 years (mainly in production which is described above). Transport, marketing and storage were initially developed to facilitate the Group's domestic production. The Group is pursuing its strategy of becoming a top-tier supplier of gas to industrial and commercial customers in France.

In November 2003, TOTAL and Gaz de France signed a protocol of intent to separate their cross-shareholdings in Gaz du Sud-Ouest (GSO) and Compagnie Française du Méthane (CFM), their jointly-owned gas transmission and supply subsidiaries in France. Gaz de France currently holds a 30% interest in GSO, which transports and sells approximately 7% of the gas consumed in France, with TOTAL holding the remaining 70%. TOTAL currently has a 45% interest in CFM, with Gaz de France holding the remaining 55%. Under the terms of the protocol of intent, TOTAL and Gaz de France will enter into a final agreement providing that TOTAL will become the sole shareholder of GSO, Gaz de France will become the sole shareholder of CFM, and TOTAL will directly acquire a part of CFM's trading operations. Once this restructuring has been completed, TOTAL will have a market share of about 17%* of the French natural gas sales. This protocol of intent reflects TOTAL and Gaz de France's shared commitment to adapting to the structural changes in the French gas market, which will be opened to competition for industrial and non-residential customers in July, 2004. In addition, the protocol of intent will permit TOTAL to acquire a 26.7% interest in the Fos II Cavaou re-gasification terminal project in southern France, the commissioning is scheduled in 2007 for this project. It will have an initial capacity of 6 million tons, which could subsequently be expanded.

* Company estimates.

TOTAL operates two underground natural gas storage units in south-western France, which account for approximately 18% of the overall gas storage capacity in France.

In the United Kingdom, TOTAL GAS & POWER Ltd. sells gas and power to the industrial and commercial markets and also owns a 10% stake in Interconnector UK Ltd., a 700 Bcf per year-capacity gas pipeline connecting Bacton in the United Kingdom to Zeebrugge, Belgium. In January 2003, TOTAL GAS & POWER Ltd. acquired the UK industrial and commercial gas portfolio of ExxonMobil, which represented sales of approximately 70 Bcf in 2003. In 2003, TOTAL GAS & POWER Ltd. marketed 180 Bcf of natural gas to industrial and commercial customers, representing a market share of about 19%*. TOTAL GAS & POWER Ltd. sold 0.8 TWh of electricity in 2003.

TOTAL GAS & POWER NORTH EUROPE markets gas and power to eligible industrial and commercial consumers in the north of France, Benelux and Germany. It sold 21 Bcf of gas and 1.3 TWh of electricity in 2003, mainly in France and the Benelux countries. TOTAL continues to actively participate in Powernext, the first electricity trading hub in France, which was launched in 2002.

In Spain, TOTAL markets gas through its participation in Cepsa Gas Comercializadora, which was formed in June 2001. In 2003, the Algerian National Company Sonatrach acquired a 30% stake in Cepsa Gas Comercializadora, thereby reducing TOTAL's interest from 50% to 35%.

PHOTOS FROM LEFT TO RIGHT



→ A tanker carrying LNG.

→ **Abu Dhabi** — The Taweelah A1 power and seawater desalination complex is one of the largest cogeneration plants in the world.



In 2003, Cepsa Gas Comercializadora sold 1.0 billion cubic meters (35.0 Bcf) of natural gas. TOTAL is also involved with a 12% interest in the Medgaz Project, a pipeline intended to directly connect Algeria and Spain.

The Americas

In North America, TOTAL sold approximately 10.4 billion cubic meters (369 Bcf) of natural gas in the United States in 2003. In October 2003, TOTAL signed an agreement to acquire a 25% share in the company in charge of the construction of a re-gasification terminal in Altamira, Mexico. This terminal, which will have a capacity of 5 million tons of natural gas, will begin production in 2006. TOTAL also holds a 25% interest in Gas Del Litoral, a marketing company which was awarded a contract to supply 5 billion cubic meters (177 Bcf) of natural gas per year for 15 years from the Altamira terminal by the Mexican Comisión Federal de Electricidad (CFE).

In South America, the Group owns interests in several natural gas transport companies in Argentina, Chile and Brazil. TOTAL's interests include 19.2% of Transportadora De Gas Del Norte (TGN), which operates a gas transport network covering the northern half of Argentina, 56.5% of the companies that own the GasAndes pipeline connecting the TGN network to Santiago, Chile, 32.7% of Transportadora De Gas Del Mercosur (TGM), which operates a pipeline connecting the TGN network to the Brazilian border; 9.7% of the Brazilian section of the Bolivia-Brazil pipeline and 25% of TSB, a company which is developing a pipeline project to connect the TGM pipeline and the Bolivia-Brazil pipeline. These different assets represent a total integrated network of approximately 9,000 kilometers serving the Argentine, Chilean and Brazilian markets from gas producing basins in Bolivia and Argentina, where the Group owns substantial reserves. An extension of the GasAndes pipeline to the region south of Santiago, Chile was put on gas in July 2003. In the context of the economic crisis in Argentina, which has had a large impact on TOTAL's Gas & Power subsidiaries, TOTAL has taken steps to preserve, to the extent possible, the value of its assets, including commencing an arbitration proceeding against Argentina in 2003 under the mutual protection agreement between Argentina and France.

Asia

TOTAL is mainly involved in Asia through its gas production in Indonesia, Thailand and Myanmar for which the Group looks for outlets all around the area especially in emerging markets such as India and China. TOTAL has continued its work on a joint project with Hindustan Petroleum (HPCL) to build an underground LPG storage unit on the East coast of India in the state of Andhra Pradesh. Actual construction for this project, in which TOTAL has a 50% stake, began in November 2003. The storage capacity of this project will be 60,000 tons, with an offtake capacity of 1.2 million tons a year. The commercial start up of the project is expected to occur near the end of 2006. Furthermore, negotiations conducted in 2003 led to the Group taking, in March 2004, a 26% equity stake in the LNG regasification terminal being built in Hazira on the western coast of India, in the state of Gujarat.

In Japan, TOTAL continued its project with nine Japanese corporate partners to develop a new DME (dimethyl-ether) fuel through its participation in two companies, DME DEV. and DME INTERNATIONAL. DME DEV. completed construction of a 100 tons per day pilot plant in Kushiro on Hokkaido near the end of 2003. This pilot plant will be used to test this new technology prior to the construction of a 3,000 tons per day commercial plant, which is being studied by DME INTERNATIONAL as it assesses the potential market for DME as a fuel in Asia.

Electricity and cogeneration

TOTAL is participating in a number of natural gas-fired electricity generation projects in Europe, South America, the Middle East and Asia as part of its strategy of pursuing the potential of all levels of the gas value chain. TOTAL currently operates facilities with the capacity to generate more than 5,000 MW of electricity. Cogeneration is the process whereby the steam produced by heat from the gas turbines used to generate electricity is then used for industrial purposes, such as refining petrochemicals or water desalination. This process can have an energy efficiency from up to 60 or 85%.

In May 2003 production started up at the Taweelah cogeneration plant in the United Arab Emirates. TOTAL has a 20% share in Gulf Total Tractebel Power Cy, the company that owns and operates this plant. The plant combines electric power generation, with a total capacity

of 1,430 MW, and water desalination, with a capacity of 385,000 cm/d, and is one of the largest gas-fired cogeneration plants in the world. It is designed to meet approximately one quarter of the Emirates power and water needs.

In Thailand, in March 2003, Epec Company, in which TOTAL owns a 28% stake, started commercial production at the Bang Bo combined cycle gas power plant, which has a capacity of 350 MW.

In Argentina, TOTAL owns 63.9% of Central Puerto SA and 70% of Hidroneuquen. Central Puerto SA owns and operates gas-fired power stations in Buenos Aires and in Neuquén, with a total capacity of 2,165 MW. Through its stake in Hidroneuquen, TOTAL owns 41.3% of Piedra del Aguila (HPDA), a 1,400 MW hydroelectric dam located in Neuquén.

In Great Britain, TOTAL holds a 40% share in Humber Power Ltd. which owns a 1,260 MW capacity gas-fired combined cycle power station located on the Humber Estuary. In 2003, the Group provided 40% of the natural gas used by the plant (24 Bcf) and sold 3.1 TWh of electricity.

LNG Marketing and Trading

In September 2003, TOTAL signed a commitment to acquire 42 Bcf of LNG a year beginning in 2007 for a 20 years period from Nigeria LNG Ltd. (in which TOTAL has a 15% interest), the company owning and operating the Bonny liquefaction plant. TOTAL plans on marketing this LNG on several long term and spot gas markets in Europe and North America. TOTAL also has an engagement to market 35 Bcf of LNG per year produced by gas liquefaction plant in Snøhvit, Norway.

LPG trading

In 2003, TOTAL traded or sold 4.7 million tons of LPG (butane and propane) around the world. Around 0.9 million tons in Middle East and Asian, 1 million in Europe through coastal trading and 2.8 million tons in the Atlantic and Mediterranean areas on large vessels. Approximately half of these quantities originated from the Group production from either fields or refineries. This LPG trading involved 8 full-time charter vessels and 150 spot charters and represented 9% of worldwide seaborne LPG trade.

Coal

TOTAL sold approximately eleven million tons of coal globally in 2003.

Of this amount, TOTAL sold six million tons of South African steam coal, approximately 80% of which was sold to European utility companies. Approximately four million tons of this South African coal came from TOTAL's mining production and two million tons from TOTAL's role as marketing agent in its 50/50 partnership with Tavistock/Xstrata in the ATC mine. The coal was exported through the port of Richard's Bay, the largest coal terminal in the world, 5.7% of which is owned by TOTAL through its wholly owned South African subsidiary TOTAL Coal South Africa. Under the South African Black Economic Empowerment law, TOTAL has signed a memorandum of understanding to release a 25% share of the Dorstfontein Mine to Mmakau Mining. This agreement is a significant step in the opening of the Group's coal activities to historically disadvantaged investors in South Africa.

Power capacities

<i>(MW, except %)</i>	Installed capacity	% interest	Operated capacity	Group Share
Electrical generation				
Humber power	1,260	40.00%	0	504
Bang Bo	350	28.00%	350	98
Central Puerto	2,165	63.90%	2,165	1,383
Cogeneration				
Taweelah	1,430	20.00%	1,430	286
Hydroelectricity				
HPDA	1,400	41.30%	1,400	578
Wind power				
Mardyck	12	100.00%	12	12
Total	6,617		5,357	2,861

In addition to the coal supplied by its South African operations, TOTAL is developing its trading business with a total of two million tons of coal sold in Asia and two million tons sold in Europe in 2003.

In France, TOTAL, through its wholly owned subsidiary CDF ENERGIE, is the leading distributor of steam coal in the industrial sector, with 2003 sales of 1.8 million tons of coal supplied by a combination of its own South-African production and Third Parties purchases.

Renewable energies

TOTAL has been active in solar-photovoltaic energy for more than 20 years and is also developing its wind power activities. The Group believes the importance of these renewable energies to the world energy supply will significantly increase in the future.

Wind Power: TOTAL's first wind farm, on the site of its Dunkirk refinery in Mardyck, (France), started commercial production in November 2003 with a capacity of 12 MW. This farm is designed to produce 30,000 MWh per year corresponding to the average domestic consumption of about 15,000 inhabitants. TOTAL selected five wind turbines from three different technologies in order to acquire as much experience as possible for its future onshore and offshore wind projects in Western Europe.

Solar-photovoltaic: TOTAL owns 35% of TOTAL ENERGIE, a company specialized in the creation, marketing and exploitation of solar-photovoltaic power systems. In 2003, TOTAL Energie's sales increased by about 15% to 72 million euros corresponding to an effective capacity of about 9 MWp. TOTAL Energie plans to pursue opportunities related to the connection of rural electrification and telecommunication systems to the German and the french overseas territories networks. In 2003, TOTAL Energie obtained ISO 9001 (2000 version) certification. TOTAL Energie will begin construction of a solar panel encapsulation plant in Toulouse, France in 2004 with an annual production capacity of 5 MWp, enough to equip the roofs of 2,500 European households.

TOTAL also owns 42.5% of Photovoltec, a company specialized in photovoltaic cell and solar panel encapsulation manufacturing and marketing. At the end of 2003, Photovoltec started production at its plant in Tienen, Belgium, which is designed to produce 10 MW of photovoltaic cells per year using advanced technology developed by IMEC (Louvain University).

TOTAL has three Decentralized Rural Electrification projects, in Mali, Morocco and South Africa. At the end of 2003, these projects provided power to 6,000 households and progress is being made on schedule towards the final goal of providing power to 32,000 households through these projects. TOTAL is looking for opportunities to develop similar projects, mainly in Africa.

PHOTOS FROM LEFT TO RIGHT



→ **France** — The wind farm on the Flanders refinery site at Mardyck (Dunkirk) has an installed capacity of 12 MW.

→ **South Africa** — Using solar panels like these, TOTAL supplies electricity to isolated villages in South Africa and Morocco.





Super Premier 2700 ៛

Regular Premier 2550 ៛

Diesel Premier 1900 ៛

គុតារង្វាស់

ហាងលក់ទំនិញ

ម្សៅបំពង

TOTAL Card Cash



La Boutique

TOTAL FREE INTERNET ACCESS

TOTAL



Downstream

The Downstream segment conducts TOTAL's refining, marketing, trading and shipping activities.

No.1 in European Refining and Marketing*.

No.2 in Africa*.

Refinery capacity of **2.7 Mb/d.**

15,839 service stations.

3.7 Mb/d of products sold in 2003.

One of the leading worldwide traders in oil and oil products.

2003 investments:

1.2 billion euros

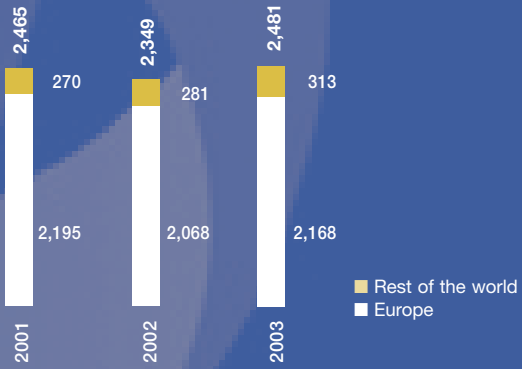
34,410 employees.

* Source: Oil companies, Oil and Gas Journal.

Downstream segment financial data

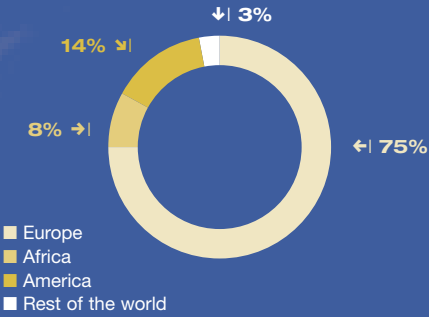
<i>(in millions of euros)</i>	2003	2002	2001
Non-Group sales	68,658	66,984	71,373
Operating income adjusted for special items	1,970	909	3,004

Refinery runs* (kb/d)



* Including the Group net share in Cepsa

2003 refined products sales by region: 3,652 kb/d*



* Including Trading activities and the Group net share in Cepsa

Refining & Marketing



Jean-Paul Vettier
President of Refining and Marketing

“Our profitability in Refining & Marketing was one of the best in the industry in 2003. In Asia, our operations are growing in targeted markets.”

Refining & Marketing

In 2003, TOTAL's worldwide refining capacity was 2,696 kb/d and its average refined products sales were 3,652 kb/d (including trading and equity affiliates). TOTAL is the largest refiner-marketer in Europe based on refining capacity and refined product sales*. TOTAL operates a network of almost 16,000 service stations worldwide mainly under the TOTAL and Elf banners, of which approximately 50% are company-owned. Refineries also contribute to producing a broad range of high value-added specialty products, such as LPG, jet fuel, petrochemical feedstock, special fluids, lubricants, bitumens and paraffins.

During the second quarter 2003, TOTAL launched its new corporate identity program and started re-branding the network, storage facilities and production sites with the new TOTAL logo. By the end of 2003, approximately 4,000 stations were re-branded to the new

TOTAL colors. The re-branding program is expected to be completed by the end of 2004.

Over the period from 1999 to 2003, the Downstream segment captured merger-related synergies and implemented ongoing productivity programs that contributed approximately 1.8 G€ to operating income. In an environment characterized by high volatility, TOTAL's leans on productivity programs to implement a strategy based on strengthening its capacity to withstand environmental fluctuations.

The Downstream segment adheres to a policy of controlling capital employed through strict capital discipline. In refining, investments are targeted to average \$3 per ton of refining capacity per year over the medium term, including the investments required to meet new European product specifications and to adapt to demand for petroleum products.

* Company sources.

In Marketing, the selective investment policy for Downstream businesses was pursued in 2003 through dynamic asset management (such as through asset swaps) in mature areas and an emphasis on value-added specialty products and expansion in growing markets such as the Mediterranean Basin, Africa and Asia.

Refining

TOTAL holds interests in 28 refineries (including 13 that it operates), located in Europe, the United States, the French West Indies, Africa and China. In Europe, TOTAL is the leader in Refining and Marketing operations, based on combined refining capacities and sales volumes.

Western Europe accounts for more than 80% of both TOTAL's refined product sales and refining capacity (including our 45.3% interest in Cepsa). TOTAL operates 12 refineries in Western Europe. Six are located in France, one in Belgium, one in Germany and two in the United Kingdom. TOTAL is also a major shareholder in one refinery in Italy, another in the Netherlands, and has minority interests in a German refinery (Schwedt) and in a fourth French refinery (Reichstett). In addition, the Company participates in four refineries in Spain through its 45.3% interest in Cepsa.

In addition to exchanging best practices from each refinery, TOTAL has also implemented a refining-hub management concept (based on supply optimization, improved regional coverage and sites specificities enhancement), in Europe for improved performance and investments savings. In 2003, TOTAL pursued its integration strategy between Refining and Petrochemical operations in order to capture maximum industrial synergies notably from growing intra-Group exchange of products and capital expenditures savings.

During 2003, in Europe, TOTAL shut down five refineries for normal maintenance and upgrading to meet new product specifications. By the end of 2003, all of TOTAL's European refineries were able to produce 50 ppm sulfur content fuel. In order to respond to new EU regulations that will require refineries to produce 10 ppm sulfur content fuel by beginning of 2009, TOTAL is progressively making further upgrades to its European refineries.

In 2003, TOTAL finalized studies to launch a 500 M€ investment for the construction of a hydrocracker unit and an associated steam methane reformer to supply hydrogen at the Normandy refinery. The hydrocracker will enable the Normandy refinery to reduce its production of heavy distillates and fuel oil and increase production of light distillates, in particular diesel and jet fuel. The unit will also produce high quality bases for lubricants and specialty fluids. The launch of these new facilities illustrates TOTAL's strategy of responding to growing European demand for light distillates, and at the same time bolstering the competitiveness of the Normandy refinery. This investment was launched in February 2004.

In the United States, TOTAL operates one refinery, the 176 kb/d Port Arthur facility on the Gulf of Mexico. The refinery benefits from continuing integration with petrochemical operations.

Outside of the principal refineries that TOTAL operates in Western Europe and the United States, TOTAL has interests in 15 other refineries, with a corresponding capacity of 409 kb/d.

The table below sets forth TOTAL's share of the daily crude oil refining capacity.

Crude oil refining capacity

December 31, 2003	(kb/d) ⁽¹⁾
Refineries operated by the Company	
Normandy (France)	343
Provence (France)	159
Flandres (France)	160
Donges (France)	231
Feyzin (France)	117
Grandpuits (France)	97
Antwerp (Belgium)	352
Leuna (Germany)	220
Rome (Italy) ⁽²⁾	52
Immingham (UK)	223
Milford Haven (UK) ⁽³⁾	73
Vlissingen (Netherlands) ⁽⁴⁾	84
Port Arthur (U.S.)	176
Other refineries in which the Company has an interest ⁽⁵⁾	409
Total	2,696

(1) In the case of refineries that are not wholly owned by TOTAL, the indicated capacity represents TOTAL's proportionate share of the total refining capacity of the refinery.

(2) TOTAL interest 57.5%.

(3) TOTAL interest 70%.

(4) TOTAL interest 55%.

(5) 15 refineries in which TOTAL has interests ranging from 16.7% to 55.6%.

The table below sets forth by product category TOTAL's net share of the quantity produced at TOTAL's refineries (including those in which it has a minority interest) for the years indicated.

Production levels

In kb/d	2003	2002	2001
Motor gasoline	584	570	610
Avgas and jet fuel	177	179	191
Kerosene and diesel fuel	724	629	678
Fuel oils and heating oils	535	513	540
Other products	419	416	391
Total⁽¹⁾	2,439	2,307	2,410
Capacity utilized	92%	88%	96%

(1) Includes net share of Cepsa in which TOTAL has a 45.3% interest.

→ **France** — The "Prime G" unit at the Flanders refinery allows TOTAL to produce low-sulfur (50 ppm) gasoline.

→ **France** — The Provence refinery.

PHOTOS FROM TOP TO BOTTOM



TOTAL produces a wide range of refined petroleum products at its refineries and other facilities. In 2003, TOTAL pursued growth in both the production and marketing of specialty products (jet fuel, butane and propane, lubricants and greases, paraffins and waxes, bitumens and special fluids). Increased integration of specialty products with refining operations provides for a wider range of products, including new high-value added and technology-intensive products. TOTAL is a leader major player in the European specialty products market, notably for lubricants and bitumens. Worldwide, TOTAL markets lubricants in 140 countries and distributes aviation fuel at 550 airports. TOTAL is the second largest LPG marketer in France (based on sales), and its LPG business has expanded beyond the traditional core European market into Asia and South America.

TOTAL plays an active part in the promotion of renewable energies and alternative fuels, and has strengthened its research and testing programs for fuel cell technologies and fuel reformulation. In this area, TOTAL has entered into cooperation agreements with Renault, Renault Trucks, Valeo and Delphi for automotive applications, and with Electrabel and Idatech for stationary applications such as furnaces. TOTAL has teamed up with Berlin BVG, the largest public transport company in Germany, resulting in the opening of a hydrogen center of excellence and the first TOTAL hydrogen fueling station in Germany. The hydrogen capacity of this station will be increased in early 2004. TOTAL is also an active participant in the Hydrogen Technology Platform Program launched by the European Commission near the end of 2003, which aims at promoting the development of this new technology across Europe.

Marketing

TOTAL markets refined petroleum products primarily in Europe and Africa. TOTAL is the leading refiner-marketer based on refining capacity and refined product sales across the combined six largest markets in Europe (France, Spain, Benelux, United Kingdom, Germany and Italy). In Africa, TOTAL's sales were approximately 11Mt of petroleum products in 2003.

Western Europe

In 2003, the Company continued implementing its strategy of network unification under the TOTAL brand, coupled with the new corporate identity program. The higher visibility of the unified brand is aimed at improving the Company's customer loyalty and contributing to the growth of non-fuel sales.

In France, TOTAL pursued the re-branding of its service stations network in 2003. The TOTAL-branded network provides extensive national coverage and offers a broader range of quality services, as well as a wider diversification, such as the bonjour convenience shops and TOTAL's customer loyalty programs. Elf-branded stations, with an updated design, offer quality fuels prices designed to compete with those of shopping centers, as well as pared-down services. At the end of 2003, in France, the TOTAL-branded network consisted of 3,000 stations on main roads and highways, while the Elf-branded network included nearly 300 stations. TOTAL also markets fuels under the Elan brand in 1,200 stations located in rural areas and AS24 stations dedicated to professionals and heavyweight vehicles.

PHOTOS FROM LEFT TO RIGHT



→ **France** — The circuit used for the Monaco F1 Grand Prix is surfaced with bitumen.

→ **Singapore** — Lubricants.



The table below sets forth by geographic area TOTAL's average daily volumes of sales of refined petroleum products for the years indicated

Sales of refined products⁽¹⁾

In kb/d	2003	2002	2001
France	917	854*	925*
Rest of Europe ⁽¹⁾	1,509	1,477	1,471
United States	237	159	168
Africa	232	213	206
Rest of World	87	92	94
Total excluding Trading	2,982	2,795	2,864
Trading (Balancing and Export Sales)	670	585	570
Total including Trading	3,652	3,380	3,434

(1) Includes the Group's net share in Cepsa.

* After correcting a reporting disparity related to sales in France.

The table below sets forth by geographic area the number of stations in the TOTAL network for the years indicated as at December 31, 2003.

Retail stations

	2003	2002	2001
France ⁽¹⁾	4,472	5,093	5,392
Rest of Europe	5,196	5,526	5,689
Cepsa ⁽²⁾	1,710	1,603	1,553
Africa	3,324	3,383	3,270
Rest of World	1,137	1,071	1,018
Total	15,839	16,676	16,922

(1) Stations under the TOTAL, Elf and Fina banners only.

(2) Includes all the stations within Cepsa's network, the Group's 45.3%-owned company.

In Europe, TOTAL is pursuing a strategy of focusing on expanding markets in which it holds a significant market share. For example, in 2003 TOTAL announced a swap agreement with Shell under which it acquired 133 stations in Germany in exchange for seven highway service stations in France, 70 stations in Hungary and 33 in the Czech Republic, two countries where TOTAL had less attractive competitive positions. This agreement consolidates TOTAL's marketing positions in Germany, while allowing TOTAL's specialties sector to continue its operations in the Czech Republic and Hungary. Also in 2003, TOTAL finalized its agreement with Agip Petroli and Galp for the exchange of its 186 TOTAL-branded service stations in Spain for 195 Agip Petroli service stations in Italy and 111 Galp service stations in Portugal. These operations have enabled TOTAL to gain an additional 1% market share in each of Italy and Germany, and more than 4% in Portugal. In Spain, TOTAL is expanding through Cepsa. In the United Kingdom, a major restructuring program has been launched to improve the performance of TOTAL's network by rationalizing the network portfolio, renovating high-throughput sites and developing diversification activities.

In 2003, TOTAL aimed to promote customer loyalty by targeting continued improvement in the quality of its services. TOTAL's international private fuel card, the Eurotrafic card, which includes value-added features designed for the management of international haulers and company fleets, is accepted in approximately 13,000 service stations in 15 countries. These include ten countries where TOTAL operates a retail network (Germany, Belgium, France, Italy, Hungary, Luxembourg, the Netherlands, Portugal, the United Kingdom and — outside Europe — in Morocco), four other countries via partnership agreements negotiated by the Group (Austria, Denmark, Norway and Sweden) and in Spain, through Cepsa. TOTAL has one of the most popular retail fuel cards in Europe with three million card holders.

Africa and Mediterranean Rim

TOTAL is a major marketer on the African continent with activities in more than 40 countries and a market share of more than 10% in more than 30 countries. TOTAL's refined products sales were approximately 11 Mt in 2003, mainly in South Africa, Nigeria, Kenya, Senegal, and Ivory Coast. In 2003, TOTAL started operations



in Mayotte through a 100%-owned subsidiary, and launched Lubricants activities in Angola and Algeria. TOTAL is continuing to expand its marketing, lubricants and LPG operations around the Mediterranean Rim. In 2003, TOTAL proceeded with the merger of its two 100%-owned petroleum product marketing subsidiaries which are active in the LPG market, TOTAL Oil Turkiye and Tüpgas, the latter's activity has been focused on the LPG market.

Asia

In 2003, TOTAL continued to implement its selective development strategy in Asia. Under this strategy, TOTAL expanded its presence in the lubricants sector by strengthening its operations in Korea (partnership with ISU), Indonesia (100%-owned subsidiary TOTAL Oil Indonesia), Australia and New-Zealand. At the end of 2003, approximately 15% of TOTAL's worldwide lubricants sales were in Asia, in particular in China, India, Indonesia and Korea, under the TOTAL and Elf brands, which enjoys broad recognition at the international level. In the LPG sector, TOTAL's well-established positions were strengthened in India, China, Vietnam, Cambodia and Bangladesh.

In Pakistan in 2003, TOTAL continued to expand its network by adding 30 new service stations to its network of 23 existing stations. In the Philippines, 18 new service stations were opened, while the start up of the Manila depot (with 9,000 cubic meters of storage) strengthened TOTAL's logistics in this country. TOTAL also holds a 22.4% interest in the WEPEC refinery in Dalian, China.

PHOTOS FROM TOP TO BOTTOM

- **France** — A "blue and yellow" Elf service station in Marseilles.
- **Philippines** — An LPG bottling depot.
- **France** — A vapor-recovery nozzle in a TOTAL service station.

Trading & Shipping

Trading & Shipping activities include sale of crude oil production, purchase of crude oil to supply the Group's refineries, marketing of oil-based and refined products and coordination of shipping activities.

Trading

TOTAL is one of the world's major traders of crude oil and refined petroleum products in terms of traded volumes, dealing extensively in physical, forward and futures markets. The division's purchases and sales are spread among spot, term, exchange and other arrangements, such as swaps, and cover a variety of sources and customers in order to optimize revenues from TOTAL's crude oil production and supplies to its refineries and to match the various markets in which TOTAL operates while seeking to ensure security of supply, flexibility and cost competitiveness. In connection with its trading activities, TOTAL, like most other oil companies, uses derivative contract strategies to adjust its exposure to expected fluctuations in the price of crude oil and related products. All of TOTAL's trading activities in this area are subject to internal controls and trading limitations.

The table below sets forth selected information with respect to TOTAL's worldwide sales and supply of crude oil for each of the last three years.

Following a weak year in 2002, growth in world oil demand increased in 2003 due to colder weather in the Atlantic Basin, high natural gas prices worldwide and extensive outages affecting nuclear plants of TEPCO, the largest power utility in Japan. Furthermore, gasoline and fuel oil demand were supported by a healthy economic environment, due to the recovery in the United States, where annual GDP growth was approximately 3.0%, China, where GDP grew approximately 8.6%, and in other Asian countries outside Japan, where GDP grew approximately 4.1%. Demand rose by 0.5% for gasoline, 4.4% for diesel and 0.6% for jet fuel in OECD member countries. Fuel oil demand increased 10% in the United States and 17% in Japan but fell 5.1% in Europe.

Sales and supply of crude oil

For the Year Ended December 31,

<i>(kb/d, except percentages)</i>	2003	2002	2001
Sales of crude oil			
Total sales	4,713	4,630	4,553
Sales to Downstream segment ⁽¹⁾	2,165	2,043	2,162
Sales to outside customers	2,548	2,587	2,391
Sales of crude oil to outside customers as a percentage of total sales	54%	56%	53%
Supply of crude oil			
Total supply	4,713	4,630	4,553
Produced by the Company ^{(2) (3)}	1,608	1,571	1,427
Purchased from outside suppliers	3,105	3,059	3,126
Production by the Company as a percentage of total supply	34%	34%	31%

(1) Excludes share of Cepsa.

(2) Includes condensate and natural gas liquids.

(3) Includes TOTAL's proportionate share of the production of equity affiliates.



In contrast to near stagnation in 2001 and 2002, world oil production rose sharply in 2003. This was largely due to a production increase of about 0.9 Mb/d for the CIS countries and an increase of 1.6 Mb/d in OPEC crude supply, which more than offset the negative effects of labor strikes in Venezuela, internal troubles in Nigeria and the war in Iraq. In 2003, OPEC adapted to the loss of exports from Venezuela in the first quarter and then from Iraq in the second quarter through a series of quota adjustments, increasing quotas by 1.3 Mb/d from January 1, 2003, by 1.5 Mb/d from February 1, 2003 and again by 0.9 Mb/d from June 1, 2003. OPEC then decreased quotas by 0.9 Mb/d from November 1, 2003. These market tensions lifted the OPEC basket to around 28.10 \$/b throughout 2003 (compared to 24.36 \$/b in 2002), and prevented a rebuilding of the oil stock cover in the main markets and particularly in the United States. Refining margins rose from 8.0 \$/t in 2002 to 20.9 \$/t in 2003 (TOTAL's TRCV indicator for Western Europe), supported by strong product demand and increased crude oil supply.

Throughout the year, TOTAL's trading activities maintained good results and a high level of activity, trading physical volumes of crude oil and refined products amounting to roughly 5 Mb/d in 2003, approximately the same level as in 2002.

Shipping

The Shipping division of TOTAL arranges the transportation of crude oil for the supply of the Group's refineries, and provides a wide range of shipping and chartering services for Trading and all business segments in the Group, while seeking to ensure the best safety conditions.

PHOTOS



→ Trading rooms in Paris, Singapore and Geneva.

In 2003, TOTAL chartered about 2,600 vessels to transport an estimated 107 million tons of oil. The Group sold two VLCC (Very Large Crude Carrier) tankers it owned, which were chartered back via long-term agreements. The Group utilizes a fleet made up of some 45 vessels which are chartered under medium- and long-term agreements. The fleet is relatively modern with an average age of eight years, and is predominantly comprised of double-hulled vessels.

During 2003, world tanker tonnage increased by 4%. This increase only partially offset the decline in tonnage that occurred in 2000 and 2002. Tanker demand soared at several moments in 2003, especially during the first quarter and at the end of the year, boosted by the high level of oil demand. As a result, the world shipping market was very tight and volatile. Across all tanker classes and in all regions, freight rates were unusually high in 2003 as a result of several of factors, including:

- market tensions following the war in Iraq, as well as briefer disruptions in Nigeria and Venezuela;
- a particularly cold and difficult winter in the Baltic and Mediterranean Seas that increased delays and reduced the availability of tankers;
- tighter transit regulations in the Bosphoros that led to increased shipping delays towards the end of the year.

The European Community and the International Maritime Organization also implemented new rules to heighten the safety of transporting crude oil and oil products. Beginning 2003 in Europe, and progressively throughout the world by 2005, these new rules restrict the transportation of heavy fuel oils exclusively to double-hulled vessels. In addition, a new calendar was adopted for the phasing out of single-hull tankers.

→ **France** — The Gonfreville refinery (cogeneration unit). In the foreground, a tanker at the loading berth.

→ **Angola** — A tanker off the coast.



PHOTOS FROM TOP TO BOTTOM





Chemicals

TOTAL is one of the largest integrated chemical producers in the world*.

The Chemicals segment includes Base Chemicals & Polymers, which are linked to TOTAL's refining activities, Intermediates & Performance Polymers, as well as Specialties, which include rubber processing, resins, adhesives and electroplating.

* *Chemical Week, December 3, 2003.*

Atofina is the Chemicals Branch of TOTAL.

2003 non-Group sale:

17.3 billion euros.

2003 investments:

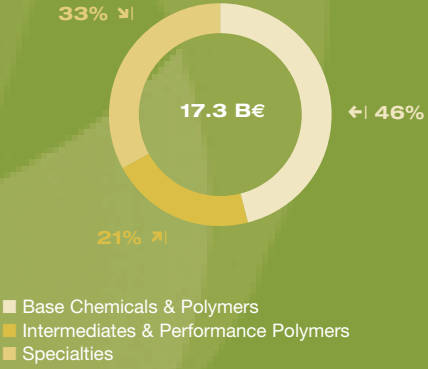
1.1 billion euros.

61,212 employees.

Chemicals segment financial data

<i>(in millions of euros)</i>	2003	2002	2001
Non-Group sales	17,260	19,317	19,560
Operating income adjusted for special items	558	777	1,095

2003 sales by sector



Chemicals



François Cornélis
President of Chemicals

“Results for Chemicals continued to suffer from difficult environment. Our actions to boost productivity and refocus our businesses helped to limit the impact of the poor economy.”

TOTAL reported combined sales in Chemicals in 2003 of 17.26 billion euros. Europe accounted for 59% of sales, the United States for 26%, and remaining sales were generated predominantly in Asia and Latin America. Results in 2003 were adversely affected by weak demand, a strong euro and the increased cost of raw materials.

As part of its strategy to consolidate its position in the growing Asian market, TOTAL entered into a 50/50 joint venture on August 1, 2003 with Samsung General Chemicals, a Korean based manufacturer and marketer of a wide range of petrochemical and polymer products, with an integrated production site located at Daesan. The Chemicals segment's position in Asia was further reinforced with the inauguration of a polystyrene unit at Sanshui in the Chinese province of Guangdong.

Additionally, the Chemicals segment pursued its program for the disposal of non-strategic

assets by selling its paints business SigmaKalon in February 2003, its bromine and derivatives activity, and its minority interest in Mexichem, a Mexican chlorochemicals company, in December, 2003.

In 2003, the Industrial Safety Division of TOTAL's Chemicals Branch continued implementation of its action plan focused on three key areas, safety at work, safety management systems and major risk prevention.

In February 2004, TOTAL announced a proposed reorganization, subject to consultation with relevant labor representative bodies, of the Chemicals segment in order to streamline functional organizations and to create, alongside the Base Chemicals & Polymers and Specialties divisions, a separate decentralized entity to include the chlorochemicals, intermediates and performance polymers activities. This new organization is expected to be in a position to adapt to market trends with more flexibility

The table below shows the Chemical segment's main products groups and their major applications:

Main product groups	Major applications
Base Chemicals & Polymers	
Olefins	
Ethylene	Production of polyethylene, vinyl chloride monomer, styrene, functional polymers and copolymers
Propylene	Production of polypropylene, acrylic acid, OXO-alcohols
Butadiene	Production of lactame 12, polybutadiene, elastomers
Aromatics	
Benzene	Production of styrene, cyclohexane, chlorobenzenes
Toluene	Production of chemical intermediates and solvents
Xylenes	Production of phthalic anhydride, terephthalic acid (PTA), solvents
Polyethylene	
	Packaging and packaging films, cables, pipes and tubes, blow molded bottles, fuel tanks, automobile parts
Polypropylene	
	Packaging, containers, automobile parts, household and sanitary goods, electrical appliances and fibers
Styrenics	
Styrene	Production of polystyrene, ABS, emulsions, resins, plastic additives
Polystyrene	Packaging, audio-video, microcomputers, TV and electrical appliances
Elastomers	Bitumen modification, footwear, plastic modification, adhesives
Chlorochemicals	
Vinyl chloride monomer	Production of polyvinylchloride
Caustic soda	Chemicals, alumina, pulp and paper, detergents and soaps
Polyvinylchloride (PVC)	Housing and decorative coatings, automotive industry, pipes, tubes and profiles
Chlorinated solvents and chloromethanes	Solvents and raw material in fluorinated products
Fertilizers	
	Nitrogen and complex fertilizers, urea, industrial products
Intermediates & Performance Polymers	
Acrylics	
	Resins, emulsion resins for adhesives, paints and coatings, superabsorbents, methylmethacrylate (MMA) as well as PMMA (polymethylmethacrylate) itself, an acrylic glass used in construction, the automotive industry, advertising signs, decoration and the manufacture of sanitary sheets
Engineering polymers	
	Engineering polymers include polyamides used in the automotive industry, in the space & aviation and electronic industries and for the manufacture of hot-melts and of protective coatings for pipes and tubes and fluoropolymers used in construction, chemical engineering, protective paints and coatings and for the protective coatings of off-shore pipes
Thiochemicals	
	Agrochemical and pharmaceutical intermediates, polymerization agents and additives, gas odorants
Fluorochemicals	
	Refrigeration, air conditioning, foam blowing agents, intermediates
Hydrogen peroxide	
	Pulp and paper bleaching, textile, electronics and water treatment
Plastic additives	
	Stabilizers and impact modifiers used in polymer conversion
Performance products	
	Gas and liquid separation, adsorption/filtration, specialty surfactants
Organic Peroxides	
	Polymerization catalysts for polyethylene, PVC, polystyrene, cross-linking agents
Agrochemicals	
	Pre-harvest pesticide market (fungicides, insecticides, herbicides) post-harvest products such as coatings, waxes, fungicides and cleaners; tin intermediates segments
Formaldehyde resins	
	Glues and resins and corresponding precursors such as formaldehyde
Specialties	
Rubber-processing	
	Rubber parts for the automobile, transportation and aviation industries (transmission systems, antivibration systems, fluid transfer parts, body sealings, precision sealings (O-rings...)) consumer products (gloves, sponges...) (Hutchinson)
Resins	
	Polyester resins and gel coats for boats, truck-parts, sanitary and leisure, UV/EB resins for coatings, resins and emulsions for paints, inks, varnishes and adhesives (Cray Valley, Sartomer and Cook Composites Polymers)
Adhesives	
	Construction, timber, packaging, do-it-yourself, non-wovens fabrics (BostikFindley)
Electroplating	
	Decoration and protection of metal and plastic parts, plating in the electronic industry (PCBs, chip carriers, etc.) (Atotech)
Paints*	
	Decorative paints, industrial coatings, protective coatings and marine paints (SigmaKalon)

* TOTAL sold its Paints business (SigmaKalon) in February 2003.

through a structure which is closer to its customers and more reactive in its decision-making processes, and which relies on coherent industrial activities. The new company would enjoy significant operational autonomy and would aim to become a competitive and independent actor.

Base Chemicals & Polymers

TOTAL's Base Chemicals & Polymers activities include the production of olefins, aromatics, polyethylene, polypropylene, styrenics, as well as fertilizers and various products in the chlorochemicals sector: chlorinated solvents and chloromethanes, caustic soda, vinyl chloride monomer, and polyvinyl chloride PVC. The Group's chlorochemicals operations are

run mostly downstream from the Lavera, and Feyzin, France, steamcrackers.

Closely integrated with its refining activities, TOTAL's main petrochemicals and chlorochemicals sites – adjacent or connected by pipeline – are located in Belgium (Antwerp, Feluy), France (Gonfreville, Carling, Feyzin, Lavéra, Fos, Balan, St Fons, Saint-Auban and Jarrie), the United States (Port Arthur, Houston, Bayport in Texas and Carville, Louisiana), Singapore and China (Sanshui). The Samsung-Atofina joint venture also has an integrated site in Daesan, Korea.

The following table lists the main production capacities in Europe and North America, Asia and the Middle East at the end of 2003 for TOTAL's Base Chemicals & Polymers product groups.

Capacities as of December 31, 2003

<i>(in thousands of tons per year)</i>	Europe	North America	Asia and the Middle East ⁽¹⁾	Worldwide
Olefins ⁽²⁾	5,235	1,075	650	6,960
Aromatics	2,440	865	565	3,870
Polyethylene	1,500	410	276	2,186
Polypropylene	1,150	1,000	145	2,295
Styrenics ⁽³⁾	1,390	1,205	515	3,110
Vinyl chloride monomer (VCM)	1,030	–	50	1,080
Polyvinyl chloride (PVC)	960	–	–	960

(1) Including minority stakes in Qatar and 50% of Samsung-Atofina capacities in Daesan (Korea).

(2) Including butadiene, which was included under Aromatics in 2002 and previous years.

(3) Styrene, polystyrene and elastomers.

→ **France** — The Carling chemicals complex (Saint-Avold).

PHOTO



TOTAL's objective is to reinforce its position among the petrochemicals leaders (olefins and aromatics, polyethylene, polypropylene and styrenics) by combining competitive growth and productivity improvements at its existing large sites with new world-scale projects to supply growing markets.

Sales reached 7.91 billion euros in 2003, compared to 7.72 billion euros in 2002 in a persistently difficult economic environment with no improvement of margins which were at historic lows in 2002.

Base Chemicals. In 2003, results for this product group declined significantly due to a substantial rise in the price of naphtha in the first and third quarters.

In a rather weak market situation, demand slowed down during the second quarter and started to recover in the third quarter, driven by a drop in prices.

The year was positive for aromatics, due to the growth in gasoline in the United States and polyesters in Asia.

The Port Arthur, Texas, steam-cracker reached full design capacity after a start-up period. The Carling, France, steam-cracker experienced technical problems which have temporarily impacted its reliability after the 2002 debottlenecking project. At Antwerp, Belgium, the extension of the n°2 steam-cracker (+165 kt), in which the Group has a 65% share, was completed.

The product group made strong progress in the field of safety and continued to implement its program to strengthen its control rooms.

Polyethylene sales and production volumes rose by 6% and 8% respectively, despite a difficult economic environment.

In 2003, two production lines at the Antwerp, Belgium, site were converted to produce metallocene resins. This conversion, combined with the increased production of bimodal resins, strengthens the Group's position as a provider of polyethylene grades with high added value on the market. In addition, the Samsung-Atofina joint venture should better position this business to market polyethylene in the expanding Asian market.

Polypropylene activity in 2003 was characterized by high volatility in terms of demand and prices, mainly because of the uncertainties associated with war in Iraq and the SARS virus. The situation began to return to normal in the

middle of the year, particularly in the United States, where the effects of a general upturn in the economy started to materialize.

In this context, sales volumes were increased by 7% in 2003 with the ramp up of the new Feluy, Belgium, production line which came on stream in 2002. Also, in Korea, polypropylene production capacity in the new Samsung-Atofina joint venture reached 270 kt/year after a successful 50 kt/year debottlenecking at the beginning of the year. In the United States, the decision was taken to debottleneck the Laporte, Texas, site with the objective to increase capacity by 95 kt/year in 2005.

Styrenics are progressing, although growth lost some pace in 2003 as the economy went through a difficult period, characterised by a slowdown in demand and a rise in raw materials prices.

The business grew in particular in China, due to the acquisition in January of a 100 kt/year polystyrene production unit in Sanshui, Guangdong province. This development and the creation of the Samsung-Atofina joint venture – which operates a 670 kt/year styrene unit in Korea – has reinforced the styrenics business in Asia, where the product group already operated an 80 kt/year polystyrene unit in Singapore.

Chlorochemicals pursued its efforts to improve productivity and cut costs (shut-down of emulsion PVC at Brignoud, France, (first stage) and chlorobenzene activities at Jarrie, France) and maintained tight control over capital expenditures.

Improved reliability at the plants pushed up PVC and caustic soda sales volumes, while demand slowed down very significantly in the second and third quarters with a negative impact on margins.

Vinyl compounds, for most of 2003, suffered from an excess of supply, a weak demand, highly volatile PVC prices, new customers relocations out of Europe and the weakness of the dollar.

Pipes and profiles (downstream PVC processing activity) continued its efforts to restructure the tube business in a sluggish market. The profiles business enjoyed continued growth driven by the quality of solutions developed by Alphacan.

In Fertilizers, TOTAL's subsidiary Grande Paroisse continued to deal with the consequences of the explosion that struck its Toulouse plant on September 21, 2001. Payments made by Grande Paroisse in relation to the presumption of responsibility – over and above the compensation paid by insurance companies – were continued in 2003, reaching a cumulated amount of 749 million euros.

The Group raised its stake in Grande Paroisse to 99.7%.

Intermediates & Performance Polymers

The Intermediates & Performance Polymers sector includes TOTAL's acrylics, engineering polymers, thiochemicals, fluorinated industrial gases, hydrogen peroxide, plastic additives, performance products, organic peroxides, agrochemistry and formaldehyde resins product groups. These activities share the same requirements of chemical expertise and process know-how. Based in Europe, North America and Asia, they serve diversified markets.

This sector has a portfolio of well-known trade names, including Rilsan® polyamides, Kynar® fluorinated polymers, Altuglas® and Plexiglas® clear resins and sheet material, Foranev fluorinated gas and Norsocryl® acrylic monomers.

The Group's strategy for this branch is to pursue selective growth, by focusing on developing markets where it has a leading competitive position.

In 2003, sales in this sector reached 3.60 billion euros, 5% down as compared to 2002 (3.77 billion euros), mostly because of an unfavourable economic context aggravated by the weak dollar.

Acrylics. In 2003, acrylic acid and acrylates sales grew in North America and Asia. The Bayport, Texas, unit, which started up in September 2002, operated satisfactorily in 2003.

The methylmethacrylate activity experienced strong growth in Asia Pacific and an improvement of demand in the United States and Europe. The production capacity acquired from Rohm and Haas in 2002 at the Deer Park site in the United States was utilized in full in 2003.

Demand for PMMA was weak in 2003, and margins were negatively affected by the higher cost of raw materials and energy. The exception was Asia, where the Group continued to expand its presence and announced an increase in polymer capacity to 40 kt in Korea (expected to take effect in May 2004).

In Engineering Polymers sales of PVDF (PolyVinylideneDiFluoride) and polyamides grew in 2003, principally due to sustained demand in Asia and the improved performance of the lactame 12 unit. The new PVDF line at Pierre-Bénite, France, was put on stream. Functional polyolefin sales decreased mainly as a result of an incident on one of the production lines at Carling, France.

Thiochemicals suffered from reduced demand, particularly in Europe, and the weakness of the dollar. Methyl Mercaptan sales were affected by the decision of one key customer to produce internally, rather than buy, this intermediate.

The Group continued to implement its productivity program, including a plan launched at the Riverview, Michigan, site at the beginning of the year, the closure of a sulphonyl production unit at Mourenx, France, in September and the preparation of the partial closure of the Rotterdam, Netherlands, site announced in 2002 and scheduled for mid-2004.

The Japanese joint venture JTC, in which TOTAL had a 40% stake, ceased mercaptan manufacturing in May and was wound up.

The bromine derivatives activity was sold to Albemarle in December 2003.

The construction of new acroleine and MMP (methylthiopropionaldehyde) units in Beaumont, Texas, started as part of a joint project with Novus International. The units are expected to come on stream in 2005. MMP is an intermediate used by Novus in the manufacture of methionine (animal feed ingredient). This project is aimed to strengthen the Group's position in this growing market.

The Vultac® range was reinforced by the acquisition of Ferro's rubber additive business.

Fluorinated industrial gases.

On the basis of production capacity, TOTAL belongs to the worldwide leaders in the fluorinated industrial gases which are used primarily in refrigeration and expanded foam applications.

The substitution of Montreal Protocol regulated CFCs (ChloroFluoroCarbon) and HCFCs (HydroChloroFluoroCarbon) with more environmentally friendly HFCs was accelerated in 2003 by a ban on several products and the imposition of quotas, especially in the United States.

Also, in 2003 TOTAL assisted a number of its customers with no immediate alternative technology for building up provisional stocks, gave priority to producing refrigerants in the summer to withstand the unusual heat in Europe, marketed new formulations of HFCs and hydrocarbons that help reduce the flammability and gas emission potential of foam insulation for construction, participated in an ongoing European project on the greenhouse effect and energy efficiency, recyclability and proper use of HFCs, and decided to double capacity at its plant in Changshu, China, to supply new local polymer production.

In Hydrogen Peroxide the Group belongs to the world leading producers (based on production capacity) with units in the three major consumer regions.

The Shanghai, China, plant was successfully debottlenecked and was equipped to manufacture food grade hydrogen peroxide. The plant reached full capacity in the spring of 2003 and was used to manufacture antiseptics that were used to combat the SARS virus.

Plastics additives suffered from significant erosion of margins in 2003 because of substantial increases in raw material prices, which could not be recovered downstream due to weak demand.

Also in 2003, the consolidation of S21 productions – PET catalysts (PolyEthylen Terephthalate) – at the Guangzhou, China, platform was completed successfully.

Performance products experienced a slight dip in revenue in 2003, principally due to the appreciation of the euro against the dollar and the yen. Also the disposal of the vaselines and bentonites activities was completed, and a blending facility was set up in Saudi Arabia.

In organic peroxides the Group launched the construction of a new plant in the Shanghai region with a capacity of 3,000 t/year, which is scheduled to come on stream in the first half of 2005. Together with Korean and Japanese sites, the new platform will enable the Group to better meet growing demand in Asia.

The integration of the Indian organic peroxide subsidiary Atopil continued after TOTAL purchased its local partner's interest at the end of 2002. Its debottlenecking to 2,000 t/year was successfully concluded in September 2003.

In 2003 TOTAL acquired GICSA's 49% stake in Atofina Peroxidos to become the sole shareholder of this Mexican subsidiary.

TOTAL's **Agrochemistry** turnover experienced significant revenue growth in 2003 compared with 2002, in spite of a stagnant economic environment.

In January 2003 TOTAL developed its partnership with Nippon Soda and obtained the distribution rights for the United States of a brand new insecticide, Assail® (Acetamiprid), which experienced a successful market launch.

In 2003, **in formaldehyde resins**, particleboard production (the business main application) declined in Western Europe. The flooring market remained satisfactory, although it failed to compensate for the downturn on the particleboard market.

The market situation together with higher raw materials prices (methanol and urea) adversely impacted margins.

TOTAL sold the Brazilian activities of this product group (The Jundiá and Belem sites) on October 13, 2003.

Specialties

TOTAL's Specialties sector includes rubber processing (Hutchinson), resins (Cray Valley, Sartomer and Cook Composites & Polymers), adhesives (Bostik Findley) and electroplating (Atotech).

The sector covers consumer and industrial markets on which customer-oriented marketing and service are key drivers.

The Group markets specialty products in more than 55 countries. Its strategy is to continue international expansion by combining internal growth and targeted acquisitions while concentrating on expanding markets and focusing on the distribution of new products with high added value.

In 2003 the turnover of the sector reached 5.74 billion euros below the 2002 level mainly as a result of the sale of the Paints division which was completed on February 28, 2003. Specialties showed good resistance to the more difficult economic environment in 2003.

Wholly owned Group subsidiary **Hutchinson** manufactures and markets products obtained from rubber processing for the automotive and aerospace industries and for consumer markets.

Sales declined by around 5% in 2003, due to exchange rate adjustments. At comparable exchange rates, progress is slightly positive – with a difficult industrial climate and a fall in automobile production, automotive Industry turnover grew around 1,5%. Consumer turnover on soft markets was slightly down.

In 2003 Hutchinson continued to expand in countries where it believes there is high potential for growth, mainly in South America and China.

TOTAL produces and markets resins for adhesives, inks, paints, coatings and structural materials through its three subsidiaries **Cray Valley, Sartomer and Cook Composites Polymers.**

→ **France** — Mapa Spontex: producing virucide surgery gloves at Liancourt.

→ **France** — The Hutchinson laboratory at Montargis.

→ **France** — Bostik Findley: putting the final touches to tubes of adhesive at Avelin.



PHOTOS FROM TOP TO BOTTOM



In 2003 Cray Valley completed the main part of its program to restructure its coating resins and emulsions business in Europe. The Brignoud, France, emulsions plant was closed in October 2003 and the Machen, United Kingdom, site will cease production in early 2004, their activities having been transferred to other Cray Valley sites.

Additionally, Cray Valley increased its production capacities in Malaysia and South Africa, where it also consolidated its distribution activity with the acquisition of Harvey's assets.

Cook Composites & Polymers reinforced its position as a major supplier (based on sales) on the coating resins market by becoming the leading distributor of these products on the American market, following the acquisition of Peninsula Polymers LLC, the US distributor of coating resins.

Sartomer put on stream and at full capacity a new oligomer production unit at Villers-Saint-Paul, France, in July, 2003. A monomer production unit will also come on-stream in early 2004.

TOTAL's adhesives subsidiary, **Bostik Findley**, is one of the global players in its sector, with leading positions in the industrial, hygiene, construction and consumer and professional distribution sectors.

2003 sales, on a comparable basis, remained in line with 2002. The business made significant progress in the Asia-Pacific zone and in construction and distribution.

The rationalization program introduced after the Bostik/Ato-Findley merger continued in 2003 with the closure of the manufacturing sites at Center Street and Scranton in the USA, and Gambolo and Aulnay in Europe.

On the acquisitions side, Bostik Findley acquired MEM, a German company specialised in consumer sealants and took control over the joint venture with Nitta Gelatin in Japan, to increase its presence in the Asian hygiene sector.

TOTAL's electroplating subsidiary, **Atotech**, reinforced its Asian teams in 2003 by opening technical support centers in China, Taiwan and Korea.

At the same time, restructuring efforts in Europe and North America were intensified in a drive to adapt the two regions to the new industrial landscape.

Other matters

E-Commerce

In mid-2000, TOTAL initiated a pilot e-commerce project in which most transactions are conducted on the Trade-Ranger electronic marketplace, for its purchases of goods and services in energy and chemicals.

The Group is among the 16 founding shareholders of Trade-Ranger, in which it is one of the main players. Trade-Ranger is in fact the largest online marketplace in the oil, gas and chemical products industry. Systems for catalogue-based transaction management of surplus production, sales by auction or tender offer and invoice administration have been successfully launched *via* this platform, which is in the process of implementation for procurement and quotations within the Group. New pilot systems have been launched in more emerging areas such as management of equipment or product transport, invoice management with suppliers or on-line sales.

The Group has conducted approximately 50,000 automated transactions on line for some of its Upstream, Downstream and Chemicals activities. It has also conducted electronic reverse auctions or electronic requests for bids in its Upstream and Downstream sectors, involving a total nearly 1 billion euros.

While the Group's procurement expenses total nearly 15 billion euros per year, TOTAL foresees that nearly half of these transactions could ultimately be conducted on line within a few years. More generally, after the pilot phase of the project in 2001, which provided proof of the real benefits of using such tools and services at TOTAL, the expanded use of these services was successfully begun in 2002. Each segment is preparing a plan for gradual deployment of those new solutions within its own entities.

Financial and legal information

- |100 Consolidated financial statements**
 - 100 General statutory auditors' report on the consolidated financial statements
 - 101 Consolidated financial statements
 - 105 Notes to the consolidated financial statements
 - 148 Five-year summarized balance sheets and statement of income

- |149 Supplementary oil and gas information**

- |158 Evolution of accounting regulations: IFRS/IAS**

- |159 Risk factors**

- |169 Dividends**

- |171 Shareholding structure**

- |179 Information for overseas Shareholders**

- |182 General Company information**

- |187 Administration – Management Control**

- |192 Informations in application of article L. 225-102-1 of the French Commercial Code**

- |198 Parent Company**
 - 198 Statutory auditors' special report on regulated agreements
 - 199 Statutory auditors' report on the financial statements
 - 200 Simplified financial statements

Consolidated financial statements

Statutory auditors’ report on the Consolidated financial statements

For the year ended December 31, 2003

This is a free translation into English of the statutory auditors’ report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law and this is presented below the Opinion on the Consolidated financial statements. This information includes an explanatory paragraph discussing the auditors’ assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the Consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Consolidated financial statements. The report also includes information relating to the specific verification of information in the group management report. This report, together with the statutory auditors’ report addressing financial and accounting information in the Presidents’ report an internal control, should be read in conjunction with French law and professional auditing standards applicable in France.

To the Shareholders of the Company TOTAL S.A.,

In compliance with the assignment entrusted to us by your Annual General Shareholders’ Meeting, we have audited the Consolidated financial statements of the company TOTAL S.A. for the year ended December 31, 2003, as they appear in this report.

The Consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the Consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for the opinion expressed hereafter.

In our opinion, the Consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France.

Observations and justification of our assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, which came into effect for the first time this year, we bring to your attention the following matters, which contribute to the opinion expressed here above on the Consolidated financial statements taken as a whole.

Certain accounting principles applied by TOTAL S.A. involve a significant amount of judgement and estimates. The use of judgement and estimates relates principally to the application of the successful efforts method for the oil and gas activities, the depreciation of long-lived assets, the provisions for dismantlement, removal and environmental costs, the evaluation of retirement obligations and the determination of current and deferred taxation. Detailed information relating to the application of these accounting principles is given in the notes to the Consolidated financial statements.

Our procedures relating to the material judgements or estimates made by the management and which can result from the application of these accounting principles enabled us to assess their reasonableness.

Note 1 to the Consolidated financial statements describes an accounting change relating to Assets Retirement Obligations and its impact on the balance sheet and opening equity. As part of our assessment of the accounting rules and principles followed by the company, we satisfied ourselves as to the compliance of the change and presentation thereof with accounting regulations.

Specific verification

We have also verified the information given in the Company’s management report in accordance with the professional standards applicable in France. We have no comments as to its fair presentation and conformity with the Consolidated financial statements.

Neuilly-Sur-Seine and Paris La Défense, February 19, 2004

The statutory auditors

Barbier Frinault et Autres
Ernst & Young Network

KPMG Audit
Department of KPMG S.A.

Consolidated statement of income

For the year ended December 31,	Amounts in millions of euros ⁽¹⁾		
	2003	2002	2001
Sales (Notes 3 & 4)	104,652	102,540	105,318
Operating expenses (Note 18)	(86,905)	(86,622)	(87,760)
Depreciation, depletion and amortization of tangible assets	(4,977)	(5,792)	(4,781)
Operating income (Note 3)			
	Corporate		
	Business segments*		
	(209)	(210)	(252)
	12,979	10,336	13,029
Total operating income	12,770	10,126	12,777
Interest expense, net (Note 19)	(232)	(195)	(184)
Dividend income on non-consolidated subsidiaries	152	170	159
Dividends on subsidiaries' redeemable preferred shares (Note 13)	(5)	(10)	(19)
Other income (expense), net (Note 20)	(1,060)	243	283
Provision for income taxes (Note 21)	(5,353)	(5,034)	(5,874)
Equity in income (loss) of affiliates (Note 7)	1,086	866	1,001
Income before amortization of acquisition goodwill	7,358	6,166	8,143
Amortization of acquisition goodwill	(139)	(212)	(319)
Consolidated net income	7,219	5,954	7,824
Of which minority interest	194	13	166
Net income**	7,025	5,941	7,658
Earnings per share (euros) (Note 1-Q***)	11.06	8.92	11.05
* Operating income from business segments, adjusted for special items (Note 1-R)	13,004	10,995	13,121
Net operating income from business segments, adjusted for special items (Note 1-R)	6,973	5,868	7,564
** Net income (Group share), adjusted for special items (Note 1-R)	7,344	6,260	7,518
*** Earnings per share, adjusted for special items (euros) (Notes 1-Q & 1-R)	11.56	9.40	10.85

(1) Except for earnings per share.

Consolidated balance sheet

As of December 31,	Amounts in millions of euros		
	2003	2002	2001
Assets			
Non-current assets			
Intangible assets, net (Note 5)	2,017	2,752	3,196
Property, plant and equipment, net (Note 6)	36,286	38,592	41,274
Equity affiliates: investments and loans (Note 7)	7,833	7,710	7,592
Other investments (Note 8)	1,162	1,221	1,536
Other non-current assets (Note 9)	3,152	3,735	3,042
Total non-current assets	50,450	54,010	56,640
Current assets			
Inventories (Note 10)	6,137	6,515	6,622
Accounts receivable (Note 11)	12,357	13,087	13,497
Prepaid expenses and other current assets (Note 11)	4,779	5,243	7,263
Short-term investments	1,404	1,508	1,004
Cash and cash equivalents	4,836	4,966	3,574
Total current assets	29,513	31,319	31,960
Total assets	79,963	85,329	88,600
Liabilities and shareholders' equity			
Shareholders' equity (Note 12)			
Common shares	6,491	6,872	7,059
Paid-in surplus and retained earnings	30,408	30,514	30,544
Cumulative translation adjustment	(3,268)	(830)	1,252
Treasury shares	(3,225)	(4,410)	(4,923)
Total shareholders' equity	30,406	32,146	33,932
Subsidiaries' redeemable preferred shares (Note 13)	396	477	567
Minority interest (Note 13)	664	724	898
Long-term liabilities			
Deferred income taxes (Note 21)	5,443	6,390	6,521
Employee benefits (Note 14)	3,818	4,103	3,355
Other liabilities (Note 15)	6,344	6,150	6,093
Total long-term liabilities	15,605	16,643	15,969
Long-term debt (Note 16)	9,783	10,157	11,165
Current liabilities			
Accounts payable	10,304	10,236	10,034
Other creditors and accrued liabilities (Note 17)	8,970	9,850	12,470
Short-term borrowings and bank overdrafts (Note 16)	3,835	5,096	3,565
Total current liabilities	23,109	25,182	26,069
Total liabilities and shareholders' equity	79,963	85,329	88,600

Consolidated statement of cash flow

Year ended December 31,	Amounts in millions of euros		
	2003	2002	2001
Cash flow from operating activities			
Consolidated net income	7,219	5,954	7,824
Depreciation, depletion, and amortization	5,305	6,241	5,390
Long-term liabilities, valuation allowances, and deferred taxes	(208)	(264)	1,153
Impact of coverage of pension benefit plans	(170)	–	(449)
Unsuccessful exploration costs	359	487	571
(Gains)/Losses on sales of assets	182	(862)	(1,735)
Equity in income of affiliates (in excess of)/less than dividends received	(603)	(479)	(709)
Other changes, net	21	(7)	(56)
Cash flow from operating activities before changes in working capital	12,105	11,070	11,989
(Increase)/Decrease in operating assets and liabilities (Note 27)	382	(64)	314
Cash flow from operating activities	12,487	11,006	12,303
Cash flow used in investing activities			
Intangible assets and property, plant, and equipment additions	(6,365)	(6,942)	(7,517)
Exploration costs directly charged to expenses	(343)	(432)	(521)
Acquisitions of subsidiaries, net of cash acquired	(421)	(127)	(1,051)
Investments in equity affiliates and other securities	(123)	(298)	(539)
Increase in long-term loans	(476)	(858)	(938)
Total expenditures	(7,728)	(8,657)	(10,566)
Proceeds from sale of intangible assets and property, plant, and equipment	315	290	409
Proceeds from sale of subsidiaries, net of cash sold	820	5	721
Proceeds from sale of non-current investments	218	1,346	4,634
Repayment of long-term loans	525	672	1,240
Total divestitures	1,878	2,313	7,004
(Increase)/Decrease in short-term investments	116	(505)	(428)
Cash flow used in investing activities	(5,734)	(6,849)	(3,990)
Cash flow used in financing activities			
Issuance (repayment) of shares:			
Parent company's shareholders	69	461	24
Share buyback	(3,994)	(2,945)	(5,605)
Minority shareholders	76	32	12
Cash dividends paid:			
Parent company's shareholders	(2,571)	(2,514)	(2,278)
Minority shareholders	(124)	(100)	(151)
Net issuance/(repayment) of long-term debt (Note 27)	2,108	1,642	(185)
Increase (decrease) in short-term borrowings and bank overdrafts	(2,153)	746	(1,330)
Other changes, net	(5)	(10)	(19)
Cash flow used in financing activities	(6,594)	(2,688)	(9,532)
Net increase/(decrease) in cash and cash equivalents	159	1,469	(1,219)
Effect of exchange rates and changes in reporting entity	(289)	(77)	193
Cash and cash equivalents at the beginning of the year	4,966	3,574	4,600
Cash and cash equivalents at year-end	4,836	4,966	3,574

Consolidated statement of change in shareholders' equity

(in millions of euros)

	Common shares issued		Paid-in surplus and retained earnings	Cumulative translation adjustments	Treasury shares		Share holders' equity
	Number	Amount			Number	Amount	
As of January 1, 2001	740,465,798	7,405	29,283	667	(36,582,129)	(4,954)	32,401
Cash dividend	–	–	(2,278)	–	–	–	(2,278)
Net income 2001	–	–	7,658	–	–	–	7,658
Issuance of common shares (Note 12)	837,161	7	31	–	–	–	38
Purchase of treasury shares	–	–	–	–	(36,241,000)	(5,605)	(5,605)
Cancellation of purchased treasury shares (Note 12)	(35,368,000)	(353)	(5,270)	–	35,368,000	5,623	–
Translation adjustments	–	–	–	585	–	–	585
Gains on sales of assets (Note 2)	–	–	1,416	–	–	–	1,416
Other changes, net ⁽¹⁾	–	–	(296)	–	105,230	13	(283)
As of December 31, 2001	705,934,959	7,059	30,544	1,252	(37,349,899)	(4,923)	33,932
Cash dividend	–	–	(2,514)	–	–	–	(2,514)
Net income 2002	–	–	5,941	–	–	–	5,941
Issuance of common shares (Note 12)	4,698,796	47	441	–	–	–	488
Purchase of treasury shares	–	–	–	–	(21,120,245)	(2,945)	(2,945)
Cancellation of purchased treasury shares (Note 12)	(23,443,245)	(234)	(3,224)	–	23,443,245	3,458	–
Translation adjustments	–	–	–	(2,082)	–	–	(2,082)
Other changes, net ⁽¹⁾	–	–	(674)	–	–	–	(674)
As of December 31, 2002	687,190,510	6,872	30,514	(830)	(35,026,899)	(4,410)	32,146
Cash dividend	–	–	(2,571)	–	–	–	(2,571)
Net income 2003	–	–	7,025	–	–	–	7,025
Issuance of common shares (Note 12)	1,927,726	19	113	–	–	–	132
Purchase of treasury shares	–	–	–	–	(31,230,000)	(3,994)	(3,994)
Cancellation of purchased treasury shares (Note 12)	(40,000,000)	(400)	(4,779)	–	40,000,000	5,179	–
Translation adjustments	–	–	–	(2,438)	–	–	(2,438)
Other changes, net ⁽¹⁾	–	–	106	–	–	–	106
As of December 31, 2003	649,118,236	6,491	30,408	(3,268)	(26,256,899)	(3,225)	30,406

(1) Mainly due to the impact of the "Minimum Liability Adjustment" (MLA) related to some employee benefits and to the effect as of January 1st, 2003 of the adoption of FAS No. 143.

Notes to the Consolidated financial statements

1 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 Standards 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 of the Company under US Generally Accepted Accounting Principles (Form 20-F).

A) Principles of consolidation

The financial statements of the significant subsidiaries over which the Group directly or indirectly has exclusive control are fully consolidated. The Company's interests in oil and gas ventures are proportionately consolidated. Investments in 20-50% owned companies are accounted for by the equity method.

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 the functional currency.

I Monetary transactions

Transactions denominated in foreign currencies are translated at the exchange rate prevailing when the transaction is realized.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the end of the period. The resulting gains or losses are recorded in "Other income (expense)" in the consolidated statements of income. Translation differences arising on foreign currency loans which are specifically contracted to hedge the value of a net investment in a consolidated subsidiary or equity investee from the effect of exchange rate fluctuations are reflected as a cumulative translation adjustment to shareholders' equity.

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) Derivative instruments

I Interest rate and foreign currency instruments

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

Within its hedging policy, the Company enters into interest rate and foreign currency swap agreements. The differential between interest to be paid and interest to be received or premiums and discounts on these swaps is recognized as interest expense or interest income on a prorated basis over the life of the hedged item.

The Company may also use futures, caps, floors, and options. Under hedge accounting, changes in the fair value of such contracts are recognized as interest expense or interest income in the same period as the gains and losses on the item being hedged. Similarly, for option contracts, premiums are recognized in the same period.

Regardless of the type of instruments used to hedge against risks, the gain or loss generated by early termination of the instrument is spread over the residual life of the hedged instrument. An accrual is set up for any unrealized losses related

to derivatives that do not comply with the criteria required for hedge accounting.

II Commodities

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. 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.

All derivative energy-trading contracts are marked-to-market and the related unrealized gains and losses are recorded in income. Changes in the market value of commodity hedges for inventories of petroleum products are accounted for as additions to or reductions in inventory.

D) Intangible assets

Acquisition goodwill, patents, trademarks, and leasehold rights are amortized on a straight-line basis over 10 to 40 years depending on the useful life of the assets.

E) Property, plant and equipment

I Oil and gas exploration and producing properties

The Company applies the successful efforts method of accounting for its oil and gas exploration and producing properties as follows:

Exploration costs

Geological and geophysical costs are expensed as incurred. Costs of acquiring unproved properties are capitalized, and impairment is made in the absence of a marketable discovery. Drilling in progress and wells where proved reserves have been discovered are capitalized ("Proved Properties"). Costs of exploratory wells are capitalized if oil and gas reserves are found ("Unproved Properties") and are either classified as proved within a year following completion of drilling or if additional exploration work is underway or planned. Otherwise, the costs of exploratory wells are charged to expense.

Oil and gas producing assets

The costs of productive leaseholds and other capitalized costs related to producing activities including tangible and intangible assets are amortized by the unit-of-production method. The rate of amortization is equal to the ratio of oil and gas production for the period to proved developed reserves.

With respect to production sharing contracts, the successful efforts method is used for the portion of production and reserves assigned to the Company

taking into account estimations based on the contractual clauses regarding the reimbursement of exploration and development (cost oil) as well as the sharing of hydrocarbon rights (profit oil).

II 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. Fixed assets which are held under capital lease and similar agreements are capitalized and depreciated using the straight-line method, and the corresponding commitment is recorded as a liability.

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

- Furniture, office equipment, machinery and tools: 5-10 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

Equipment subsidies are deducted from the cost of the related expenditures. Routine maintenance and repairs are charged to income as incurred. However, estimated costs of refinery and major petrochemical plant turnarounds are accrued over the period from the prior turnaround to the next planned turnaround.

F) Valuation of long-lived assets

Long-lived assets, either intangible or tangible, are written down when their fair market value appears to be permanently lower than their carrying value.

Impairment is determined for each autonomous group of assets by comparing its carrying value with the undiscounted future cash flow expected from it, based upon management's expectation of future economic and operating conditions or, when the asset is to be sold, by comparison with its market value.

The impairment calculated as the difference between the discounted cash flows or the market value and the carrying value of the related asset is recorded as an additional depreciation, depletion and amortization which permanently affects the carrying value.

G) Other investments

Investees over which the Company does not have the ability to exercise significant influence (generally less than 20% owned) or subsidiaries excluded from consolidation after consideration of their materiality to the Company's operations are valued at acquisition cost less an allowance for impairment in value, primarily based on the underlying shareholders' equity.

H) Inventories - reserve for crude oil price changes

Inventories are valued at either the historical cost or the market value, whichever is lower.

Given the sensitivity of the Group to the price of raw materials, the choice of methods has been limited to those intended to minimize the impact of the change in the price on the inventory effect in the income statement, i.e. replacement cost for petroleum products, LIFO (Last in - First out) for petrochemicals, and WAP (weighted average price) for other products. In the replacement cost method, the variation of inventories in the income statement is determined by the average prices of the period rather than historical value.

In the individual company financial statements or tax returns, when inventories are valued using the FIFO (First in - First out) method, cost of products sold must be adjusted through the above methods by use of either a reserve for crude oil price changes in the case of replacement cost or a LIFO adjustment. This reserve is deducted from the gross value of inventory under a specific heading.

Downstream (Refining – Marketing)

Crude oil and refined products are globally defined as petroleum products. Refined products are made up principally of motor gasoline, kerosene, diesel fuel and 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).

We do not include retained costs, initial tooling or other deferred start-up costs or general and administrative costs in the determination of the historical cost of refined products.

Chemicals

Costs consist of the cost of materials, direct labor and an allocation of production overheads. We do not include retained costs, initial tooling or other deferred start-up costs or general and administrative costs in the determination of the cost of inventories of chemicals products.

I) Short-term investments

Short-term investments are valued at the lower of cost or market value.

J) Sales and operating expenses

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, other downstream activities (sales of refined products) and sales 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. Sales figures are presented after deduction of customs and excise duties on petroleum products. Oil and gas sales are inclusive of quantities delivered that represent production royalties and taxes. Crude oil and petroleum product trading activities are recorded in Sales and Operating expenses when physical delivery takes place. Exchanges of crude oil and petroleum products within normal trading activities are excluded from sales.

K) Research and development expenses

Research and development costs are charged to expense as incurred.

L) Asset retirement obligation

The Company has adopted the Statement of Financial Accounting Standards No. 143, (*Accounting for Asset Retirement Obligations*), modifying the rules for accounting for asset retirement obligations. FAS No. 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including (1) the timing of the liability recognition, (2) initial

measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosure. The liability is accounted for on the basis of a reasonable estimate of its fair value, in the period in which appears a legal retirement obligation, with determinate settlement dates.

An entity shall 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 associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the associated fixed asset.

The cumulative effect of the change in accounting principle, which is accounted for in the Group's shareholder's equity at January 1, 2003, is detailed below :

(in millions of euros)

Asset retirement obligations as of December 31, 2002	2,111
Asset retirement obligations FAS No.143 as of January 1, 2003	(3,547)
Carrying amount of the associated fixed asset	1,009
Deferred income tax	479
Effect on shareholders' equity (credit)	52

M) Other long term liabilities

The future losses related to risks which occurred during the current accounting period (litigations, legal and tax risks, environmental expenses other than asset retirement obligations, asset property, etc.) are recorded as contingency reserves when they are probable and their amount can be reasonably estimated.

FAS No.5 (*Accounting for contingencies*) classifies risks that might result in a loss on three levels : probable, reasonably possible and remote. For the losses which are considered as "probable", the amount of the contingency reserve corresponds to the best possible estimate.

N) Deferred 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. Deferred tax assets and liabilities must be revalued to reflect new tax rates in the periods rate changes are enacted. A deferred tax asset is recognized up to the expected recoverable amount.

Taxes paid to Middle East producing countries are included in operating expenses for the portion which the company held historically as concessions (Abu Dhabi – offshore and onshore, Dubai – offshore, Oman and Abu Al Bu Khoosh).

O) Employee benefits

In accordance with the laws and practices of each country, the Company participates in employee benefit plans offering retirement, death and disability, healthcare 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 resulting mainly from changes in actuarial assumptions are amortized using the straight-line method based on the estimated remaining length of service of the plan participants involved. Upon the inception of such plans or their extension to new categories of personnel, the actuarial liability, which corresponds to the validation of accrued rights existing prior to the date of extension or inception of the new plan, is recognized using the straight-line method over a period not exceeding the average number of years of service remaining before the employees will reach retirement age.

For funded pensions plans, the difference between accumulated funding and the actuarial liability is recorded in other non-current assets or other long-term liabilities, respectively.

P) Treasury shares

Treasury shares held by the parent company TOTAL S.A. or its subsidiaries in their individual accounts have been deducted from consolidated shareholders' equity. On the other hand, some treasury shares, which are allocated to market price regulation or for employee stock options, are presented in short-term investments.

Q) Earnings per share

Earnings per common share are calculated by dividing net income by the 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 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.

R) Main accounting and financial indicators - information by business segment

The business segment information is presented in accordance with the Group internal reporting system used by the Chief operating decision maker to measure performance and allocate resources internally. 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. The details of that information are presented in Note 3 to the financial statements.

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.

Performance measures excluding special items such as operating income, net operating income and net income adjusted for special items, are meant to facilitate the analysis of the financial performance and the comparison of income between periods.

Operating income (criterion used to measure operating performance):

Operating income and expenses, including depreciation, depletion, and amortization and excluding the amortization of intangible assets and goodwill, translation adjustments, and gains or losses on the sale of assets.

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

Operating income after deducting the amortization of intangible assets and goodwill, 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).

Income adjusted for special items:

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

Capital employed:

Non-current assets and working capital requirements net of deferred taxes and long-term liabilities.
or:

Long-term liabilities net of cash and cash equivalents and shareholders' equity.

ROACE (Return on Average Capital Employed):

Ratio of net operating income adjusted for special items and 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.

2 Changes in the structure of the Company and main acquisitions and divestitures for the years 2003 and 2002

On February 28, 2003, the Company finalized the sale of its Paints Business, run by Sigma Kalon, to Bain Capital. The effect of this divestment, accounted for during the first quarter of 2003, is not material on the Group's net income.

The Samsung-Atofina Co. Ltd joint-venture, that has been set up on the 1st of August, 2003, in the petrochemical activity in South Korea, entered into the consolidation scope in the third quarter of 2003.

In May 2002, the Company acquired 32% of the shares of its affiliate, Seylak, a Turkish petroleum products marketing company, and realized the merger of its two Turkish affiliates, TOTAL OIL TURKIYE and Selyak.

In September 2002, Atofina finalized the purchase of Enichem's 10% share in Qatar Petrochemical Company (Qapco), thus increasing its interest to 20%. The Company reinforced the development of its petrochemical activities in Qatar through the creation of Qatofin, a joint venture held by Atofina (36%) and Qapco (63 %), and through raising its share to 19.29 % in Qatar Vinyl Company.

In accordance with the pooling of interests method (Article 215 of Regulation No 99-02 of the French Accounting Regulations Committee), the gains from the sale of certain non-operating assets from PetroFina and Elf that occurred after December 31, 1999 and before December 31, 2001 are recorded as shareholders' equity for the unrealized gain as of December 31, 1999 and as income for the gain after that date. The impact on the shareholder's equity as of December 31, 2001 amounts to 1,416 millions euros net of tax.

3 Information by business segment

The financial information for each business segment is reported on the same basis that is used internally. Segments are based on the information from the internal structure as it is defined for directing the policies of management and for measuring segment performance.

The Company's activities are conducted through three business segments: Upstream, Downstream, and Chemicals.

- The Upstream segment includes, in addition to the exploration and production of hydrocarbons, the gas, power and other energies activities.

- The Downstream segment includes trading and shipping activities along with refining and marketing activities.
- The Chemicals segment involves Base Chemicals and polymers, Intermediates and Performance polymers and Specialties.

The Corporate category includes the operating and financial activities of the holding companies as well as healthcare activities (Sanofi-Synthélabo).

Operating profit and identifiable assets for each segment have been determined prior to the consolidation and inter-segment adjustments.

Sales prices between business segments approximate market prices.

(in millions of euros)

For the year ended December 31, 2003 (adjusted for special items)	Upstream	Down- stream	Chemicals	Corporate	Inter- company	Total
• Non-Group sales	18,704	68,658	17,260	30		104,652
• Intersegment sales	11,546	2,289	590	115	(14,540)	
Total sales	30,250	70,947	17,850	145	(14,540)	104,652
Depreciation, depletion, and amortization of tangible assets	(3,289)	(880)	(756)	(35)		(4,960)
Operating income adjusted for special items	10,476	1,970	558	(209)		12,795
Amortization of intangible assets	(22)	(98)	(151)	(22)		(293)
Equity in income (loss) of affiliates and other items in net operating income	265	109	(184)	529		719
Tax on net operating income	(5,460)	(521)	31	434		(5,516)
Net operating income adjusted for special items	5,259	1,460	254	732		7,705
Net cost of net debt						(162)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(199)
Net income adjusted for special items						7,344
ROACE as a percentage	29%	15%	4% ⁽¹⁾			19% ⁽¹⁾
Total expenditures	5,302	1,235	1,115	76		7,728
Divestitures at selling price	428	466	891	93		1,878
Cash flow from operating activities	9,214	3,099	268	(94)		12,487
Balance sheet as of December 31, 2003						
Property, plant, and equipment, net	23,443	6,750	5,867	226		36,286
Intangible assets, net	196	496	1,281	44		2,017
Investments in equity affiliates	1,564	1,057	545	3,703		6,869
Total non-current assets	27,104	9,586	8,482	5,278		50,450
Capital employed	16,777	9,064	8,702 ⁽²⁾	4,301		38,844

(1) Excluding amortization of goodwill in the Chemicals segment for an amount of 107 million euros.

(2) After taking into account a pre-tax contingency reserve (civil liability) of 276 million euros related to Toulouse - AZF plant explosion.

(in millions of euros)

For the year ended December 31, 2002 (adjusted for special items)	Upstream	Down- stream	Chemicals	Corporate	Inter- company	Total
• Non-Group sales	16,225	66,984	19,317	14		102,540
• Intersegment sales	11,525	2,002	355	117	(13,999)	
Total sales	27,750	68,986	19,672	131	(13,999)	102,540
Depreciation, depletion, and amortization of tangible assets	(3,362)	(896)	(826)	(49)		(5,133)
Operating income adjusted for special items	9,309	909	777	(210)		10,785
Amortization of intangible assets	(21)	(99)	(217)	(18)		(355)
Equity in income (loss) of affiliates and other items in net operating income	423	275	46	569		1,313
Tax on net operating income	(5,063)	(239)	(232)	429		(5,105)
Net operating income adjusted for special items	4,648	846	374	770		6,638
Net cost of net debt						(196)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(182)
Net income adjusted for special items						6,260
ROACE as a percentage	23%	8%	5% ⁽¹⁾			15% ⁽¹⁾
Total expenditures	6,122	1,112	1,237	186		8,657
Divestitures at selling price	603	283	140	1,287		2,313
Cash flow from operating activities	7,721	1,447	1,053	785		11,006
Balance sheet as of December 31, 2002						
Property, plant, and equipment, net	25,189	7,061	6,047	295		38,592
Intangible assets, net	264	473	1,940	75		2,752
Investments in equity affiliates	1,409	1,431	328	3,466		6,634
Total non-current assets	29,109	10,341	9,279	5,281		54,010
Capital employed	18,998	10,207	9,341	3,580		42,126

(1) Excluding amortization of goodwill in the Chemicals segment for an amount of 131 million euros.

(2) After taking into account a pre-tax contingency reserve (civil liability) of 995 million euros related to Toulouse - AZF plant explosion.

(in millions of euros)

For the year ended December 31, 2001 (adjusted for special items)	Upstream	Down- stream	Chemicals Corporate		Inter- company	Total
• Non-Group sales	14,365	71,373	19,560	20		105,318
• Intersegment sales	12,572	1,912	406	95	(14,985)	
Total sales	26,937	73,285	19,966	115	(14,985)	105,318
Depreciation, depletion, and amortization of tangible assets	(2,944)	(948)	(790)	(35)		(4,717)
Operating income adjusted for special items	9,022	3,004	1,095	(252)		12,869
Amortization of intangible assets	(16)	(92)	(217)	(9)		(334)
Equity in income (loss) of affiliates and other items in net operating income	771	342	69	559		1,741
Tax on net operating income	(5,125)	(945)	(344)	231		(6,183)
Net operating income adjusted for special items	4,652	2,309	603	529		8,093
Net cost of net debt						(366)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(209)
Net income adjusted for special items						7,518
ROACE as a percentage	24%	21%	7% ⁽¹⁾			18% ⁽¹⁾
Total expenditures	7,496	1,180	1,611	279		10,566
Divestitures at selling price	1,116	1,079	541	4,268		7,004
Cash flow from operating activities	8,085	4,374	1,261	(1,417)		12,303
Balance sheet as of December 31, 2001						
Property, plant, and equipment, net	26,835	7,602	6,547	290		41,274
Intangible assets, net	390	538	2,243	25		3,196
Investments in equity affiliates	1,523	1,305	230	3,416		6,474
Total non-current assets	31,072	10,875	9,996	4,697		56,640
Capital employed	20,839	10,995	10,552 ⁽²⁾	3,163		45,549

(1) Excluding amortization of goodwill in the Chemicals segment for an amount of 145 million euros.

(2) After taking into account a pre-tax contingency reserve (civil liability) of 941 million euros related to Toulouse – AZF plant explosion.

The impact of special items on consolidated statement of income is detailed as follows:

(in millions of euros)

For the year ended December 31, 2003	Adjusted for special items	Special items	Consolidated statement of income
Sales	104,652	–	104,652
Operating expenses	(86,897)	(8)	(86,905)
Depreciation, depletion and amortization of tangible assets	(4,960)	(17)	(4,977)
Operating income			
Corporate	(209)	–	(209)
Business Segments	13,004	(25)	12,979
Total operating income	12,795	(25)	12,770
Interest expense, net	(232)	–	(232)
Dividend income on non-consolidated subsidiaries	152	–	152
Dividends on subsidiaries' redeemable preferred shares	(5)	–	(5)
Other income (expense), net	(670)	(390)	(1,060)
Provision for income taxes	(5,449)	96	(5,353)
Equity in income (loss) of affiliates	1,086	–	1,086
Income before amortization of acquisition goodwill	7,677	(319)	7,358
Amortization of acquisition goodwill	(139)	–	(139)
Consolidated net income	7,538	(319)	7,219
Of which minority interest	194	–	194
Net income	7,344	(319)	7,025

The information presented above reconciles with the Consolidated financial statements as follows:

(in millions of euros)

For the year ended December 31, 2003	Analysis by segment	Special items	Consolidated financial statements
Depreciation, depletion and amortization of tangible assets	(4,960)	(17)	(4,977)
Provisions for depreciation of tangible assets (included in operating expenses)	(35)	–	(35)
Amortization of intangible assets	(154)	–	(154)
Amortization of acquisition goodwill	(139)	–	(139)
Depreciation, depletion, and amortization (cash flow statement)	(5,288)	(17)	(5,305)
Tax on net operating income	(5,516)	96	N/A
Tax resulting from net debt	67	–	N/A
Provision for income tax	(5,449)	96	(5,353)

The impact of special items on consolidated statement of income is detailed as follows:

(in millions of euros)

For the year ended December 31, 2002	Adjusted for special items	Special items	Consolidated statement of income
Sales	102,540	–	102,540
Operating expenses	(86,622)	–	(86,622)
Depreciation, depletion and amortization of tangible assets	(5,133)	(659)	(5,792)
Operating income			
Corporate	(210)	–	(210)
Business Segments	10,995	(659)	10,336
Total operating income	10,785	(659)	10,126
Interest expense, net	(195)	–	(195)
Dividend income on non-consolidated subsidiaries	170	–	170
Dividends on subsidiaries' redeemable preferred shares	(10)	–	(10)
Other income (expense), net	(41)	284	243
Provision for income taxes	(4,971)	(63)	(5,034)
Equity in income (loss) of affiliates	866	–	866
Income before amortization of acquisition goodwill	6,604	(438)	6,166
Amortization of acquisition goodwill	(172)	(40)	(212)
Consolidated net income	6,432	(478)	5,954
Of which minority interest	172	(159)	13
Net income	6,260	(319)	5,941

The information presented above reconciles with the Consolidated financial statements as follows:

(in millions of euros)

For the year ended December 31, 2002	Adjusted for special items	Special items	Consolidated statement of income
Depreciation, depletion and amortization of tangible assets	(5,133)	(659)	(5,792)
Provisions for depreciation of tangible assets (included in operating expenses)	(53)	–	(53)
Amortization of intangible assets	(183)	(1)	(184)
Amortization of acquisition goodwill	(172)	(40)	(212)
Depreciation, depletion, and amortization (cash flow statement)	(5,541)	(700)	(6,241)
Tax on net operating income	(5,105)	(63)	N/A
Tax resulting from net debt	134	–	N/A
Provision for income tax	(4,971)	(63)	(5,034)

The impact of special items on consolidated statement of income is detailed as follows:

(in millions of euros)

For the year ended December 31, 2001	Adjusted for special items	Special items	Consolidated statement of income
Sales	105,318	–	105,318
Operating expenses	(87,732)	(28)	(87,760)
Depreciation, depletion and amortization of tangible assets	(4,717)	(64)	(4,781)
Operating income			
Corporate	(252)	–	(252)
Business Segments	13,121	(92)	13,029
Total operating income	12,869	(92)	12,777
Interest expense, net	(184)	–	(184)
Dividend income on non-consolidated subsidiaries	159	–	159
Dividends on subsidiaries' redeemable preferred shares	(19)	–	(19)
Other income (expense), net	88	195	283
Provision for income taxes	(6,028)	154	(5,874)
Equity in income (loss) of affiliates	1,001	–	1,001
Income before amortization of acquisition goodwill	7,886	257	8,143
Amortization of acquisition goodwill	(178)	(141)	(319)
Consolidated net income	7,708	116	7,824
Of which minority interest	190	(24)	166
Net income	7,518	140	7,658

The information presented above reconciles with the Consolidated financial statements as follows:

(in millions of euros)

For the year ended December 31, 2001	Analysis by segment	Special items	Consolidated financial statements
Depreciation, depletion and amortization of tangible assets	(4,717)	(64)	(4,781)
Provisions for depreciation of tangible assets (included in operating expenses)	(132)	–	(132)
Amortization of intangible assets	(156)	(2)	(158)
Amortization of acquisition goodwill	(178)	(141)	(319)
Depreciation, depletion and amortization (cash-flow statement)	(5,183)	(207)	(5,390)
Tax on net operating income	(6,183)	154	N/A
Tax resulting from net debt	155	0	N/A
Provision for income tax	(6,028)	154	(5,874)

Special items of the income statement, as defined in Note 1-R, are as follows:

Special items of operating income:

(in millions of euros)

Year 2003	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring charges	–	–	(1)	–	(1)
Asset impairment charges	–	–	(17)	–	(17)
Other items	–	–	(7)	–	(7)
Total	–	–	(25)	–	(25)
Year 2002					
Restructuring charges	–	(33)	4	–	(29)
Asset impairment charges	(461)	(69)	(129)	–	(659)
Other items	75	(34)	(12)	–	29
Total	(386)	(136)	(137)	–	(659)
Year 2001					
Restructuring charges	–	(10)	(14)	–	(24)
Asset impairment charges	–	–	(50)	–	(50)
Other items	–	(18)	–	–	(18)
Total	–	(28)	(64)	–	(92)

Special items of net income:

(in millions of euros)

Year 2003	Upstream	Downstream	Chemicals	Corporate	Total
Restructuring charges	–	–	(144)	–	(144)
Asset impairment charges	–	–	(11)	–	(11)
Gains (losses) on sales of assets	–	–	(8)	30	22
Toulouse - AZF plant explosion	–	–	–	–	–
Other items	–	–	(186)	–	(186)
Total	–	–	(349)	30	(319)
Year 2002					
Restructuring charges	–	(21)	(137)	–	(158)
Asset impairment charges	(249)	(81)	(137)	–	(467)
Gains (losses) on sales of assets	–	–	–	626	626
Toulouse - AZF plant explosion	–	–	(61)	–	(61)
Other items	(202)	(28)	(16)	(13)	(259)
Total	(451)	(130)	(351)	613	(319)
Year 2001					
Restructuring charges	–	(107)	(119)	–	(226)
Asset impairment charges	–	–	(224)	–	(224)
Gains (losses) on sales of assets	89	17	141	1,153	1,400
Toulouse - AZF plant explosion	–	–	(597)	(3)	(600)
Other items	–	(42)	(136)	(32)	(210)
Total	89	(132)	(935)	1,118	140

4 Information by geographical area

(in millions of euros)

	France	Rest of Europe	North America	Africa	Far East and rest of the world	Total
Year ended December 31, 2003						
Non-Group sales	20,739	36,682	13,968	4,352	28,911	104,652
Intangible assets and property, plant, and equipment, net	4,987	14,288	3,676	7,108	8,244	38,303
Total expenditures	1,160	1,645	580	2,012	2,331	7,728
Year ended December 31, 2002						
Non-Group sales	20,649	35,531	12,013	4,240	30,107	102,540
Intangible assets and property, plant, and equipment, net	4,815	16,317	4,447	7,416	8,349	41,344
Total expenditures	1,251	2,118	921	2,086	2,281	8,657
Year ended December 31, 2001						
Non-Group sales	22,053	36,520	8,885	4,276	33,584	105,318
Intangible assets and property, plant, and equipment, net	4,798	16,639	5,144	8,409	9,480	44,470
Total expenditures	1,415	2,524	1,178	2,094	3,355	10,566

5 Intangible assets

(in millions of euros)

As of December 31,	2003			2002
	Cost	Accumulated amortization	Net	Net
Goodwill	2,488	(1,140)	1,348	2,033
Other Intangibles	2,352	(1,683)	669	719
Total intangible assets ⁽¹⁾	4,840	(2,823)	2,017	2,752

(1) As of December 31, 2002, aggregate cost and accumulated amortization amounted to 5,858 million euros and 3,106 million euros respectively.

6 Property, plant, and equipment

(in millions of euros)

As of December 31,	2003			2002
	Cost	Accumulated amortization	Net	Net
Upstream properties				
• Proved properties	53,673	(33,914)	19,759	21,408
• Unproved properties	691	(407)	284	324
• Work in-progress	2,926	(41)	2,885	2,888
Total upstream properties	57,290	(34,362)	22,928	24,620
Other Property, Plant, and Equipment				
• Land and preparation cost	1,534	(263)	1,271	1,280
• Machinery, plant, and equipment (including transportation equipment)	20,377	(14,397)	5,980	6,639
• Buildings	5,998	(3,543)	2,455	2,502
• Construction in progress	1,401	–	1,401	1,113
• Other	7,219	(4,968)	2,251	2,438
Total other property, plant, and equipment	36,529	(23,171)	13,358	13,972
Total property, plant, and equipment ⁽¹⁾	93,819	(57,533)	36,286	38,592

(1) As of December 31, 2002, aggregate cost and accumulated depreciation, depletion, and amortization amounted to 97,592 million euros and 59,000 million euros, respectively.

Property, plant, and equipment presented below include the following amounts for facilities and equipment leases that have been capitalized:

(in millions of euros)

As of December 31,	2003			2002
	Cost	Accumulated amortization	Net	Net
Machinery, plant, and equipment	533	(155)	378	329
Buildings	35	(21)	14	34
Construction in progress	–	–	–	22
Total	568	(176)	392	385

Amortization expense of capital lease assets amounted to 40 million euros in 2003, 29 million euros in 2002 and 34 million euros in 2001.

Equity affiliates: investments and loans

The Company's share in the equity and income or loss of equity affiliates is summarized below:

(in millions of euros)

	As of December 31,				Year ended December 31,		
	2003	2002	2003	2002	2003	2002	2001
	% owned	% owned	Equity value	Equity value	Equity in Income/(loss)	Equity in Income/(loss)	Equity Income/(loss)
Sanofi-Synthelabo	25.63%	25.08%	3,703	3,465	478	412	426
Cepsa	45.28%	45.28%	1,462	1,295	269	200	190
COGEMA	–	–	–	–	–	–	30
NLNG	15.00%	15.00%	417	343	146	59	81
Qatargas	10.00%	10.00%	121	138	42	45	44
Ocensa	15.20%	15.20%	67	95	–	–	–
CFMH	45.00%	45.00%	128	118	33	37	40
Gas Invest S.A.	27.23%	27.23%	105	120	–	(2)	10
Gasoducto Gasandes Argentina	56.50%	56.50%	117	77	–	7	3
Piedra del Aguila	41.30%	41.30%	13	52	(33)	(20)	–
Humber Power Ltd.	40.00%	40.00%	20	20	13	18	19
Gisco	10.00%	10.00%	25	45	5	25	23
Abu Dhabi Gas Ind. Ltd.	15.00%	15.00%	50	61	–	–	–
Total Tractebel Emirates Power Company	50.00%	50.00%	61	63	4	2	3
Gasoducto Gasandes S.A. (Chile)	56.50%	56.50%	34	35	–	(1)	–
Qatar Petrochemical Company Ltd.	20.00%	20.00%	104	125	22	–	–
Other	N/A	N/A	442	582	107	84	132
Investments			6,869	6,634	1,086	866	1,001
Loans to equity affiliates			964	1,076			
Total investments and loans			7,833	7,710			

The Group's share in Cepsa's and Sanofi-Synthélabo's market value amounted to 3,378 million euros and 10,234 million euros as of December 31, 2003, respectively.

Cepsa condensed consolidated balance sheet as of December 31, 2003

(in millions of euros)

Fixed assets	3,815	Shareholders' equity	2,899
Current assets	2,402	Long-term debt and other long-term liabilities	1,718
		Current debt and other short-term liabilities	1,600
Total	6,217	Total	6,217

Sanofi-Synthélabo condensed consolidated balance sheet as of December 31, 2003

(in millions of euros)

Fixed assets	2,712	Shareholders' equity	6,323
Current assets	7,037	Minority interest	18
		Long-term debt and other long-term liabilities	807
		Current debt and other short-term liabilities	2,601
Total	9,749	Total	9,749

During 2003, the Group's ownership interests in Sanofi-Synthélabo, held via its subsidiaries Elf Aquitaine and VGF, decreased from 25.08% at December 31, 2002 to 24.35% at December 31, 2003. Taking into account the share repurchases conducted by Sanofi-Synthélabo in 2003, the Group's ownership interests were 25.63% at December 31, 2003.

8 Other investments

(in millions of euros)

As of December 31,	2003			2002
	Cost	Valuation allowance	Net	Net
Publicly traded equity securities				
BNP Paribas	65	-	65	65
Santander Central Hispano (SCH)	93	-	93	93
Areva	69	-	69	69
Other	80	(1)	79	122
Total publicly traded equity securities	307	(1)	306	349
Market value of publicly traded equity securities			406	377
Other equity securities				
BBPP	83	-	83	75
WEPEC	52	-	52	52
Oman LNG LLC	6	-	6	8
BTC Limited	61	-	61	25
Other	1,487	(833)	654	712
Total other equity securities ⁽¹⁾	1,689	(833)	856	872
Total other investments ⁽²⁾	1,996	(834)	1,162	1,221

(1) Investments in subsidiaries excluded from consolidation after considering their materiality to the Company's operations account for 471 million euros and for 396 million euros as of December 31, 2003 and 2002, respectively. The consolidation of those subsidiaries would have no significant effect on the total assets and net income.

(2) As of December 31, 2002, the aggregate cost of other investments and valuation allowances amounted to 2,065 million euros and 844 million euros, respectively.

9 Other non-current assets

(in millions of euros)

As of December 31,	2003			2002
	Cost	Valuation allowance	Net	Net
Deferred income tax assets	1,504	–	1,504	1,709
Loans and advances ⁽¹⁾	1,326	(500)	826	1,117
Other	822	–	822	909
Total ⁽²⁾	3,652	(500)	3,152	3,735

(1) Excluding loans to equity affiliates (Note 7).

(2) As of December 31, 2002, the aggregate cost and valuation allowances of other non-current assets amounted to 4,446 and 711 million euros, respectively.

10 Inventories

(in millions of euros)

As of December 31,	2003	2002
Crude oil and natural gas	1,916	2,060
Refined products and products in process	3,049	3,059
Chemical products	2,193	2,730
Supplies and other inventories	535	507
Total under FIFO (First in First out) method	7,693	8,356
Reserve for crude oil price changes and for LIFO adjustment	(1,556)	(1,841)
Net value in the assets (balance sheet position)	6,137	6,515

11 Accounts receivable, prepaid expenses, and other current assets

(in millions of euros)

As of December 31,	2003			2002
	Cost	Valuation allowance	Net	Net
Accounts receivable ⁽¹⁾	12,875	(518)	12,357	13,087
Operational receivables	1,164	–	1,164	1,405
Receivables from States (taxes)	1,515	–	1,515	1,126
Deferred tax assets, short-term	216	–	216	190
Prepaid expenses	453	–	453	471
Other current assets	1,473	(42)	1,431	2,051
Prepaid expenses and other current assets	4,821	(42)	4,779	5,243

(1) As of December 31, 2002, the aggregate cost and valuation allowances of accounts receivable amounted to 13,642 million euros and 555 million euros, respectively.

12 Shareholders' equity

↑ Share capital transactions are detailed as follows:

Number of TOTAL shares

As of December 31, 2000		740,465,798
Shares issued in connection with:	• Exercise of share subscription options	506,249
	• Exchange guarantee offered to the beneficiaries of Elf Aquitaine share subscription options	327,617
	• Exercice of US warrants	3,295
Cancellation of shares ⁽¹⁾		(35,368,000)
As of December 31, 2001		705,934,959
Shares issued in connection with:	• Capital increase reserved for employees	2,785,214
	• Exercise of share subscription options	447,181
	• Exchange guarantee offered to the beneficiaries of Elf Aquitaine share subscription options	564,471
	• Exercice of US warrants	901,930
Cancellation of shares ⁽²⁾		(23,443,245)
As of December 31, 2002		687,190,510
Shares issued in connection with:	• Exchange guarantee offered to the beneficiaries of Elf Aquitaine share subscription options	1,092,082
	• Exercice of US warrants	835,644
Cancellation of shares ⁽³⁾		(40,000,000)
As of December 31, 2003 ⁽⁴⁾		649,118,236

(1) Decided by the Board of Directors on November 20, 2001.

(2) Decided by the Board of Directors on November 19, 2002.

(3) Decided by the Board of Directors on July 16, 2003 and November 6, 2003.

(4) Including 26,256,899 treasury shares deducted from shareholders' equity.

The variation of the weighted-average number of diluted shares used in the calculation of earnings per share is detailed as follows:

	2003	2002	2001
Number of shares as of January 1st	687,190,510	705,934,959	740,465,798
Number of shares issued during the year (pro rated)			
• Capital increase reserved for employees	-	1,392,607	-
• Exercise of share subscription options	-	223,591	253,125
• Exchange guarantee offered to the beneficiaries of Elf Aquitaine	546,041	282,236	163,809
• Exercice of US warrants	417,822	450,965	1,648
• TOTAL shares held by subsidiaries and deducted from shareholders' equity	(55,256,066)	(45,083,376)	(52,076,076)
Weighted-average number of shares	632,898,307	663,200,982	688,808,304
Dilutive effect			
• Share subscription options	282,777	-	282,269
• Shares issued per exercise of exchange guarantee offered to Elf Aquitaine share subscription options holders	1,945,801	2,564,295	3,476,777
• US warrants	-	302,705	612,935
Weighted-average number of diluted shares	635,126,885	666,067,982	693,180,285

The earnings per share of the Group before and after the dilutive effect is detailed as follows:

Earnings on weighted-average number of shares	11.10	8.96	11.12
Earnings on weighted-average number of diluted shares	11.06	8.92	11.05

Capital increase reserved for company employees

At the Ordinary and Extraordinary Shareholders' Meeting held on May 7, 2002, the shareholders authorized, for a maximum five-year period, the Board of Directors to increase the capital of the Company by an amount not exceeding 3% of the share capital at the date of issue of the new shares, reserving subscriptions to such increase for company employees.

Pursuant to this authorization, the Board of Directors, during its November 6, 2003 meeting, implemented a first capital increase reserved for employees within the limit of 6.0 million shares at a price of 107.90 euros. These shares are entitled to the dividends paid for the 2003 fiscal year. The subscription period will run from March 22, 2004 to April 9, 2004.

Share cancellation

Pursuant to the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting held on May 7, 2002 authorizing reduction of capital by cancellation of shares held by the company within the limit of 10% of the outstanding capital every 24 months, the Board of Directors decided on July 16, 2003 to cancel 9,900,000 shares at an average price of 127.71 euros per share. Then on November 6, 2003, the Board of Directors decided to cancel 30,100,000 shares at an average price of 130.07 euros per share, with effect on November 21, 2003.

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

As of December 31, 2003, TOTAL S.A. held 12,029,288 of its own shares, representing 1.85% of its share capital, detailed as follows:

- 10,349,288 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;
- 1,680,000 shares purchased on November and December 2003 pursuant to the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting held on May 6, 2003 and that are deducted from the consolidated shareholders' equity.

Shares held by the subsidiaries

As of December 31, 2003, TOTAL S.A. held indirectly through its subsidiaries 25,082,817 of its own shares, representing 3.86 % of its share capital, detailed as follows:

- 505,918 shares held by a consolidated subsidiary, TOTAL Nucléaire, indirectly controlled by TOTAL S.A. These shares were initially acquired in order to realize short-term cash investments and are recorded in short-term investments in the Consolidated financial statements;
- 24,576,899 shares held by subsidiaries of Elf Aquitaine, Financière Valorgest, Sogapar and Fingestval (according to the agreement entered into on September 12, 1999 between Totalfina and Elf Aquitaine, Elf Aquitaine committed on behalf of these subsidiaries to tender to the public exchange offer initiated by Totalfina the 3,798,000, 702,000 and 12,315,760 Elf Aquitaine shares respectively owned by these subsidiaries at that date; consequently, these subsidiaries received respectively 5,550,926, 1,026,000 and 17,999,973 TOTAL shares). These shares were deducted from the consolidated shareholders' equity.

TOTAL US warrants

TOTAL US warrant, which gave right to the purchase of one American Depositary Share of TOTAL at a price of USD 46.94 per ADS expired on August 5, 2003.

Out of the 3,589,419 TOTAL warrants issued, 3,491,776 warrants were exercised. At the expiration date, the 97,643 unexercised warrants became null and void.

During the year 2003, 835,644 TOTAL shares were created following the exercise of 1,671,288 TOTAL warrants.

13 Minority interest and subsidiaries' redeemable preferred shares

A/ Change to minority interest

(in millions of euros)

	2003	2002
Balance at beginning of year	724	898
Income	194	13
Dividend paid	(124)	(100)
Foreign exchange	(68)	(61)
Others ⁽¹⁾	(62)	(26)
Balance at year-end	664	724

(1) In 2003, this change is mainly due to the withdrawal of minority interests from the Paints Business.
In 2002, this change is mainly due to the purchase of minority interests of PetroFina and Selyak.

B/ Subsidiaries' redeemable preferred shares

(in millions of euros)

As of December 31, 2001	567
Repayment	-
Foreign currency translation effect	(90)
As of December 31, 2002	477
Repayment	-
Foreign currency translation effect	(81)
As of December 31, 2003	396

The total amount paid in respect of these redeemable preferred shares progressively decreased over the years as a result of a partial or full repayment of the blocks previously issued and of the fall of interest rates in the United States (19 million euros in 2001, 10 million euros in 2002, and 5 million euros in 2003).

14 Employee benefits obligations

↑

Provisions for employee benefits obligations consist of the following:

(in millions of euros)

	2003	2002
Pension benefits liability	2,864	3,107
Other benefits liability	557	602
Restructuring provisions	397	394
Total	3,818	4,103

The funded status of defined benefit pension plans and plans for post-retirement benefits other than pensions is as follows as of December 31:

(in millions of euros)

	Pension benefits		Other benefits	
	2003	2002	2003	2002
Change in benefit obligation				
– Benefit obligation at beginning of year	7,947	7,347	678	617
– Service cost	143	153	12	11
– Interest cost	404	423	36	43
– Curtailments	(18)	(39)	(3)	–
– Settlements	(68)	(2)	(3)	–
– Special termination benefits	21	5	–	–
– Plan participants' contributions	12	16	–	–
– Benefits paid	(392)	(392)	(31)	(37)
– Plan Amendments	7	12	(100)	9
– Actuarial loss (gain)	151	548	58	94
– Foreign currency translation and other	(410) ⁽²⁾	(124)	(65)	(59)
Benefit obligation at end of year	7,797	7,947	582	678
Change in fair value of Plan Assets				
– Fair value of plan assets at beginning of year	(4,786)	(5,517)	–	–
– Actual return on plan assets	(469)	473	–	–
– Settlements	35	1	–	–
– Plan participants' contributions	(12)	(16)	–	–
– Employer contributions	(337) ⁽³⁾	(141)	–	–
– Benefits paid	289	302	–	–
– Foreign currency translation and other	254 ⁽²⁾	112	–	–
Fair value of plan assets at end of year	(5,026)	(4,786)	–	–
Funded status	2,771	3,161	582	678
– Unrecognized transition (obligation) asset	10	18	(7)	(7)
– Unrecognized prior service cost	(68)	(74)	93	14
– Unrecognized actuarial (losses) gains	(1,897)	(2,225)	(111)	(83)
– Minimum Liability Adjustment (MLA) ⁽¹⁾	1,316	1,412	–	–
Net amount recognized	2,132	2,292	557	602
– Accrued benefit cost	2,864	3,107	557	602
– Prepaid benefit cost	(732)	(815)	–	–

(1) Adjustment according to US GAAP, equal to the excess of the Accumulated Benefit Obligation over the fair value of plan assets.

(2) In 2003, the change in foreign currency translation and other includes the sale of the Paints Business which amounts to (257) million euros of Projected Benefit Obligation and 150 million euros of fair value of plan assets.

(3) The Group covered at the end of 2003 certain employee pension benefit plans through insurance companies for an amount of 239 million euros.

The Accumulated Benefit Obligation for all benefit plans was 7,169 million euros and 7,170 million euros as of December 31, 2003 and 2002 respectively.

The Group expects to contribute 104 million euros to its pension plans in 2004.

The plan assets allocation is as follows:

As of December 31,	2003	2002
Equities	47%	50%
Debt securities	49%	45%
Real Estate	2%	2%
Other	2%	3%

Assumptions used to determine benefit obligations as of December 31,	Pension benefits		Other benefits	
	2003	2002	2003	2002
Discount rate	5.41%	5.64%	5.83%	6.07%
Average expected rate of salary increase	3.74%	3.81%	–	–
Expected rate of healthcare inflation:				
– Initial	–	–	6.37%	7.85%
– Ultimate	–	–	3.83%	4.17%

Assumptions used to determine net periodic benefit charge (income) as of December 31,	Pension benefits		Other benefits	
	2003	2002	2003	2002
Discount rate	5.64%	5.91%	6.07%	6.41%
Average expected rate of salary increase	3.81%	3.74%	–	–
Expected return on plan assets	6.99%	7.45%	–	–
Expected rate of healthcare inflation:				
– Initial	–	–	7.85%	5.71%
– Ultimate	–	–	4.17%	3.88%

Components of net periodic benefit cost (income):

(in millions of euros)

	Pension benefits		Other benefits	
	2003	2002	2003	2002
Service cost	143	153	12	11
Interest cost	404	423	36	43
Expected return on plan assets	(307)	(421)	–	–
Amortization of transition obligation (asset)	(5)	(4)	1	1
Amortization of prior service cost	34	14	(5)	(4)
Amortization of actuarial losses (gains)	105	33	6	(1)
Curtailments	(7)	(35)	(7)	–
Settlements	(9)	(1)	(2)	–
Special termination benefits	21	5	–	–
Net periodic benefit charge (income)	379	167	41	50

The assumptions for changes in healthcare costs have a significant impact on the valuations of commitments for coverage of medical expenses. A positive or negative change of one-percentage-point in the healthcare inflation rate would have approximately the following impact:

(in millions of euros)

	Increase of 1%	Decrease of 1%
Effect on the benefit obligation at December 31	59	(51)
Effect on the total of service and interest cost components	5	(4)

The pension plans for which the Accumulated Benefit Obligation is higher than the fair value of plan assets are detailed as follows as of December 31:

(in millions of euros)

	2003	2002
Accumulated Benefit Obligation	5,368	5,587
Projected Benefit Obligation	5,699	6,437
Fair value of plan assets	(2,988)	(3,324)

Restructuring provisions:

The Group covered at the end of 2003 a portion of a voluntary early retirement program through insurance companies for an amount of 24 million euros.

15

Other long-term liabilities

(in millions of euros)

As of December 31,	2003	2002
Litigation and accrued penalty claims	489	318
Major refinery turnarounds	341	381
Environmental contingencies	500	537
Asset retirement obligations	3,112	2,111
Other long-term liabilities	1,622	2,530
Deposits received	280	273
Total	6,344	6,150

The other long-term liabilities include namely:

- the contingency reserve related to the Toulouse AZF plant explosion (civil liability) for an amount of 276 millions euros as of December 31, 2003;
- provisions related to restructuring of activities in the Chemicals segment for an amount of 289 million euros as of December 31, 2003.

Variation in other long-term liabilities

(in millions of euros)

As of January 1, 2003	Allowances	Reversals	Foreign currency translation	Other	As of December 31, 2003
6,150	1,229	(1,858)	(607)	1,430	6,344

The allowances of the period include notably:

- major refinery turnarounds for 166 million euros ;
- an allowance of 155 million euros for litigation reserves, following investigations of the European Commission into alleged anticompetitive practices involving certain products sold by Atofina or its subsidiaries ;
- provisions for restructuring and social plans for 151 million euros ;
- various litigation reserves for 90 million euros,

The principal reversals of the period are linked to the incurred expenses and include notably:

- the contingency reserve related to the Toulouse AZF plant explosion (civil liability), for an amount of 719 million euros ;
- major refinery turnarounds for 196 million euros ;
- provisions for restructuring and social plans for 134 million euros.

The “Other” heading principally includes the effect of the application of FAS No. 143 on asset retirement obligation for 1,436 million euros.

Variation of the asset retirement obligation

(in millions of euros)

Asset retirement obligation as of December 31, 2002	Transition effect	Asset retirement obligation as of January 1, 2003	Accretion	Revision in estimates	New obligations	Spending on existing obligations	Foreign currency translation	Asset retirement obligation as of December 31, 2003
2,111	1,436	3,547	121	–	39	(154)	(441)	3,112

16 Debt

↑ A/ Long-term debt

(in millions of euros)

As of December 31,	2003			2002		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Debenture loans	–	7,763	7,763	–	7,522	7,522
Capital lease obligations	360	–	360	338	–	338
Banks and other:						
• Fixed rate	7	236	243	119	152	271
• Floating rate	93	1,324	1,417	694	1,332	2,026
Total	460	9,323	9,783	1,151	9,006	10,157

Debenture loans after taking into account hedged currency and interest rates swaps can be detailed as follows:

As of December 31,	2003	2002
Parent company ⁽¹⁾		
2.25% Bonds 2000-2003 (CHF 150 million)	–	90
5.25% Bonds 1997-2003 (DEM 250 million)	–	139
2.25% Bonds 1998-2003 (CHF 200 million)	–	128
6% Bonds 1998-2003 (GRD 10 billion) ⁽²⁾	–	31
8 1/5% Bonds 1995-2005 (FRF 500 million)	77	93
7.62% Single Coupon Bonds 1995-2005 (FRF 950 million)	146	176
7 1/2% Bonds 1995-2005 (FRF 400 million)	61	74
6.90% Bonds 1996-2006 (FRF 990 million)	155	187
6.75% Bonds 1996-2008 (FRF 950 million)	145	175
6.75% Bonds 1996-2008 (FRF 800 million)	125	150
6.75% Bonds 1996-2008 (FRF 700 million)	106	128
5.03% Bonds 1997-2007 (FRF 620 million)	78	94
6.80% Bonds 1997-2007 (ESP 12 billion)	66	79
6.20% Bonds 1997-2009 (FRF 900 million)	137	165
6.875% Bonds 1997-2004 (USD 300 million)	237	286
Pibor 3-month +0.38% Bonds 1998-2008 (FRF 230 million)	30	36
5.125% Bonds 1998-2009 (FRF 1 billion)	131	158
5% Bonds 1998-2013 (FRF 1 billion)	132	159
3.875% Bonds 1999-2006 (EUR 300 million)	257	309
3.25% Bonds 1999-2005 (CHF 200 million)	104	125
3.5% Bonds 2000-2006 (CHF 200 million)	100	120
6.875% Bonds 2000-2005 (GBP 150 million)	190	229
4% Bonds 2000-2004 (CHF 200 million)	94	113
5.375% Bonds 2000-2005 (EUR 250 million)	180	217
4% Bonds 2000-2004 (CHF 100 million)	48	58
4% Bonds 2000-2004 (CHF 150 million)	73	88
3.25% Bonds 2000-2005 (CHF 100 million)	48	58
5.75% Bonds 2000-2005 (EUR 500 million)	343	413
5.65% Bonds 2000-2010 (EUR 100 million)	70	84
7% Bonds 2000-2005 (USD 500 million)	396	477
5.625% Bonds 2000-2004 (EUR 100 million)	71	86
Short-term portion (less than one year)	(524)	(388)
Total parent company	3,076	4,337
Elf Aquitaine S.A.		
7.125% Bonds 1993-2003 (FRF 1 billion)	–	151
7% Bonds 1994-2004 (FRF 1.5 billion)	218	232
4.5% Bonds 1999-2009 (EUR 1 billion)	1,000	1,000
2.25% Bonds 1999-2004 (CHF 250 million)	133	160
Short-term portion (less than one year)	(351)	(151)
Total Elf Aquitaine S.A.	1,000	1,392
TOTAL CAPITAL ⁽¹⁾		
3% Bonds 2002-2007 (CHF 600 million)	288	347
4.74% Bonds 2002-2007 (USD 75 million)	60	72
5.125% Bonds 2002-2007 (USD 300 million)	237	286
5.89% Bonds 2002-2012 (USD 20 million)	16	19
3% Bonds 2002-2007 (CHF 400 million)	190	229
4.75% Bonds 2002-2007 (USD 250 million)	198	238
LIBOR USD 3 months + 0.06% Bonds 2002-2007 (USD 50 million)	40	48
LIBOR USD 3 months + 0.065% Bonds 2002-2007 (USD 50 million)	40	48
5% Bonds 2002-2007 (GBP 150 million)	182	219
2.5% Bonds 2002-2007 (CHF 200 million)	105	126
5% Bonds 2002-2007 (GBP 75 million)	94	113
5% Bonds 2003-2007 (GBP 50 million)	63	–
5% Bonds 2003-2008 (AUD 100 million)	45	–
3.5% Bonds 2003-2008 (EUR 500 million)	419	–
4.25% Bonds 2003-2008 (CAD 100 million)	52	–
4.50% Bonds 2003-2013 (USD 30 million)	24	–
3.25% Bonds 2003-2008 (USD 250 million)	198	–
5% Bonds 2003-2008 (AUD 100 million)	48	–
3.50% Bonds 2003-2008 (EUR 100 million)	84	–
3.50% Bonds 2003-2008 (EUR 150 million)	132	–
2% Bonds 2003-2008 (CHF 300 million)	172	–
2.375% Bonds 2003-2009 (CHF 300 million)	169	–
2% Bonds 2003-2008 (CHF 200 million)	115	–
6.25% Bonds 2003-2009 (AUD 100 million)	57	–
3.50% Bonds 2003-2009 (USD 500 million)	396	–
2.375% Bonds 2003-2010 (CHF 300 million)	183	–
Total TOTAL CAPITAL	3,607	1,745
Other consolidated subsidiaries	80	48
Total Group	7,763	7,522

(1) These loans are converted into US dollar floating rate debt by issuance of individual hedging currency swaps.

(2) These bonds changed from the ATHIMID 3-month -0.9% rate to 6% from July 2000.

Loan repayment schedule (excluding short-term portion)

(in millions of euros)

As of December 31,	2003	%	2002	%
2004	–	–	1,717	17%
2005	2,020	21%	2,348	23%
2006	894	9%	987	10%
2007	1,856	19%	2,122	21%
2008	1,853	19%	2,983 ⁽¹⁾	29%
2009 and after	3,160	32%	–	–
Total	9,783	100%	10,157	100%

(1) 2008 and after.

Analysis by currency and interest rate

These analyses take into account interest rate and foreign currency swaps to hedge long-term debts.

(in millions of euros)

As of December 31,	2003	%	2002	%
US dollar	7,592	78%	7,517	74%
Pound sterling	434	4%	715	7%
Euro	1,529	16%	1,848	18%
Other currencies	228	2%	77	1%
Total	9,783	100%	10,157	100%

(in millions of euros)

As of December 31,	2003	%	2002	%
Fixed rates	627	6%	596	6%
Floating rates	9,156	94%	9,561	94%
Total	9,783	100%	10,157	100%

As of December 31, 2003, the Group had an amount of USD 7,920 million of long-term confirmed lines of credit, of which USD 6,487 million were not used.

These facilities are primarily contracted with international banks for periods initially extending up to 15 years (with an average maturity of approximately 5.7 years). Interest on borrowings under these agreements is based on prevailing money market rates. In addition, the credit lines are subject to various commitment fees on the unused portions.

B) Short-term borrowings and bank overdrafts

(in millions of euros)

As of December 31,	2003	2002
Current portion of long-term loans	1,657	1,160
Short-term financial debt and bank overdrafts	2,178	3,936
Total	3,835	5,096

Short-term borrowings consists mainly of commercial papers or treasury bills or draws on bank loans. These instruments bear interest at rates which are close to market rates.

17 Other creditors and accrued liabilities*(in millions of euros)*

As of December 31,	2003	2002
Advances from customers (including advances from related parties)	798	1,431
Accruals and deferred income	315	301
Payables to states (including taxes and duties)	4,990	4,633
Payroll	925	931
Other	1,942	2,554
Total	8,970	9,850

18 Operating expenses*(in millions of euros)*

Year ended December 31,	2003	2002	2001
Crude oil and product purchases ⁽¹⁾	(67,837)	(67,013)	(69,007)
Exploration expenses	(359)	(487)	(571)
Other operating expenses ⁽²⁾	(19,997)	(19,330)	(19,120)
Long-term operating liabilities (allowances/write-backs)	1,277	292	886
Short-term operating liabilities (allowances/write-backs)	11	(84)	52
Operating expenses	(86,905)	(86,622)	(87,760)

(1) The crude oil and product purchases includes royalties paid on oil and gas production in the Upstream segment (see in particular the taxes paid to Middle East oil producing countries for the Group's concessions as detailed in Note 29 "other information").

(2) The other operating expenses are principally composed of production and administrative costs (see in particular the payroll costs as detailed in Note 26 "Payroll and staff").

19 Interest expense, net*(in millions of euros)*

Year ended December 31,	2003	2002	2001
Financial interest charge on debt	(629)	(686)	(1,157)
Financial income on cash and cash equivalents and equity securities	408	356	638
Cost of net debt	(221)	(330)	(519)
Financial interests capitalized	46	89	259
Other financial gains/(losses)	(57)	46	76
Financial (charge)/income of operational nature	(11)	135	335
Interest expense, net	(232)	(195)	(184)

20 Other income (expense), net

(in millions of euros)

Year ended December 31,	2003	2002	2001
Foreign exchange gains/(losses)	(59)	(50)	16
Gains and (losses) on sales of assets	(182)	862	1,738
Amortization of intangible assets	(153)	(184)	(158)
Contingency reserve for Toulouse - AZF plant explosion	-	(95)	(941)
Other	(666)	(290)	(372)
Total	(1,060)	243	283

For 2003, the "Other" heading notably includes early retirement plans and restructuring costs for 284 million euros, an allowance of 155 million euros for litigation reserves, following investigations of the European Commission into alleged anticompetitive practices involving certain products sold by Atofina or its subsidiaries, and other allowances for various litigation reserves for 90 million euros.

For 2002, the "Other" heading notably includes restructuring costs in the Chemicals segment for 215 million euros.

For 2001, the "Other" heading is composed primarily of social plans liabilities and early retirement plans for 199 million euros and of environmental reserves for 115 million euros.

21 Income taxes

Since 1966, TOTAL and Elf have been taxed in accordance with consolidated income tax treatment approved on a renewable basis by the French Ministry of Finance. At the end of 1999, Elf became part of the same tax consolidated group as Totalfina in accordance with the principles of continuity and neutrality of this tax treatment. The renewal of the agreement has been granted in 2002 to the Group for the period 2002-2004.

Income tax is detailed as follows:

(in millions of euros)

Year ended December 31,	2003	2002	2001
Current income taxes	(5,098)	(5,446)	(5,690)
Deferred income taxes	(255)	412	(184)
Provision for income taxes	(5,353)	(5,034)	(5,874)

Before netting deferred tax assets and liabilities by fiscal entity, the components of deferred tax balances as of December 31, 2003 and 2002 are as follows:

(in millions of euros)

As of December 31,	2003	2002
Net operating losses and tax credit carryforwards	728	384
Employee benefits	976	1,121
Other temporarily non-deductible provisions	2,930	2,376
Gross deferred tax assets	4,634	3,881
Valuation allowance	(280)	(202)
Net deferred tax assets	4,354	3,679
Excess tax over book depreciation	(6,363)	(6,424)
Other temporary tax deductions	(1,750)	(1,746)
Gross deferred tax liability	(8,113)	(8,170)
Net deferred tax liabilities	(3,759)	(4,491)

After netting deferred tax assets and liabilities by fiscal entity, deferred taxes are presented on the balance sheet as follows:

(in millions of euros)

As of December 31,	2003	2002
Deferred tax assets, long-term (Other non-current assets, Note 9)	1,504	1,709
Deferred tax assets, short-term (Prepaid expenses and other current assets, Note 11)	216	190
Deferred tax liabilities (Provisions for risks and expenses)	(5,443)	(6,390)
Deferred tax liabilities, short term (Other creditors, Note 17)	(36)	-
Net deferred tax liabilities	(3,759)	(4,491)

Reconciliation between provision for income taxes and pre-tax income

(in millions of euros)

Year ended December 31,	2003	2002
Net income	7,025	5,941
Minority interests	194	13
Provision for income taxes	5,353	5,034
Pre-tax income	12,572	10,988
French statutory tax rate	35.43%	35.43%
Theoretical tax charge	(4,454)	(3,893)
Difference between French and foreign income tax rates	(1,973)	(1,834)
Tax effect of equity in income (loss) of affiliates	385	307
Permanent differences	781	413
Change in valuation allowance	(88)	(17)
Other	(4)	(10)
Net provision for income taxes	(5,353)	(5,034)

French statutory tax rate includes standard corporate tax rate (33.33%) and additional taxes currently applicable that bring overall tax rate to 35.43%.

Permanent differences are mainly due to amortization of goodwill and to dividends from non-consolidated companies as well as the specific taxation rules applicable to some activities and within the consolidated income tax treatment.

Net operating losses and tax credit carryforwards

Deferred tax assets relating to NOL's and tax credit carryforwards were available in various tax jurisdictions, expiring in the following years:

(in millions of euros)

As of December 31,	2003		2002	
	Basis	Tax	Basis	Tax
2003			158	79
2004	181	82	119	59
2005	248	100	86	42
2006	273	104	59	29
2007	61	30	32	15
2008 and after	1,121	226	-	-
Unlimited	563	186	502	160
Total	2,447	728	956	384

22 Leases

↑ The Company leases real estate, service stations, ships, and other equipment through non-cancelable capital and operating leases. The future minimum lease payments on non-cancelable leases to which the Company is committed as of December 31, 2003 are shown as follows:

(in millions of euros)

	Operating leases	Capital lease obligations
2004	161	52
2005	115	49
2006	97	47
2007	56	45
2008	47	46
2009 and after	106	277
Future lease payments	582	516
Less amount representing interest		(129)
Present value of net minimum lease payments		387
Less current portion of capital leases		(27)
Total		360

Net rental expense incurred under operating leases for the years ended December 31, 2003, 2002, and 2001 was 197 million euros, 204 million euros, and 167 million euros, respectively.

23 Commitments and contingencies

(in millions of euros)

As of December 31, 2003	Maturity and instalments of payments			
	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Excise taxes payment given	2,248	2,248	-	-
Collateral given against borrowings	570	67	236	267
Other commitments given	1,823	833	614	376
Total commitments given	4,641	3,148	850	643
Mortgages and liens received	389	214	119	56
Other commitments received	1,582	534	635	413
Total commitments received	1,971	748	754	469

(in millions of euros)

As of December 31, 2002	Maturity and instalments of payments			
	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Excise taxes payment given	2,424	2,424	-	-
Collateral given against borrowings	684	134	261	289
Other commitments given	1,264	127	644	493
Total commitments given	4,372	2,685	905	782
Mortgages and liens received	682	41	418	223
Other commitments received	1,270	564	336	370
Total commitments received	1,952	605	754	593

The information regarding contractual obligations linked to long term indebtedness and credit facilities is presented in Note 16. The information regarding capital and operating leases is presented in Note 22.

Excise taxes payment given

Guarantees given on customs duties which amount to 2,248 million euros as of December 31, 2003 mainly consist of guarantees given to other major oil and gas companies in order to comply with French tax authorities' requirements for oil and gas importation in France. A payment would be triggered by a failure of the guaranteed party with respect to the French tax authorities. The default of the guaranteed parties is however considered to be highly remote by the Group.

Collateral given against borrowings

The Group guarantees bank debt and finance lease obligations of certain unconsolidated affiliates. Expiration dates vary, or guarantees will terminate on payment and/or cancellation of the obligation. A payment would be triggered by failure of the guaranteed party to fulfil its obligation covered by the guarantee, and no assets are held as collateral for these guarantees. The amount of these guarantees total approximately 570 million euros as of December 31, 2003 for debt guarantees with maturities up to 2019.

Other commitments given**Non consolidated subsidiaries**

The Group also guarantees the current liabilities of some of non-consolidated affiliates. Performance under these guarantees would be triggered by a financial default of the entity. At year-end, the total amount of these guarantees is estimated to be 105 million euros.

Indemnities

In the ordinary course of business, the Group executes contracts involving indemnities standard in the industry and indemnifications specific to a transaction such as sale of a business. These indemnifications might include claims against any of the following: environmental, tax and shareholder matters, intellectual property rights, governmental regulations and employment-related matters, dealer, supplier, and other commercial contractual relationships. Performance under these indemnities would generally be triggered by a breach of terms of the contract or by a third party claim. The Group regularly evaluates the probability of having to incur costs associated with these indemnifications.

The amount of guarantees related to business sales is estimated at 344 million euros. They mainly consist of the guarantees given for the inks division sale in 1999, the Elf Antargaz sale in 2001 and the sale of the Paints business in 2003.

Other guarantees

As part of normal ongoing business operations and consistent with generally and accepted recognized industry practice, the Group enters into numerous agreements with other parties. These commitments are often entered into for commercial purposes with customers or suppliers or for regulatory purposes and for other operating agreements.

As of December 31, 2003, other guarantees given amount to 1,374 million euros.

Similar to the business practice of all oil and gas companies for development of gas fields, the Group is involved in long-term sale agreements on quantities of natural gas. The price of these contracts is indexed on prices of petroleum products and other forms of energy.

Interest rate and foreign currency agreements

Commitments and contingencies related to the Company's financial derivatives activities are stated below. These amounts set the levels of notional involvement by the Company and are not indicative of an unrealized gain or loss.

(in millions of euros)

As of December 31, 2003	Total	2004	2005	2006	2007	2008	2009 and after
MANAGEMENT OF INTEREST RATE EXPOSURE							
Issue swaps and swaps hedging debenture issues							
Notional amount	8,479	875	1,546	512	1,561	1,672	2,313
Received rate (as of 12/31/2003)	4.43%						
Paid rate (as of 12/31/2003)	1.63%						
Long-term currency and interest rate swaps							
Notional amount	153	40	40	3	70	-	-
Received rate (as of 12/31/2003)	3.04%						
Paid rate (as of 12/31/2003)	2.67%						
Long-term interest rate swaps							
Receive-fixed swaps							
Notional amount	79	41	38	-	-	-	-
Received rate (as of 12/31/2003)	5.63%						
Paid rate (as of 12/31/2003)	1.50%						
Pay-fixed swaps							
Notional amount	877	161	-	-	396	317	3
Received rate (as of 12/31/2003)	1.36%						
Paid rate (as of 12/31/2003)	3.44%						
Short-term interest rate swaps							
Notional amount	9,540	9,540	-	-	-	-	-
FRA							
Notional amount	48	48	-	-	-	-	-
Buying	24	24	-	-	-	-	-
Sale	24	24	-	-	-	-	-
MANAGEMENT OF CURRENCY EXPOSURE							
Currency swaps							
Notional amount	6,221	6,191	30	-	-	-	-
Forward exchange contracts							
Notional amount	257	244	13	-	-	-	-
Currency options							
Notional amount	10	10	-	-	-	-	-
Buying	-	-	-	-	-	-	-
Sale	10	10	-	-	-	-	-

(in millions of euros)

As of December 31, 2002	Total	2003	2004	2005	2006	2007	2008 and after
MANAGEMENT OF INTEREST RATE EXPOSURE							
Issue swaps and swaps hedging debenture issues							
Notional amount	7,918	539	1,023	1,862	616	1,803	2,075
Received rate (as of 12/31/2002)	5.03%						
Paid rate (as of 12/31/2002)	1.63%						
Long-term currency and interest rate swaps							
Notional amount	234	3	-	138	7	86	-
Received rate (as of 12/31/2002)	2.69%						
Paid rate (as of 12/31/2002)	2.95%						
Long-term interest rate swaps							
Receive-fixed swaps							
Notional amount	318	73	110	133	-	-	2
Received rate (as of 12/31/2002)	6.47%						
Paid rate (as of 12/31/2002)	1.56%						
Pay-fixed swaps							
Notional amount	482	-	3	-	-	476	3
Received rate (as of 12/31/2002)	1.39%						
Paid rate (as of 12/31/2002)	3.35%						
Short-term interest rate swaps							
Notional amount	6,294	6,294	-	-	-	-	-
FRA							
Notional amount	104	104	-	-	-	-	-
Buying	52	52	-	-	-	-	-
Sale	52	52	-	-	-	-	-
MANAGEMENT OF CURRENCY EXPOSURE							
Currency swaps							
Notional amount	4,154	4,149	5	-	-	-	-
Forward exchange contracts							
Notional amount	478	270	193	15	-	-	-
Currency options							
Notional amount	93	82	11	-	-	-	-
Buying	41	41	-	-	-	-	-
Sale	52	41	11	-	-	-	-

Most long-term swaps (interest rate and/or currency swaps, issue swaps or swaps hedging debenture issues) are aimed mainly at converting fixed-rate debt into floating-rate debt on a LIBOR basis or equivalent.

The average interest rates are given for information purposes and reflect, for the floating-rate portion, market conditions at year-end.

Impact on reported interest expenses of the financial hedging instruments

The Company does not consider it meaningful to measure this impact for the issue swaps. These swaps are an integral part of the issuance of most of the debenture loans, the fixed rate of which is thereby converted into a US dollar floating rate at the issuance date. Hence, the original fixed rate of the debenture loans and, similarly, of the issue swap is not meaningful.

Regarding the other derivative instruments, the only significant impact on the statement of income is a profit, amounting to 3 million euros, for the year ended December 31, 2003, an expense, amounting to 4 million euros, for the year ended December 31, 2002, and an expense, amounting to 20 million euros, for the year ended December 31, 2001, related to the premiums/discounts on currency swaps primarily used to manage the conversion of the Company's currency deposits into euros.

Commodity contracts

The commitments related to the Company's operations on crude oil, petroleum products and natural gas and power futures markets are stated below. These amounts represent the levels of involvement by the Company and are not indicative of a market risk or gains or losses.

(in millions of euros)

	Notional value 2003		Notional value 2002	
	Assets	Liabilities	Assets	Liabilities
Crude oil and petroleum products:				
• Swaps ⁽¹⁾	2,546	2,724	2,815	3,306
• Forwards	262	1,050	155	244
• Options ⁽²⁾	1,742	1,409	2,177	1,907
• Futures ⁽³⁾	660	912	546	824
• Options on futures ⁽²⁾	92	139	86	91
Natural gas and power:				
• Swaps ⁽¹⁾	272	166	83	922
• Forwards	6,106	7,116	5,839	6,455
• Options ⁽²⁾	227	239	223	214
• Futures ⁽³⁾	3	17	3	5

(1) Swaps (including "Contracts for differences"): the "assets/liabilities" columns correspond to receive-fixed and pay-fixed swaps.

(2) Options: the "assets/liabilities" columns correspond to the nominal value of options (calls or puts) purchased sold, valued based on the strike.

(3) Futures: the "assets/liabilities" columns correspond to the net purchasing/selling positions, valued based on the closing rate on the organized exchange market.

Contracts on crude oil and petroleum products have been primarily entered into for a short term (less than one year).

For crude oil and petroleum products, the "Forwards" include instruments that may result in physical delivery, like the "15-day Brent" type of contracts.

In the natural gas and power activity, the "Forwards" include the derivative instruments as well as all contracts resulting in physical delivery.

24 Fair value of financial instruments



Fair values are estimated for the majority of the Company's financial instruments, with the exception of publicly traded equity securities and marketable securities for which the market prices is used. The Intra-Group financial instruments are not valued.

The estimation of fair values, based in particular on principles such as discounting to present value of future cash flows, must be weighted by the fact that the value of a financial instrument at a given time may be modified depending on the market environment (liquidity especially), and also the fact that subsequent changes in interest rates and exchange rates are not taken into account. In some cases, the estimations have been made based on simplifying assumptions.

As a consequence, the use of different estimations, methodologies and assumptions may have a material effect on the estimated fair value amounts.

The methods used are as follows:

Cash and cash equivalents, accounts and notes receivable, bank overdrafts, short-term borrowings, accounts and notes payable:

the carrying amounts reflected in the Consolidated financial statements are reasonable estimates of the fair value because of the relatively short period of time between the origination of the instruments and their expected realization.

Investments: estimated fair values for publicly traded equity securities are based on quoted average market prices of the month of December 2003 and 2002.

Long-term debt, current portion of long-term debt, long-term interest rate and foreign currency swaps:

the fair values of these financial instruments were determined by estimating future cash flows on a borrowing-by-borrowing basis and discounting these future cash flows using the zero coupon interest rate curves at year-end and taking into account a spread that corresponds to the average risk classification of the Company.

Bank guarantees: the fair value of these instruments are based on average fees currently charged for similar agreements, taking into account the average risk classification of the Company.

Other off-balance sheet financial instruments

The fair value of the interest rate swaps and of FRA are calculated by discounting future cash flows on the basis of the zero coupon interest rate curves existing at year-end after adjustment for interest accrued yet unpaid (only for the hedging swaps on debentures).

Forward exchange transactions (forward exchange rates and currency swaps) are valued on the basis of a comparison of the forward rates negotiated with the rates in effect on the financial markets at year-end for similar maturities.

Foreign exchange options are valued based on Garman-Kohlhagen model including market quotations as of December 31, 2003.

(in millions of euros)

As of December 31,	2003		2002	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
BALANCE SHEET				
Other investments:				
• Publicly traded	306	406	349	377
• Non-publicly traded (subsidiaries excluded from consolidation and other)	856	856	872	872
Short-term investments:				
• Publicly traded	1,389	1,544	1,409	1,482
• Non-publicly traded	15	15	99	99
Loans and advances to subsidiaries excluded from consolidation and others	826	826	1,117	1,117
Debenture loans (before swaps and excluding current portion) ^(a)	7,763	9,182	7,522	8,272
Issue swaps ^(a)	–	(1,414)	–	(727)
Bank loans (excluding capital lease obligations) ^(b) :				
• Fixed-rate	243	252	271	281
• Floating-rate	1,417	1,417	2,026	2,026
Current portion of long-term debt (excluding current portion of capital lease obligations)	1,626	1,694	1,124	1,136

OFF-BALANCE SHEET

Treasury management instruments

Bank guarantees	–	(2)	–	(9)
Swaps hedging debenture issues ^(a)	–	–	–	25
Long-term interest rate and currency swaps	–	25	–	4
Long-term interest rate swaps	(2) ^(f)	(9)	(4) ^(f)	19
Short-term interest rate swaps ^(c)	–	1	–	(2)
Short-term and long-term currency swaps ^(d)	–	(174)	–	84
Forward exchange contracts	–	3	–	(2)
Currency options	–	(1)	–	(1)

Commodities instruments (comparable to financial instruments) ^(e)

Petroleum products and crude oil swaps	(16)	(16)	(45)	(45)
Petroleum products and crude oil options	15	15	25	25
Natural gas and power swaps	12	12	(1)	(1)
Natural gas and power options	(2)	(2)	–	–

(a) All issue swaps specifically hedge debenture loans. They were concluded under ISDA agreements in order to create synthetic debt at a floating rate in US dollars in most cases. The fair values of these swaps must therefore be incorporated into the overall value of debenture loans.

In the same sense, some long-term interest rate swaps were concluded to partly modify the Company's interest rate exposure. The corresponding fair value should be considered together with the fair value of the long-term debt hedged by these swaps.

(b) The fair value does not take into account the interest rate swaps since they are presented separately.

(c) The fair value of the short-term interest-rate swaps correlates with the value of the short-term loans and borrowings; these swaps are used in order to reduce the negotiated rates to the daily rate which is the benchmark.

(d) Currency swaps are used in the context of managing the current position of the Company, in order to be able to borrow or invest cash in markets other than the euro market. Thus, their fair value, if significant, is offset by the value of the short-term loans and borrowings which they hedge.

(e) Operations which will not generate physical delivery at maturity date. The carrying value corresponds to the value of these instruments in the balance sheet.

(f) This amount corresponds to the unrealized loss on swaps not considered as hedging instruments.

25

Employee share subscription and share purchase plans

↑ TOTAL share subscription plans

	1995 Plan ⁽¹⁾	1996 Plan ⁽²⁾	2003 Plan ⁽³⁾	Total
Exercise price (in euros)	44.36	59.76	133.20	
Expiration date	09/05/2001	12/11/2002	07/16/2011	
Options				
Exercisable as of January 1, 2001	293,770	668,910		962,680
Granted	-	-		-
Cancelled	(4,750)	(1,800)		(6,550)
Exercised	(289,020)	(217,229)		(506,249)
Exercisable as of January 1, 2002	-	449,881		449,881
Granted	-	-		-
Cancelled	-	(2,700)		(2,700)
Exercised	-	(447,181)		(447,181)
Exercisable as of January 1, 2003	-	-		-
Granted	-	-	2,935,306	2,935,306
Cancelled	-	-	-	-
Exercised	-	-	-	-
Exercisable as of December 31, 2003	-	-	2,935,306	2,935,306

(1) Grants decided by the Board of Directors on September 5, 1995 pursuant to the authorization given by the Extraordinary Shareholders' Meeting held on June 17, 1991. The options are exercisable only after a 3-year period from the date the option is granted to the individual employee and must be exercised within 6 years from the date of grant.

(2) Grants decided by the Board of Directors on December 11, 1996 pursuant to the authorization given by the Extraordinary Shareholders' Meeting held on June 4, 1996. The options are exercisable only after a 3-year period from the date the option is granted to the individual employee and must be exercised within 6 years from the date of grant.

(3) Grants decided by the Board of Directors on July 16, 2003 pursuant to the authorization given by the Extraordinary Shareholders' Meeting held on May 17, 2001. The options are exercisable only after a 2-year period from the date the option is granted to the individual employee and must be exercised within 8 years from this date. Underlying shares may not be sold for 4 years from the date of grant.

TOTAL share purchase plans

	1998 Plan ⁽¹⁾	1999 Plan ⁽²⁾	2000 Plan ⁽³⁾	2001 Plan ⁽⁴⁾	2002 Plan ⁽⁵⁾	Total
Exercise price (in euros)	93.76	113.00	162.70	168.20	158.30	
Expiration date	03/17/2006	06/15/2007	07/11/2008	07/10/2009	07/09/2010	
Options						
Exercisable as of January 1, 2001	916,750	1,476,167	2,425,645			4,818,562
Granted	–	–	–	2,693,375		2,693,375
Cancelled	(2,850)	(5,550)	(7,250)	(900)		(16,550)
Exercised	(7,920)	(1,000)	(800)	–		(9,720)
Exercisable as of January 1, 2002	905,980	1,469,617	2,417,595	2,692,475		7,485,667
Granted	–	–	–	4,000	2,870,850	2,874,850
Cancelled	(900)	(1,800)	(2,950)	(9,200)	(1,000)	(15,850)
Exercised	(4,200)	(11,850)	–	–	–	(16,050)
Exercisable as of January 1, 2003	900,880	1,455,967	2,414,645	2,687,275	2,869,850	10,328,617
Granted	–	–	–	–	–	–
Cancelled	–	(5,100)	(5,600)	(3,650)	(6,650)	(21,000)
Exercised	(178,342)	(44,250)	–	–	–	(222,592)
Exercisable as of December 31, 2003	722,538	1,406,617	2,409,045	2,683,625	2,863,200	10,085,025

(1) Grants decided by the Board of Directors on March 17, 1998 pursuant to the authorization given by the Extraordinary and Ordinary Shareholders' Meeting held on May 21, 1997. The options are exercisable only after a 5-year period from the date the option is granted to the individual employee and must be exercised within 8 years from this date.

(2) Grants decided by the Board of Directors on June 15, 1999 pursuant to the authorization given by the Extraordinary and Ordinary Shareholders' Meeting held on May 21, 1997. The options are exercisable only after a 5-year period from the date the option is granted to the individual employee and must be exercised within 8 years from this date.

(3) Grants decided by the Board of Directors on July 11, 2000 pursuant to the authorization given by the Extraordinary and Ordinary Shareholders' Meeting held on May 21, 1997. The options are exercisable only after a 4-year period from the date the option is granted to the individual employee and must be exercised within 8 years from this date. For beneficiaries holding contracts with French companies or working in France, the shares arising from the exercise of options may not be sold for 5 years from the date of grant.

(4) Grants decided by the Board of Directors on July 10, 2001 pursuant to the authorization given by the Extraordinary and Ordinary Shareholders' Meeting held on May 17, 2001. The options are exercisable only after January 1, 2005 and must be exercised within 8 years from the date of grant. For beneficiaries holding contracts with French companies or working in France, the shares arising from the exercise of options may not be sold for 4 years from the date of grant.

(5) Grants decided by the Board of Directors on July 9, 2002 pursuant to the authorization given by the Extraordinary and Ordinary Shareholders' Meeting held on May 17, 2001. The options are exercisable only after a 2-year period from the date the option is granted to the individual employee and must be exercised within 8 years from this date. Underlying shares may not be sold for 4 years from the date of grant.

Exchange guarantee granted to the holders of Elf Aquitaine share subscription options

Pursuant to the public exchange offer for Elf Aquitaine shares which was made in 1999, the Company made a commitment to guarantee the holders of Elf Aquitaine share subscription options, at the end of the period referred

to in Article 163 C of the French Tax Code (CGI), and until the end of the period for the exercise of the options, the possibility to exchange their future Elf Aquitaine shares for TOTAL shares, on the basis of the exchange ratio of the offer (19 TOTAL shares for 13 Elf Aquitaine shares). As of December 31, 2003, a maximum of 2,595,657 Elf Aquitaine shares, either outstanding or to be created, were covered by this guarantee, as follows:

Elf Aquitaine share subscription plans	1997 Plan	1998 Plan	1999 Plan no 1	1999 Plan no 2	MTI Plan ⁽¹⁾	Total
Exercise price (in euros)	80.65	105.95	115.60	171.60	105.95	
Expiration date	03/25/2004	03/31/2005	03/30/2009	09/12/2009	03/31/2005	
Options exercisable as of December 31, 2003	267,256	653,456	656,951	59,600	900,563	2,537,826
Outstanding Elf Aquitaine shares covered by the exchange guarantee as of December 31, 2003	11,309	23,175	11,591	-	11,756	57,831
Total of Elf Aquitaine shares, either outstanding or to be created, covered by the exchange guarantee for TOTAL shares as of December 31, 2003	278,565	676,631	668,542	59,600	912,319	2,595,657

(1) Medium-Term Incentive (MTI) plan granted by Elf Aquitaine's Board of Directors on April 1, 1998, provided that performance objectives were met by Elf Aquitaine for the 1998, 1999, 2000, 2001, and 2002 accounting periods.

Thus, as of December 31, 2003, a total of 3,793,652 shares of the Company were likely to be created within the scope of the application of this exchange guarantee.

26

↑

Payroll and staff

For the year ended December 31,		2003	2002	2001
Personnel expense (in millions of euros)				
Wages and salaries (including social charges)		6,153	6,429	6,489
Average number of employees				
France	• Management	11,194	11,736	11,567
	• Other	38,443	41,179	41,744
International	• Management	14,326	14,650	14,224
	• Other	46,820	53,904	54,490
Total		110,783	121,469	122,025

Average number of employees includes only the employees of consolidated subsidiaries.

27 Consolidated statements of cash flows

↑ A) Disclosure of accounting policies applied

The consolidated statements of cash flows in foreign currency have been translated into euros using average exchange rates for all years considered. They exclude the currency translation differences arising from translation of assets and liabilities denominated in foreign currency into euros using exchange rates prevailing at the end of accounting periods (except for cash and cash equivalents). Therefore, the consolidated statements of cash flows will not agree with the figures derived from the consolidated balance sheet.

Cash and cash equivalents

Cash and cash equivalents are highly liquid investments that are readily convertible to cash and have original maturities of three months or less. Changes in bank overdrafts are included in cash provided by financing activities.

Long-term debt

Changes in long-term debt have been presented as the net variation to reflect significant changes mainly related to revolving credit agreements. The detailed analysis is as follows:

(in millions of euros)

For the year ended December 31,	2003	2002
Issuance of long-term debt	2,657	2,148
Repayment of long-term debt	(549)	(506)
Net increase in long-term debt	2,108	1,642

B) Changes in working capital

(in millions of euros)

For the year ended December 31,	2003	2002
Inventories	(19)	(179)
Accounts receivable	(393)	(519)
Prepaid expenses and other current assets	(60)	1,645
Accounts payable	941	1,149
Other creditors and accrued liabilities	(87)	(2,160)
Net (increase) decrease in working capital	382	(64)

C) Supplemental disclosures

(in millions of euros)

For the year ended December 31,	2003	2002
Cash paid during the year for:		
• Interest expense (net of amount capitalized)	505	609
• Income taxes	3,908	4,012

28 Other risks and contingent liabilities

The company is not currently aware of any event, litigation, risk, or contingent liabilities which could materially adversely affect the financial condition, assets, results, or business of the Company.

Antitrust Investigations

Following an investigation into certain trade practices in the chemical industry in the United States, Atofina and other chemical subsidiaries of the Group are involved in several civil lawsuits in the United States and Canada for violations of antitrust laws. The litigation reserves regarding those lawsuits amount to 18.7 million euros.

The investigations commenced by the European Commission in 2000 and 2003 into alleged anti-competitive practices involving certain products sold by Atofina or its subsidiaries have so far resulted in a decision by the Commission in respect of one product line, issued on December 10, 2003, ordering Atofina to pay a fine of 43.5 million euros. Regarding the investigations involving other product lines, no statement of objections has been issued so far to Atofina by the European Commission. In these circumstances, the Group is of the opinion that the provisions recorded in the accounts of certain of its chemical subsidiaries in the aggregate amount of 200 million euros should be adequate in the light of the anticipated consequences of these investigations.

Moreover, investigations commenced in October 2002 by the European Commission in the refining-marketing subsidiaries of the Group are still under way, but no statement of objections has been issued so far.

Although it is not currently possible to determine with certainty the outcome of these lawsuits and investigations, the Company is of the opinion that their ultimate resolution should not have any significant, adverse effect on the Group's financial position, cash flows, or earnings.

29 Other information

A/ Customs duties and excise taxes

They amounted to 21,049 million euros in 2003, 22,639 million euros in 2002, and 21,459 million euros in 2001.

B/ Research and development costs

The Group strategy of research and development is focused on the three segments of activity, principally in the following areas :

- Exploration-Production technology allowing the access, at acceptable cost, to new energy resources (high pressure-high temperature, deep offshore, heavy crude oils, polyphasic transportation of acidic gas) as well as environmental-friendly technologies such as reduction of gaseous emissions which erode the atmosphere, containment of acidic gas emissions, and efficient use of water in the upstream industrial process.
- Refining technology allowing the identification, the anticipation, and the reduction of constraints linked to the operation of the facilities, the evolution of specifications and the control of environmental emissions, and marketing technology allowing the creation of innovative formulations of products representing sales opportunity.
- Chemical processes allowing a stronger competitiveness, quality, safety and respect of environment, in particular of the following themes: new catalysis technology, new polymerization technologies, new products (polymers, elastomers, anti-vibrating systems, new coatings) as well as nano-technology.

Research and development costs incurred by the Company during the 2003 accounting period amounted to 667 million euros as compared to 662 million euros in 2002 and 695 million euros in 2001, corresponding to 0.6% of the turnover of the last three years.

The staff dedicated to these research and development activities are estimated at 5,484 people.

C/ Taxes paid to Middle East oil-producing countries for the portion which TOTAL held historically as concessions

Taxes paid for the portion which TOTAL held historically as concessions (Abu Dhabi offshore and onshore, Dubai offshore, Oman and Abu Al Bu Khoosh) included in operating expenses amounted to 1,315 million euros in 2003, 1,210 million euros in 2002, and 1,438 million euros in 2001.

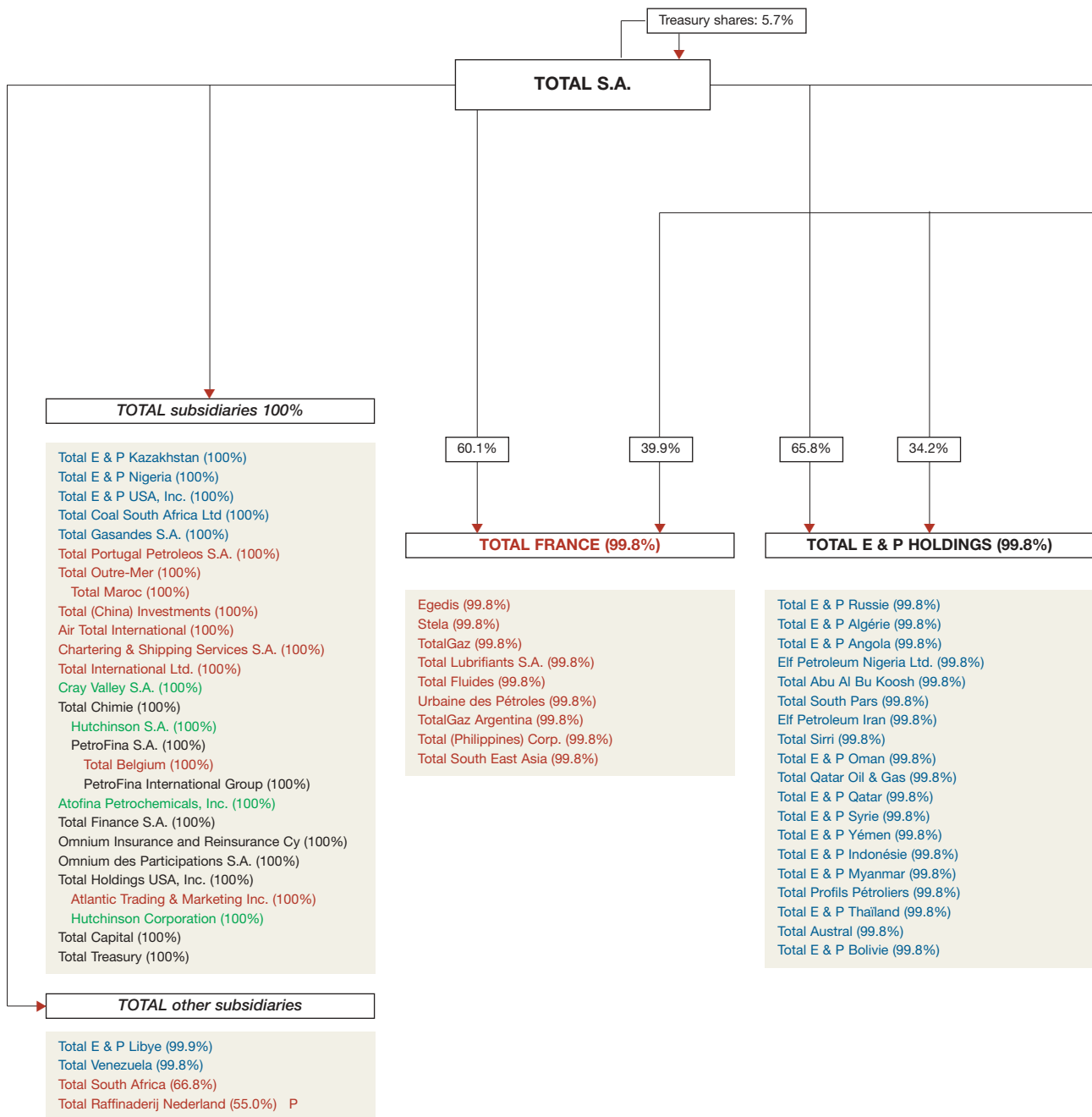
30 Scope of consolidation as of December 31, 2003

As of December 31, 2003, 772 subsidiaries are consolidated of which 667 are fully consolidated, 10 are proportionately consolidated, (identified with the letter P), and 95 are accounted for under the equity method (identified with the letter E).

This simplified legal organization chart shows the principal consolidated subsidiaries.

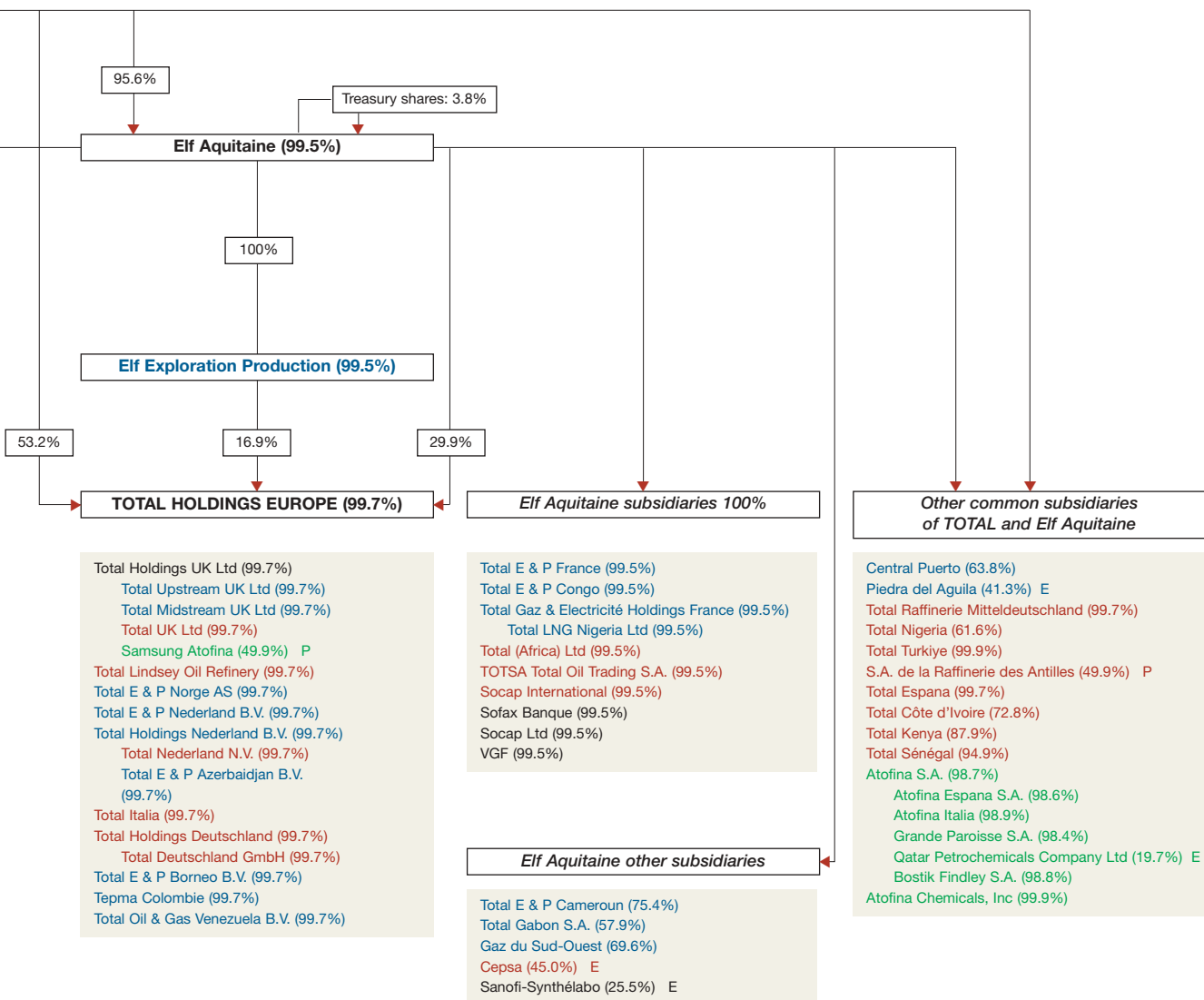
For each subsidiary, the Group interest is mentioned between brackets.

This chart of legal detentions is not exhaustive and does not reflect the operational structure and the relative economic size of the Group subsidiaries and business segments.



The business segments are identified with the following colors:

- Upstream**
- Downstream**
- Chemicals**
- Holding**



Five-year summarized consolidated balance sheets*(in millions of euros)*

As of December 31,	2003	2002	2001	2000	1999
ASSETS					
Non-current assets	50,450	54,010	56,640	53,860	51,358
Intangible assets	2,017	2,752	3,196	2,914	3,112
Property, plant and equipment	36,286	38,592	41,274	37,699	35,797
Investments and other non-current assets	12,147	12,666	12,170	13,247	12,449
Current assets	29,513	31,319	31,960	31,314	29,624
Inventories ⁽¹⁾	6,137	6,515	6,622	6,811	7,863
Other current assets	23,376	24,804	25,338	24,503	21,761
Total	79,963	85,329	88,600	85,174	80,982

(in millions of euros)

As of December 31,	2003	2002	2001	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY					
Long-term liabilities and shareholders' equity	56,854	60,147	62,531	60,025	54,786
Shareholders' equity	30,406	32,146	33,932	32,401	27,669
Redeemable preferred shares	396	477	567	537	597
Minority interests	664	724	898	755	1,481
Long-term liabilities	15,605	16,643	15,969	14,823	14,527
Long-term debt	9,783	10,157	11,165	11,509	10,512
Current liabilities	23,109	25,182	26,069	25,149	26,196
Total liabilities and shareholders' equity	79,963	85,329	88,600	85,174	80,982

(1) Since year ended December 31, 2000, the reserve for crude oil price has been deducted from the gross value of inventory under a specific heading (see Note 1-H).

Five-year consolidated statements of income*(in millions of euros)*

For the year ended December 31,	2003	2002	2001	2000	1999 ⁽¹⁾
Sales	104,652	102,540	105,318	114,557	42,178
Operating expenses	(86,905)	(86,622)	(87,760)	(95,485)	(37,139)
Depreciation, depletion, and amortization	(4,977)	(5,792)	(4,781)	(4,859)	(2,235)
Operating income	12,770	10,126	12,777	14,213	2,804
Interest expense, net	(232)	(195)	(184)	(440)	(378)
Dividend income on non-consolidated subsidiaries	152	170	159	152	76
Dividends on redeemable preferred shares	(5)	(10)	(19)	(28)	(15)
Other income (expense)	(1,060)	243	283	(740)	147
Special items, net	-	-	-	-	(177)
Income taxes	(5,353)	(5,034)	(5,874)	(6,322)	(843)
Equity in income (loss) of affiliates	1,086	866	1,001	676	61
Income before amortization of acquisition goodwill	7,358	6,166	8,143	7,511	1,675
Amortization of acquisition goodwill	(139)	(212)	(319)	(303)	(110)
Consolidated net income	7,219	5,954	7,824	7,208	1,565
Minority interests	194	13	166	304	45
Net income	7,025	5,941	7,658	6,904	1,520

(1) Income statement for year ended December 31, 1999 corresponds solely to the Totalfina Group.

Supplemental oil and gas information

(unaudited)

Oil and gas reserves

The following tables present, for crude oil, condensates and natural gas liquids reserves and for the natural gas reserves, an estimate of the Group's oil and gas quantities by geographical areas at December 31, 2003, 2002 and 2001.

Quantities shown concern:

- proved developed and undeveloped reserves together with changes in quantities for 2003, 2002 and 2001.
- proved developed reserves.

The definitions used for proved oil and gas reserves, proved developed oil and gas reserves and proved undeveloped reserves are in accordance with the applicable US Securities & Exchange Commission regulation, Rule 4-10 of Regulation S-X.

Proved reserves are estimated using geological and engineering data to determine with reasonable certainty whether the crude oil or natural gas in known reservoirs is recoverable under existing

economic and operating conditions. This process involves making subjective judgments; consequently, measures of reserves are not precise and are subject to revision.

All references in the following tables to reserves or production are to the entire Group's consolidated net share of such reserves or production.

TOTAL's worldwide proved reserves include the proved reserves of its consolidated subsidiaries as well as its proportionate share of the proved reserves of equity affiliates and two companies accounted for by the cost method.

The reserve estimates shown below do not include quantities that may or may not be produced, due to changes in economic conditions or pursuant to new technologies.

Proved reserves include estimated quantities allowable under production sharing contracts and buy back contracts. These reserve estimates vary with the oil price due to the terms of repayment of the costs provided for in the contracts.

Changes in liquids reserves

(in millions of barrels)

	Consolidated subsidiaries						Equity affiliates & non consolidated	Total Group
	Europe	Africa	North America	Asia	Rest of world	Total		
Proved developed and undeveloped reserves								
Balance as of December 31, 2000	1,174	2,761	40	111	1,325	5,411	1,549	6,960
Revisions of previous estimates	117	250	(5)	(10)	89	441	(40)	401
Extensions, discoveries and other	34	67	–	2	30	133	–	133
Acquisitions of reserves in place	–	3	–	–	–	3	–	3
Sales of reserves in place	(3)	(2)	–	–	–	(5)	–	(5)
Production for the year	(152)	(197)	(2)	(9)	(77)	(437)	(94)	(531)
Balance as of December 31, 2001	1,170	2,882	33	94	1,367	5,546	1,415	6,961
Revisions of previous estimates	62	266	3	1	(59)	273	(35)	238
Extensions, discoveries and other	26	140	–	–	356	522	–	522
Acquisitions of reserves in place	49	1	–	–	41	91	1	92
Sales of reserves in place	(2)	–	–	–	–	(2)	–	(2)
Production for the year	(170)	(214)	(2)	(8)	(100)	(494)	(86)	(580)
Balance as of December 31, 2002	1,135	3,075	34	87	1,605	5,936	1,295	7,231
Revisions of previous estimates	108	53	1	1	245	408	(20)	388
Extensions, discoveries and other	5	55	67	–	127	254	–	254
Acquisitions of reserves in place	–	2	–	–	77	79	–	79
Sales of reserves in place	(6)	(16)	(1)	–	–	(23)	–	(23)
Production for the year	(169)	(221)	(2)	(9)	(102)	(503)	(103)	(606)
Balance as of December 31, 2003	1,073	2,948	99	79	1,952	6,151	1,172	7,323
Minority interest in proved developed and undeveloped reserves								
December 31, 2000	35	56	–	–	–	91	–	91
December 31, 2001	33	75	–	–	–	108	–	108
December 31, 2002	28	74	–	–	–	102	–	102
December 31, 2003	23	85	–	–	–	108	–	108
Proved developed reserves								
December 31, 2000	824	1,156	9	69	416	2,474	1,023	3,497
December 31, 2001	870	1,128	6	53	530	2,587	858	3,445
December 31, 2002	855	1,199	5	52	579	2,690	886	3,576
December 31, 2003	769	1,354	28	50	574	2,775	788	3,563

Changes in gas reserves

(in billions of cubic feet)

	Consolidated subsidiaries						Equity affiliates & non consolidated	Total Group
	Europe	Africa	North America	Asia	Rest of world	Total		
Proved developed and undeveloped reserves								
Balance as of December 31, 2000	7,421	2,370	535	6,547	2,157	19,030	1,675	20,705
Revisions of previous estimates	122	863	(5)	170	67	1,217	97	1,314
Extensions, discoveries and other	118	746	87	74	307	1,332	–	1,332
Acquisitions of reserves in place	–	–	–	–	80	80	–	80
Sales of reserves in place	(20)	–	–	–	–	(20)	–	(20)
Production for the year	(675)	(134)	(81)	(407)	(104)	(1,401)	(81)	(1,482)
Balance as of December 31, 2001	6,966	3,845	536	6,384	2,507	20,238	1,691	21,929
Revisions of previous estimates	212	(157)	57	(56)	132	188	9	197
Extensions, discoveries and other	770	146	11	13	96	1,036	–	1,036
Acquisitions of reserves in place	64	–	–	–	9	73	–	73
Sales of reserves in place	(2)	–	(4)	–	–	(6)	–	(6)
Production for the year	(814)	(137)	(78)	(410)	(131)	(1,570)	(84)	(1,654)
Balance as of December 31, 2002	7,196	3,697	522	5,931	2,613	19,959	1,616	21,575
Revisions of previous estimates	173	54	80	(201)	84	190	66	256
Extensions, discoveries and other	39	–	–	–	2,175	2,214	–	2,214
Acquisitions of reserves in place	–	–	–	–	–	–	–	–
Sales of reserves in place	(3)	–	(28)	–	–	(31)	–	(31)
Production for the year	(834)	(148)	(108)	(421)	(146)	(1,657)	(90)	(1,747)
Balance as of December 31, 2003	6,571	3,603	466	5,309	4,726	20,675	1,592	22,267
Minority interest in proved developed and undeveloped reserves								
December 31, 2000	142	7	–	–	–	149	–	149
December 31, 2001	141	30	–	–	–	171	–	171
December 31, 2002	120	28	–	–	–	148	–	148
December 31, 2003	102	29	–	–	–	131	–	131
Proved developed reserves								
December 31, 2000	5,336	1,555	334	4,089	701	12,015	1,675	13,690
December 31, 2001	5,185	1,287	294	3,800	934	11,500	1,660	13,160
December 31, 2002	5,362	1,785	385	3,563	965	12,060	1,586	13,646
December 31, 2003	4,862	1,775	348	3,214	1,367	11,566	1,568	13,134

Changes in liquids and gas reserves

(in millions of barrels of oil equivalent)

	Consolidated subsidiaries						Equity affiliates & non consolidated	Total Group
	Europe	Africa	North America	Asia	Rest of world	Total		
Proved developed and undeveloped reserves								
Balance as of December 31, 2000	2,576	3,211	133	1,252	1,724	8,896	1,866	10,762
Revisions of previous estimates	102	416	1	26	92	637	(22)	615
Extensions, discoveries and other	56	225	16	15	85	397	–	397
Acquisitions of reserves in place	–	3	–	–	12	15	–	15
Sales of reserves in place	(7)	(2)	–	–	–	(9)	–	(9)
Production for the year	(277)	(223)	(17)	(80)	(95)	(692)	(110)	(802)
Balance as of December 31, 2001	2,450	3,630	133	1,213	1,818	9,244	1,734	10,978
Revisions of previous estimates	106	239	14	(3)	(31)	325	(33)	292
Extensions, discoveries and other	168	168	2	3	371	712	–	712
Acquisitions of reserves in place	60	1	–	–	43	104	2	106
Sales of reserves in place	(2)	–	(1)	–	–	(3)	–	(3)
Production for the year	(320)	(241)	(16)	(80)	(123)	(780)	(102)	(882)
Balance as of December 31, 2002	2,462	3,797	132	1,133	2,078	9,602	1,601	11,203
Revisions of previous estimates	138	63	16	(26)	262	453	(10)	443
Extensions, discoveries and other	12	56	67	–	496	631	–	631
Acquisitions of reserves in place	–	2	–	–	77	79	–	79
Sales of reserves in place	(7)	(15)	(6)	–	–	(28)	–	(28)
Production for the year	(319)	(252)	(22)	(85)	(129)	(807)	(120)	(927)
Balance as of December 31, 2003	2,286	3,651	187	1,022	2,784	9,930	1,471	11,401
Minority interest in proved developed and undeveloped reserves								
December 31, 2000	62	58	–	–	–	120	–	120
December 31, 2001	58	80	–	–	–	138	–	138
December 31, 2002	51	79	–	–	–	130	–	130
December 31, 2003	42	91	–	–	–	133	–	133
Proved developed reserves								
December 31, 2000	1,840	1,450	68	768	615	4,741	1,269	6,010
December 31, 2001	1,822	1,372	62	698	698	4,652	1,171	5,823
December 31, 2002	1,844	1,541	76	666	754	4,881	1,187	6,068
December 31, 2003	1,667	1,694	94	609	823	4,887	1,082	5,969

Financial review

Results of operations for oil and gas producing activities

The following table includes revenues and expenses associated directly with the Company's oil and gas producing activities. It does not include any interest cost.

(in millions of euros)

		Consolidated subsidiaries					Total
		Europe	Africa	North America	Asia	Rest of world	
Year ended December 31, 2001							
Revenues	Sales to unaffiliated parties	2,624	439	81	1,460	1,191	5,795
	Transfers to affiliated parties	3,566	4,548	386	180	684	9,364
Total revenues		6,190	4,987	467	1,640	1,875	15,159
	Production costs	(782)	(621)	(119)	(168)	(268)	(1,958)
	Exploration expenses	(52)	(144)	(134)	(16)	(226)	(572)
	Depreciation, depletion and amortization and valuation allowances	(1,225)	(905)	(206)	(192)	(455)	(2,983)
	Other expenses ⁽¹⁾	(79)	(554)	(17)	(15)	(316)	(981)
Pretax income from producing activities		4,052	2,763	(9)	1,249	610	8,665
	Income tax	(2,378)	(1,751)	76	(574)	(277)	(4,904)
Results of oil and gas producing activities		1,674	1,012	67	675	333	3,761
Year ended December 31, 2002							
Revenues	Sales to unaffiliated parties	2,674	600	43	1,240	1,717	6,274
	Transfers to affiliated parties	3,884	4,733	262	170	662	9,711
Total Revenues		6,558	5,333	305	1,410	2,379	15,985
	Production costs	(904)	(613)	(56)	(190)	(302)	(2,065)
	Exploration expenses	(65)	(149)	(53)	(7)	(212)	(486)
	Depreciation, depletion and amortization and valuation allowances ⁽²⁾	(1,439)	(939)	(191)	(180)	(601)	(3,350)
	Other expenses ⁽¹⁾	(118)	(574)	(11)	(15)	(241)	(959)
Pretax income from producing activities		4,032	3,058	(6)	1,018	1,023	9,125
	Income tax	(2,483)	(1,768)	14	(487)	(361)	(5,085)
Results of oil and gas producing activities		1,549	1,290	8	531	662	4,040
Year ended December 31, 2003							
Revenues	Sales to unaffiliated parties	1,994	731	48	1,286	1,722	5,781
	Transfers to affiliated parties	4,635	4,679	494	195	623	10,626
Total Revenues		6,629	5,410	542	1,481	2,345	16,407
	Production costs	(778)	(562)	(86)	(171)	(240)	(1,837)
	Exploration expenses	(40)	(95)	(55)	(35)	(134)	(359)
	Depreciation, depletion and amortization and valuation allowances	(1,278)	(792)	(164)	(190)	(590)	(3,014)
	Other expenses ⁽¹⁾	(188)	(640)	(14)	(16)	(259)	(1 117)
Pretax income from producing activities		4,345	3,321	223	1,069	1,122	10,080
	Income tax	(2,485)	(1,961)	(82)	(498)	(208)	(5,234)
Results of oil and gas producing activities		1,860	1,360	141	571	914	4,846
Company's share of equity affiliates' results of oil and gas producing activities							
	Year ended December 31, 2001						335
	Year ended December 31, 2002						182
	Year ended December 31, 2003						294

(1) Including production taxes and, for 2003, FAS no. 143 accretion expense (121 million euros in 2003).

(2) Including a write-down of 21 million euros in 2002 following the application of FAS no. 144.

Costs incurred in oil and gas property acquisition, exploration and development activities

The following table shows the costs incurred in the Company's oil and gas property acquisition, exploration and development activities: they include both capitalized and expensed amounts.

(in millions of euros)

	Consolidated subsidiaries					Total
	Europe	Africa	North America	Asia	Rest of world	
As of December 31, 2001						
Proved property acquisition	–	13	–	–	12	25
Unproved property acquisition	–	10	2	10	131	153
Exploration costs	83	214	110	17	346	770
Development costs	1,222	1,218	364	191	1,150	4,145
Total cost incurred	1,305	1,455	476	218	1,639	5,093
As of December 31, 2002						
Proved property acquisition	8	20	–	–	54	82
Unproved property acquisition	–	7	60	–	–	67
Exploration costs	112	266	53	10	267	708
Development costs	1,194	1,111	463	312	1,080	4,160
Total cost incurred	1,314	1,404	576	322	1,401	5,017
As of December 31, 2003						
Proved property acquisition	–	61	3	2	180	246
Unproved property acquisition	–	15	8	1	–	24
Exploration costs	69	211	58	48	220	606
Development costs ⁽¹⁾	910	1,361	219	434	833	3,757
Total cost incurred	979	1,648	288	485	1,233	4,633
Company's share of equity affiliates' costs of property acquisition, exploration and development						
Year ended December 31, 2001						132
Year ended December 31, 2002						130
Year ended December 31, 2003						235

(1) Including asset retirement costs capitalized during the year and any gains or losses recognized upon settlement of asset retirement obligations during the exercise.

Costs to develop proved undeveloped reserves

The following table presents the amounts spent to develop the proved undeveloped reserves in 2002 and 2003, as well as the amounts included in the most recent standardized measure of future net cash flows to develop proved undeveloped reserves in each of the next three years.

	2002	2003	2004	2005	2006
Costs to develop Proved Undeveloped Reserves (PUD)					
(in millions of euros)	3,870	3,480	3,395 ⁽¹⁾	3,571 ⁽¹⁾	2,882 ⁽¹⁾

(1) Estimates.

Capitalized costs related to oil and gas producing activities

Capitalized costs represent the amounts of capitalized proved and unproved property costs, including support equipment and facilities, along with the related accumulated depreciation, depletion and amortization.

(in millions of euros)

	Consolidated subsidiaries					Total
	Europe	Africa	North America	Asia	Rest of world	
As of December 31, 2001						
Proved properties	23,637	18,149	1,964	2,512	6,919	53,181
Unproved properties	149	1,065	247	50	458	1,969
Total capitalized costs	23,786	19,214	2,211	2,562	7,377	55,150
Accumulated depreciation, depletion and amortization	(16,088)	(12,442)	(1,348)	(771)	(3,071)	(33,720)
Net capitalized costs	7,698	6,772	863	1,791	4,306	21,430
As of December 31, 2002						
Proved properties	25,554	16,660	2,064	2,383	7,034	53,695
Unproved properties	90	825	234	19	243	1,411
Total capitalized costs	25,644	17,485	2,298	2,402	7,277	55,106
Accumulated depreciation, depletion and amortization	(17,102)	(10,987)	(1,275)	(787)	(3,139)	(33,290)
Net capitalized costs	8,542	6,498	1,023	1,615	4,138	21,816
As of December 31, 2003						
Proved properties	24,020	16,051	1,574	2,434	7,220	51,299
Unproved properties	127	519	165	33	100	944
Total capitalized costs	24,147	16,570	1,739	2,467	7,320	52,243
Accumulated depreciation, depletion and amortization	(16,595)	(10,352)	(858)	(867)	(3,152)	(31,824)
Net capitalized costs	7,552	6,218	881	1,600	4,168	20,419
Company's share of equity affiliates' net capitalized costs						
Year ended December 31, 2001						853
Year ended December 31, 2002						682
Year ended December 31, 2003						802

Standardized measure of discounted future net cash flows (excluding transportation)

The standardized measure of discounted future net cash flows from production of proved reserves was developed as follows:

1. Estimates of proved reserves and the corresponding production profiles are based on technical and economic conditions at year end.
2. The estimated future cash flows from proved reserves are determined based on prices at December 31, except in those instances where fixed and determinable price escalations are included in existing contracts.
3. The future cash flows incorporate estimated production costs (including production taxes), future development costs and asset retirement costs. All estimates are based on year-end technical and economic conditions.
4. Future income taxes are computed by applying the year-end statutory tax rate to future net cash flows after consideration of permanent differences and future income tax credits.
5. Future net cash flows are discounted at a standard discount rate of 10 percent.

These applicable principles are the ones required by the FAS no. 69, and do not necessarily reflect the expectations of real revenues from these reserves, nor their present value: hence, they do not constitute criteria of investment decision. A better estimate of the present value of reserves should also take into account, among other things, the recovery of reserves not presently classified as proved, anticipated future changes in prices and costs and a discount factor more representative of the time value of money and the risks inherent in reserves estimates.

(in millions of euros)

	Consolidated subsidiaries					Total
	Europe	Africa	North America	Asia	Rest of world	
As of December 31, 2001						
Future cash inflows	48,279	60,535	2,356	20,072	25,636	156,878
Future production costs	(7,628)	(12,452)	(478)	(3,386)	(7,183)	(31,127)
Future development costs	(5,691)	(10,687)	(741)	(2,776)	(2,964)	(22,859)
Future net cash flows, before income taxes	34,960	37,396	1,137	13,910	15,489	102,892
Future income taxes	(19,818)	(22,449)	(106)	(6,281)	(4,271)	(52,925)
Future net cash flows, after income taxes	15,142	14,947	1,031	7,629	11,218	49,967
Discount at 10%	(4,909)	(7,464)	(434)	(3,779)	(5,587)	(22,173)
Net cash flows	10,233	7,483	597	3,850	5,631	27,794
As of December 31, 2002						
Future cash inflows	52,482	87,137	3,189	18,895	38,162	199,865
Future production costs	(7,730)	(13,263)	(437)	(2,998)	(9,793)	(34,221)
Future development costs	(5,916)	(10,904)	(337)	(3,573)	(3,678)	(24,408)
Future net cash flows, before income taxes	38,836	62,970	2,415	12,324	24,691	141,236
Future income taxes	(22,908)	(36,693)	(321)	(5,496)	(7,286)	(72,704)
Future net cash flows, after income taxes	15,928	26,277	2,094	6,828	17,405	68,532
Discount at 10%	(5,884)	(12,190)	(688)	(3,068)	(9,472)	(31,302)
Net cash flows	10,044	14,087	1,406	3,760	7,933	37,230
As of December 31, 2003						
Future cash inflows	44,136	69,191	3,507	14,315	39,544	170,693
Future production costs	(6,862)	(12,423)	(901)	(2,143)	(9,855)	(32,184)
Future development costs	(6,317)	(9,645)	(417)	(2,269)	(4,784)	(23,432)
Future net cash flows, before income taxes	30,957	47,123	2,189	9,903	24,905	115,077
Future income taxes	(20,241)	(25,960)	(379)	(4,233)	(7,037)	(57,850)
Future net cash flows, after income taxes	10,716	21,163	1,810	5,670	17,868	57,227
Discount at 10%	(3,389)	(10,151)	(691)	(2,575)	(11,303)	(28,109)
Net cash flows	7,327	11,012	1,119	3,095	6,565	29,118
Company's share of equity affiliates' future net cash flows:						
Year ended December 31, 2001						2,247
Year ended December 31, 2002						1,257
Year ended December 31, 2003						1,805

Changes in the standardized measure of discounted future net cash flows

(in millions of euros)

For the year ended December 31,	2003	2002	2001
Beginning of the year	37,230	27,794	33,545
Sales and transfers, net of production costs and other expenses	(14,870)	(11,792)	(11,950)
Net change in sales and transfer prices, net of production costs and other expenses	(13,453)	17,687	(11,190)
Extensions, discoveries and improved recovery, net of future production and development costs	1,997	2,394	932
Changes in estimated future development costs	832	1,544	(2,285)
Previously estimated development costs incurred during the year	3,987	4,168	4,205
Revisions of previous quantity estimates	(1,109)	(428)	(565)
Accretion of discount	3,723	2,779	3,355
Net change in income taxes	10,778	(7,633)	11,734
Purchases of reserves in place	190	716	(5)
Sales of reserves in place	(187)	1	18
End of year	29,118	37,230	27,794

Up to year ended December 31, 2002, the line "Previously estimated development costs incurred during the year" carried the exact same amount as the line "Development Costs" of the "Cost Incurred" table. For the year ended December 31, 2003, the presentation of this table has been changed to indicate the amounts of the future net cash flows which were estimated in the previous year.

The same change of presentation has been made for the line "Sales and transfers, net of production costs and other expenses." The amounts displayed for 2002 and 2001 have been modified accordingly.

Evolution of accounting regulations : IFRS/IAS

During the year 2003, the Group studied the potential impacts of the adoption in 2005 of international accounting standards (IFRS).

The theoretical studies of the comparison of IFRS standards with the standards presently used by the Group are finished.

The main aspects identified regard inventories, tangible and intangible assets, provisions for major turnarounds of refineries and plants, and to a lesser extent, financial derivative instruments, treasury shares, advantages linked with stock-options, and shares in non-consolidated companies.

The valuation of the impacts is currently being done. The Group believes that these standards, in their present wording and given the operations in progress as well as the environment upon publication of the financial statements, should not have a significant effect on its results and financial position, with the possible exception of the valuation of oil inventories.

The conducted studies have not underlined any major needs in terms of information technology. Moreover, in view of the restatements, harmonization and expanded knowledge of accounting policies undertaken in the framework of the business combination operations, the Group considers that it is able to face without difficulties the deadline of January 1, 2005.

Inventories

The Group is continuing its study of the consequences of the exclusion of the "Last in – First Out" (LIFO) method on the valuation of oil product inventories with the replacement cost method, which is close to the LIFO method. As there is no specific rule regarding oil product inventories in the IFRS standards, the Group is studying the means to keep on ensuring the comparability of its accounts with its major competitors.

Tangible and intangible assets

The main impact identified so far is the end of the amortization of goodwill, which is replaced by an impairment test.

Furthermore, the IAS 36 Standard specifies an impairment test of tangible and intangible assets with a comparison using the discounted future cash flows, whereas the present standard uses and this contains cash flow.

The Group is currently reviewing its assets. Of the assets reviewed thus far, and using the calculation method described above, only marginal assets are likely to be affected.

Major turnarounds

As specified in Note 1-E of the Notes to the Consolidated financial statements, the major turnaround costs in the refineries and major petrochemicals plants are provisioned in the period included between the last turnaround performed and the next turnaround planned.

As of 2005, the cost of these major turnarounds will be accounted for as an asset when it is incurred and amortized on the period between two major turnarounds.

Other impacts

The other impacts regard the accounting at market value of the derivative financial instruments of the Group's treasury, the expensing of the estimated cost of stock-options as well as the deduction from shareholder's equity of the treasury shares held in order to cover those stock-options, and eventually, the revaluation at market value of shares in non-consolidated companies in the shareholder's equity.

The above commentaries are made on the basis of the work in progress and the environment at the release date of the financial statements for the 2003 fiscal year. Their evolution in 2004 and 2005 could lead to materially different impacts. Also, the evolution of the Standards, in particular those regarding derivative instruments (IAS 32 and 39), could have an impact which is currently not quantifiable.

Risk factors

Market risks

Sensitivity to market environment

The financial performance of the Company is sensitive to a number of parameters, the most significant being oil prices, generally expressed in US dollars (USD), and exchange rates, in particular that of the US dollar versus the euro.

Overall, a rise in the price of crude oil has a positive effect on earnings as a result of an increase in revenues from oil and gas production. Conversely, a decline in crude oil prices reduces income. For the year 2004, the Company estimates that an increase or decrease of USD 1 per barrel in the price of Brent crude would respectively improve or reduce annual net income by around 0.26 billion euros. The impact of changes in crude oil prices on Downstream and Chemicals operations depends upon the speed at which the prices of finished products will adjust to reflect these changes. The Company estimates that an increase in Western Europe refining margins of USD 1 per ton would improve annual net income by 0.07 billion euros.

All of the Company's activities are in various degrees sensitive to fluctuations in the euro/US dollar exchange rate. A strengthening or weakening of the USD by 0.10 against the euro would respectively improve or reduce annual net income by approximately 0.54 billion euros.

The Company's results, in particular in the Chemicals segment, also depend on the overall economic environment.

Oil and gas market related risks

Due to the nature of its business, the Company has a significant involvement in oil trading as part of its normal operations in order to attempt to optimize revenues from its crude oil production and obtain favorable pricing for supplies for its refineries.

In 2003, international trading activities represented roughly 5.0 million delivered barrels of oil equivalent per day, 4.2 million of which were crude oil related. The Company follows a policy of not selling its future oil and gas production for future delivery. However, as part of its oil trading activities, the Company uses derivative instruments such as futures, forwards,

swaps, and options in both organized and over-the-counter markets. Under these practices, the Company is primarily exposed to market risks related to residual price differentials due to variations in qualities, indices, or delivery periods. The notional values of derivatives as of December 31, 2003 are presented in the notes to the Consolidated financial statements.

To measure market risks related to the prices of oil and gas products, the Company uses a "value at risk" method. Under this method, for the Company's crude oil and refined products trading activities, there is a 97.5% probability that unfavorable daily market variations would result in a loss of less than 7.0 million euros per day on income, based on positions as of December 31, 2003. Over the year 2003, the average value at risk was 7.0 million euros, the low value at risk was 4.8 million euros, the high value at risk was 10.4 million euros.

In 2003, group-wide natural gas power trading activity accounted for a total volume of 6.0 Bcf/d (equal to 1.1 million oil equivalent barrels per day). As part of these activities, the Company also uses derivative instruments such as futures, forwards, swaps and options in both organized and over-the-counter markets. In general, the termination dates of transactions are matched to physical delivery of the underlying commodity.

Under the Company's value at risk analysis based on the model described above, there is a 97.5% probability that unfavorable daily market variations would result in a loss of less than 2.1 million euros per day on income, based on positions as of December 31, 2003. Over the year 2003, the average value at risk was 2.3 million euros, the low value at risk was 1.0 million euros, the high value at risk was 4.5 million euros.

The Company has implemented strict policies and procedures to manage and monitor these market risks. Trading and financial controls are carried out separately and an integrated information system enables real-time monitoring of trading activities. Limits on trading positions are approved by the Company's Executive Committee and are monitored daily. To increase flexibility and encourage liquidity, hedging operations are performed with numerous independent operators, including other oil companies, major energy consumers

and financial institutions. The Company has established limits for each counterparty, and outstanding amounts for each counterparty are monitored on a regular basis.

Financial Markets Related Risks

Risks relative to cash management activities and interest rate and foreign exchange financial instruments are managed in accordance with rules set by the Company's Management. Liquidity positions and the management of financial instruments are centralized in the Treasury Department.

Cash management activities are organized into a specialized departments for operations on financial markets. The "Financial Control" Department handles the daily monitoring of limits and positions and validates results. It values financial instruments and, if necessary, performs sensitivity analysis. The Company only uses simple derivative instruments.

Management of Currency Exposure

The Group seeks to minimize the currency exposure of each exposed entity by reference to its functional currency (primarily euros, US dollars, sterling pounds, and Norwegian kroner).

For currency exposure generated by commercial activity, the hedging of revenues and costs in foreign currencies is typically performed using currency operations on the spot market and in some cases on the forward market. The Company rarely hedges estimated flows and, in this case, may use options.

With respect to currency exposure linked to long-term assets in foreign currencies, the Company makes every effort to reduce the associated currency exposure by financing in the same currency. Long-term currency debt then partially compensates the economic exposure generated.

Short-term currency exposure is periodically monitored with limits set by the Company's Management.

The management of the currency exposure is carried out by the Treasury Department which is in charge of the collection of loans on the financial markets (the proceeds of which are then loaned to the borrowing affiliates of the Group), the centralization of the cash among the different Group entities, and finally the investment of these funds on the monetary markets.

Management of Short-Term Interest Rate Exposure and Cash

Cash balances, which are primarily composed of euros and US dollars, are managed with three main objectives set out by management (to maintain maximum liquidity, to optimize revenue from investments considering existing interest rate yield curves, and to minimize the cost of borrowing), over a horizon of less than twelve months and on the basis of a daily interest rate benchmark, primarily through short-term interest rate swaps and short-term currency swaps, without modification of the currency exposure.

Management of Interest Rate Risk on Long-Term Debt

The Company's policy consists of incurring debt primarily in US dollars at a floating rate in order to deal with significant changes in cash flows due to external factors (oil prices and the US dollar/euro exchange rate).

Long-term interest rate and currency swaps can hedge debenture loans at their issuance in order to create a variable rate synthetic debt. In order to partially modify the interest rate structure of the long-term debt, the Company can also enter into long-term interest rate swaps.

Sensitivity Analysis on Interest Rate and Foreign Exchange Risk

The table below presents the potential impact on the fair value of the current financial instruments as of December 31, 2003, of an increase or decrease of 10% in the interest rate yield curves in each of the currencies.

(in millions of euros)

	As of December 31, 2003			
	Carrying amount	Estimated fair value	Change in fair value with a 10% interest rate increase (unaudited)	Change in fair value with a 10% interest rate decrease (unaudited)
BALANCE SHEET				
Debenture loans*	7,763	9,182	(94)	96
Issue swaps*		(1,414)	92	(94)
Fixed-rate bank loans (before swaps)	243	252	(6)	7
Current portion of long-term debt (excluding current portion of capital lease obligations)	1,626	1,694	1	(1)
OFF-BALANCE SHEET				
Bank guarantees		(2)	-	-
Long-term interest rate and currency swaps		25	(1)	1
Long-term interest rate swaps	(2)	(9)	8	(8)
Short-term interest rate swaps		1	1	(1)
Short-term and long-term currency swaps		(174)	1	(1)
Forward exchange contracts		3	-	-
Currency options		(1)	-	-

*Debentures loans are presented after swaps at their carrying amount and before swaps for their estimated fair value. All issue swaps specifically hedge debenture loans. The fair values of these swaps may therefore be incorporated into the overall value of debenture loans.

As a result of its policy for the management of currency exposure previously described, the Group's short-term currency exposure is not material. The Group's sensitivity to long-term currency exposure is primarily attributable to the net equity of the subsidiaries whose functional currency is the US dollar and, to a lesser extent, the Sterling pound

and the Norwegian kroner. This sensitivity is reflected by the historical evolution of the currency translation adjustment (CTA) imputed in the consolidated shareholders' equity which, in the course of the last three fiscal years, is essentially derived from the evolution of the US dollar and is set forth in the table below:

	Euro/Dollar exchange rates	CTA (in millions of euros)
December 31, 2001	0.88	1,252
December 31, 2002	1.05	(830)
December 31, 2003	1.26	(3,268)

The long-term debt in US dollars described in note 16 to the Consolidated financial statements is generally raised by the central treasury entities either in US dollars or in other currencies which are then systematically exchanged for US dollars. The proceeds from these debt issuances are subsequently loaned to affiliates whose accounts are kept in US dollars. As a consequence, the net sensitivity of these positions to currency exposure is not material.

Short-term currency swaps for which the nominal amount appears in note 23 to the Consolidated

financial statements are used with the aim of optimization of centralized investment of the cash of the Group. Thus the sensitivity to currency fluctuations which may be induced is likewise considered negligible.

As a result of this policy, the impact of currency exchange on consolidated income, as illustrated in note 20 of the Consolidated financial statements, has not been significant despite the considerable fluctuation of the US dollar (less than 60 million euros during the last three fiscal years).

Management of Counterparty Risk

The Company has established standards for which bank counterparties must be approved in advance, based on an assessment of the counterparty's financial soundness and its rating (Standard & Poors, Moody's), which must be of high quality.

An overall authorized credit limit is set for each bank and is divided among the subsidiaries and the Company's Treasury Department according to their needs.

Risks relative to the Stock Markets

The Group holds interests in a number of publicly-traded companies (see Note 8 to the Consolidated financial statements). The market values of these holdings fluctuate due to various factors, including stock market trends, valuations of the sectors in which the companies operate, and the economic and financial condition of each individual company.

(in millions of euros)

	As of December 31, 2003			Total
	Less than 1 year	1 year to 5 years	More than 5 years	
Financial debts after swaps	3,835	6,623	3,160	13,618
Cash and cash equivalents	(4,836)	-	-	(4,836)
Net amount	(1,001)	6,623	3,160	8,782

Legal risks

Legal aspects of the exploration and production activities

TOTAL's exploration and production activities are conducted in many different countries and are therefore subject to an extremely broad range of legislation and regulations. These cover virtually all aspects of exploration and production activities, including matters such as land tenure, production rates, royalties, pricing, environmental protection, export taxes and foreign exchange. The terms of the concessions, licenses, permits and contracts governing the Group's ownership of gas and oil interests vary from country to country. These concessions, licenses, permits and contracts are generally granted by or entered into with a government entity or a state company and are sometimes entered into with private owners. These arrangements usually take the form of licenses or production sharing agreements.

The "oil concession agreement" remains the classic model for agreements entered into with States: the oil company owns the assets and the facilities and is entitled to the entire production. In exchange, the operating risks, costs and investments are the oil company's responsibility and it agrees to remit

Liquidity Risk

TOTAL S.A. has confirmed lines of credit granted by international banks, which would allow it set up a significant cash reserve. The total amount of these lines of credit as of December 31, 2003, was USD 6,006 million, of which USD 5,962 million was unused. The terms and availability of these lines of credit are not conditioned on the Company's financial ratios, its financial ratings or on the absence of events that could have a material adverse on its financial situation.

The following table shows the maturity of the financial assets and debts of the Group as of December 31, 2003 (see Note 16 to the Consolidated financial statements):

to the State, as owner of the subsoil resources, a production-based royalty, income tax, and possibly other taxes that may apply under the local tax legislation.

The "Production Sharing Contract, or "PSC", involves a more complex legal framework than the concession agreement: it defines the terms and conditions of production sharing and sets the rules governing the cooperation between the company or consortium that holds the production license and the Host State, which is generally represented by a state company. The latter can thus be involved in decisions relating to operations, cost accounting and allocation of production. The consortium agrees to undertake and finance all exploration and, in certain cases, production activities at its sole risk. In exchange, it is entitled to a portion of the production, known as "cost oil", to the sale of which should cover all of these expenses (investments and operating costs). The balance of production, known as "profit oil", is then shared in varying proportions with the State or the state company.

Concession agreements and PSCs coexist, sometimes in the same country. Even though other contractual structures exist, TOTAL's license portfolio is mainly comprised of concession

agreements. In all countries, the authorities of the Host State, often supported by international accounting firms, continually audit the accounts of oil companies and the observance of their contractual obligations.

In some countries, TOTAL has also signed contracts called "contracts for risk services" which are similar to the production-sharing contracts, but with the main difference that the repayment of expenses and the compensation for its services are established on a monetary basis. In other countries, the contracts for risk services are backed by a compensation agreement ("buy-back"), which allows TOTAL to receive a part of the production equal to the cash value of its expenses and compensation.

Hydrocarbon exploration and production activities are subject to permits, which can be different for each of these activities; they are granted for limited periods of time and include an obligation to return a large portion – in case of failure the entire portion – of the permit surface at the end of the exploration period.

In general, TOTAL is required to pay income tax on income generated from its production and sale activities under its concessions or licenses. In addition, depending on the area, TOTAL's production and sale activities may be subject to a range of other taxes, fees and withholdings, including special petroleum taxes and fees. The taxes imposed on oil and gas production and sale activities may be substantially higher than those imposed on other businesses.

Grande Paroisse

An explosion occurred at the Grande Paroisse industrial site in the city of Toulouse (France) on September 21, 2001. Grande Paroisse, a 99.73% held subsidiary of Atofina as of December 31, 2003, was principally engaged in the production and sale of agricultural fertilizers. The explosion, which involved a stockpile of ammonium nitrate pellets, destroyed a portion of the site and caused the death of 30 people and injured many others. In addition a portion of Toulouse was significantly damaged. This plant has been closed and individual assistance packages were offered to employees.

The ongoing investigation has not yet determined the cause of the explosion but the hypothesis that the explosion was caused by Grande Paroisse through the accidental mixing of ammonium nitrate and a chlorine compound has been discredited. Proceedings against nine of the eleven Grande Paroisse employees charged during the criminal investigation conducted by the Toulouse Regional Court (*Tribunal de Grande Instance*) were dismissed in 2003. However, the office of the public prosecutor

for Toulouse has lodged an appeal against this decision. The judicial investigation is still under way and all possibilities are being examined.

Pursuant to applicable French law, Grande Paroisse is presumed to bear sole responsibility for the explosion as long as the cause of the explosion remains unknown. While awaiting the conclusion of the investigation, Grande Paroisse has set up a compensation system for victims. At this stage, the assessment that all the claims for compensation could reach 1.8 billion euros is maintained. This figure exceeds by 1.0 billion euros Grande Paroisse's insurance cover for legal liability (0.8 billion euros). This potential liability was covered by a 995 million euros accrual as of December 31, 2002 which was reduced to 276 million euros as of December 31, 2003 as a result of the payments made by the Group during the year.

Antitrust Investigations

Following an investigation into certain trade practices in the chemical industry in the United States, Atofina and other chemical subsidiaries of the Group are involved in several civil lawsuits in the United States and Canada for violations of antitrust laws. The litigation reserves regarding those lawsuits amount to 18.7 million euros.

The investigations commenced by the European Commission in 2000 and 2003 into alleged anti-competitive practices involving certain products sold by Atofina or its subsidiaries have so far resulted in a decision by the Commission in respect of one product line, issued on December 10, 2003, ordering Atofina to pay a fine of 43.5 million euros. Regarding the investigations involving other product lines, no statement of objections has been issued so far to Atofina by the European Commission. In these circumstances, the Group is of the opinion that the provisions recorded in the accounts of certain of its chemical subsidiaries in the aggregate amount of 200 million euros should be adequate in the light of the anticipated consequences of these investigations.

Moreover, investigations commenced in October 2002 by the European Commission in the refining-marketing subsidiaries of the Group are still under way, but no statement of objections has been issued so far.

Although it is not currently possible to determine with certainty the outcome of these lawsuits and investigations, the Company is of the opinion that their ultimate resolution should not have any significant, adverse effect on the Group's financial position, cash flows, or earnings.

Erika

With the completion in December 2003 of the processing of more than 200,000 tons of waste, the three major commitments that the Company undertook in December 1999 in regards to the sinking of the Erika, a tanker that was transporting products belonging to one of the Group companies, have now been satisfied. The two other commitments, to clean up parts of the coastline and to pump the remaining cargo out of the wreck, had been satisfied in 2000.

The criminal investigation initiated by the Regional Court of Paris (*Tribunal de Grande Instance*), under which TOTAL S.A. as a legal entity and five employees of the Group are being investigated, is still pending. TOTAL believes that the violations with which the Group and these employees were charged are without substance as a matter of fact and as a matter of law.

Myanmar

In 2002, two criminal complaints, one in Belgium and the other in France, were filed against the Company, its Chairman and the former manager of its subsidiary in Myanmar.

Neither the claimants nor the relevant judicial authorities have officially notified the Company of the complaint in Belgium, which was filed on April 25, 2002. It is apparently a claim brought under the Belgian “universal jurisdiction” law of June 16, 1993 alleging human rights violations. This law was repealed by the law of August 5, 2003 which changed the conditions under which legal actions are admissible. The current complaint has been referred to the *Cour de Cassation* (the highest court of appeal) in order for the matter to be removed from the investigating magistrate.

The complaint in France, filed with the Nanterre court (*Tribunal de Grande Instance*) on August 26, 2002, was made by Burmese citizens who claim that they were kidnapped and held prisoner in order to provide forced labour on the oil pipeline built by a TOTAL subsidiary in Myanmar. A judicial investigation is under way.

TOTAL states that the accusations made against the Company and its management arising out of the activities of its subsidiary in Myanmar are without substance as a matter of fact and as a matter of law.

South Africa

In a threatened class action proceeding in the United States, TOTAL is being accused, together with approximately one hundred other multinational companies, by certain South African citizens who

allege that their human rights were violated during the era of apartheid by the army, the police or militias, and who consider that these companies were complicit in the actions by the South African authorities at the time.

The class action, which has not yet been officially brought against TOTAL, is currently suspended after a decision by a federal judge in New York concerning the admissibility of the action against some of the companies already named.

Industrial and environmental risks

Type of risks

TOTAL's activities present industrial and environmental risks which are inherent in the production of products that are flammable, explosive or toxic. Its activities are therefore subject to extensive government regulations concerning environmental protection and industrial security in most countries. For example, in Europe, TOTAL operates 102 sites in France and an additional 54 sites in other countries that are required to meet the criteria of the European Union Seveso directive for classification as high risk sites. Other sites operated by TOTAL in other parts of the world involve similar risks.

The broad scope of TOTAL's activities, which include drilling, oil and gas production, on site processing, transportation, refining, petrochemicals activities, storage and distribution of petroleum products, production of intermediary chemical products and specialty chemicals, involve a wide range of operational risks. Among these risks are those of explosion, fire or leakage of toxic products. In the transportation area, the type of risks depends not only on the hazardous character of the products transported, but also on the transportation methods used (mainly pipelines, maritime, river-maritime, rail, road) and the volumes involved.

Most of these activities involve environmental risks related to air or water emissions and the creation of waste, and also require environmental site restoration after production is discontinued.

Certain branches or activities face specific risks. In oil and gas exploration and production, there are risks related to the physical characteristics of an oil or gas field. These include eruptions of crude oil or of natural gas, discovery of hydrocarbon pockets with abnormal pressure, crumbling of well openings, hydrocarbon leaks generating toxic risks (H₂S) and risks of fire or explosion. All these events could possibly damage or even destroy crude oil or natural

gas wells as well as related equipment and other property, cause injury or even death, lead to an interruption of activity or cause environmental damage. In addition, since exploration and production activities may take place on sites that are ecologically sensitive (tropical forest, marine environment, etc.), each site requires a specific approach to minimize the impact on the related ecosystem, biodiversity and human health.

Our activities in the Chemicals segment and, to a lesser extent, the Downstream segment also have related health, safety and environmental risks. These risks can arise from the intrinsic characteristics of the products involved, which may, for example, be flammable, toxic, or be linked to the "greenhouse-effect". Risks of facility contamination and off-site impacts may also arise from emissions and discharges resulting from processing or refining, and from recycling or the disposal of materials or wastes at the end of their useful life.

Risk evaluation

Prior to developing their activities and then on a regular basis during the operations, business units evaluate through specific procedures the related industrial and environmental risks in addition to taking into account the regulatory requirements of the countries where these activities are located.

Risk analyses are performed according to recognized methods (for instance HAZID studies for "hazard identification", HAZAN for "hazard analysis", HAZOP for "hazard and operability" and "hazard studies" in France for the Seveso sites) by multi-disciplinary teams. These analyses are initially performed for new developments and then updated if necessary for significant modifications of existing equipment, generally no more than every five years. Similarly, environmental impact studies are done prior to any industrial development with a specific, thorough initial site analysis taking into account any special sensitivities. These studies also take into account the impact of the activities on the health of the neighboring population.

For new products, risk characterizations and evaluations are performed. Furthermore, Life Cycle Analyses (ACV) for related risks are performed to study all the stages of a product's existence.

TOTAL actively monitors regulatory developments so as to continue complying with local and international rules and standards for the evaluation and management of industrial and environmental risks.

The Group's commitment to meet its environmental and safety obligations is reflected in its Environmental contingencies and Asset retirement obligations (see Note 15 to the Consolidated financial statements).

As indicated in Note 1 paragraph L of the Notes to the Consolidated financial statements, Asset retirement obligations were determined in accordance with FAS No. 143 ("Accounting for Asset Retirement Obligations").

Risk control

Risk evaluations lead to establishment of management measures that are designed to minimize the probability that accidents or damages will occur. These measures may be put into place through equipment design itself, reinforcing protection devices, designs of structures to be built and even compensation for the consequences of any unavoidable environmental impact. Risk evaluations may be accompanied, on a case by case basis, by an evaluation of the cost of risk control and impact reduction measures.

TOTAL is working to minimize industrial and environmental risks inherent to its activities by putting in place performance procedures and quality, security and environmental management systems, as well as by moving towards obtaining certification for its management systems (International Safety Rating System, ISO 14001, European Management and Audit Scheme), by performing strict inspections and audits, training staff and heightening awareness of all the parties involved, and by an active investment policy.

More specifically, since 2002, an action plan has been implemented in order to reach a new level of safety. The plan includes concrete steps related to organization and procedures, as well as an investment of 500 million euros over four years. In addition to the normal security budget, the plan carries out measures to minimize risks and increase safety for people and equipment. Investments are directed according to priorities defined in risk studies. For example, the Refining & Marketing and Chemicals sectors have invested respectively 46 and 70 million euros in 2003, for protection of units, reinforcement of control rooms and security of logistics (stored volumes, transportation chains).

All the actions taken in the areas of security and environmental protection are presented in detail in the "Sharing our energies" report published by the Group.

Although the Group believes that, according to its current estimates, commitments or liabilities related to health, safety and environmental concerns would not have a material impact on its consolidated financial situation, its cash flow or its income, due to the nature of such concerns it is impossible to predict if in the future these types of commitments or liabilities could have a material adverse effect on the Group's activities.

Asbestos

Like many other industrial groups, TOTAL is involved in claims related to occupational diseases caused by asbestos exposure. The circumstances described in these claims generally concern activities prior to the beginning of the 1980s, well before the complete ban on the use of asbestos in most of the countries where the Group operates (January 1, 1997 in France). The Group's various activities are not particularly likely to lead to significant exposure to asbestos related risks, since this material was generally not used in manufacturing processes, except for very specific cases. The main source of potential exposure is related to the use of certain insulating components in industrial equipment. These components are being gradually eliminated from our equipment through asbestos-elimination plans that have been underway for the past few years. However, considering the long period of time that may elapse before the harmful results of exposure to asbestos manifest themselves (up to 40 years), we anticipate that other claims will be filed in the years to come. Asbestos related issues have been subject to close monitoring in all branches of the Group. In 2003, the estimated cost of all asbestos related claims paid or pending is not likely to have a material adverse effect on the financial situation of the Group.

Insurance and risk management

Organization

TOTAL has its own insurance and reinsurance company, Omnium Insurance and Reinsurance Company (OIRC). OIRC is totally integrated into the Group's insurance management and acts as a centralized global operations tool for covering the Group's risks. It allows the Group to implement its insurance program, notwithstanding the varying regulatory environments in the range of countries where the Group is present.

Certain countries require the purchase of insurance from a local insurance company. When a subsidiary company of the Group is subject to these constraints and is able to obtain insurance from a local company meeting Group standards, OIRC attempts to obtain a retrocession of the covered risks. As a result, OIRC negotiates reinsurance contracts with the subsidiaries' local insurance companies which transfer almost all of the risk (between 97.5 and 100%) to OIRC. When a local insurer covers the risks at a lower level than that defined by the Group, OIRC will provide additional coverage in an attempt to standardize coverage group-wide. On the other hand, certain countries require insurance in excess of what the Group may deem necessary under

group-wide standards. In these cases, OIRC also provides the additional coverage necessary to satisfy these legal obligations and the Group does not need to turn to an outside insurer.

In the same time, OIRC negotiates a global reinsurance program with mutual insurance companies for the oil industry and commercial reinsurers. OIRC permits the Group to manage price variations in the insurance market, by taking on a greater or lesser amount of risk corresponding to the price trends in the insurance market.

In 2003, the amount of risk kept by OIRC after reinsurance was USD 10 million per incident.

Risk and insurance management policy

In this context, the Group risk and insurance management policy is to work with the relevant internal department of each subsidiary, to:

- Define scenarios of major disaster risks by analyzing those events whose consequences would be the most significant for third parties, for employees and for the Group;
- Assess the potential financial impact on the Group in case these disasters occur;
- Implement measures to limit the possibility such events occur and the scope of damage in case of their occurrence;
- Manage the level of risk from such events that is covered internally by the Group and that which is transferred to the insurance market.

Insurance policy

- The Group has worldwide insurance coverage that covers all its subsidiaries in terms of tort liability, property, and, for the Downstream and Chemicals segments, loss of operations.
- These programs are contracted with first-class insurers (or reinsurers and mutual insurance companies of the oil industry through OIRC).
- The insurance amounts depend on the financial risks defined in the disaster scenarios discussed above and the coverage terms offered by the market (available capacities and price conditions).

More specifically for:

- Tort liability: since the maximum financial risk cannot be evaluated using a systemic approach, the amounts insured are based on market conditions and industry practice, in particular, the oil industry. The insurance cap in 2003 for general tort and product liability was USD 840 million compared to USD 740 million in 2002.
- Property: the amounts insured by sector and by site are based on estimated costs

and reconstruction scenarios under the identified worst-case disaster scenarios and on insurance market conditions;

- Loss of operations: provided for the Refining and Chemicals sectors for a compensation period that is generally of 3 years (Refining) or 2 years (Chemicals), also based on the identified worst-case disaster scenarios and on insurance market conditions. The Group negotiates combined limits for property and loss of operations.

For example, for the highest estimated risk of the Group (field of Alwyn in the UK), the insured cap was USD 1.3 billion in 2003.

Moreover, deductibles for material damages fluctuate between USD 0.1 and 5 million depending on the level of risk and are carried by the related subsidiary.

The policy described above is given as an example of past practice over a certain period of time and cannot be considered to represent future conditions. The Group's insurance policy may be changed at any time depending on the market conditions, specific circumstances and on Management's assessment of risks and the adequacy of their coverage. The Group cannot guarantee that it will not suffer any uninsured loss.

Other specific risks

Risks related to oil and gas exploration and production

Oil and gas exploration and production require high levels of investment and are associated with particular risks and opportunities. These activities are subject to risks related specifically to the difficulties of exploring underground, to the characteristics of hydrocarbons, as well as relating to the physical characteristics of an oil and gas field. The first stage of exploration involves geologic risks. For example, exploratory wells may not result in the discovery of hydrocarbons at all, or in amounts that would be sufficient to allow for economic development. Even if an economic analysis of estimated hydrocarbon reserves justifies the development of a discovery, the reserves can prove lower than the estimates during the production process, thus adversely affecting the development economics.

Almost all the exploration and production activities of TOTAL are accompanied by a high level of risk of loss of the invested capital. It is impossible to guarantee that new resources of crude oil or of natural gas will be discovered in sufficient amounts to replace the reserves currently being developed, produced and sold to enable TOTAL to recover the capital invested.

The development of oil fields, the construction of facilities and the drilling of production or injection wells require advanced technology in order to extract and exploit fossil fuels with complex properties over several decades. The deployment of this technology in such a difficult environment makes cost predictions uncertain. TOTAL's activities can be limited, delayed or cancelled as a result of numerous factors, such as administrative delays, particularly in terms of the Host States' approval processes for development projects, weather conditions, shortages of or late delivery of equipment.

Risks associated with economic and political factors

The oil sector is subject to domestic regulations and the intervention of governments in such areas as:

- the award of exploration and production interests,
- the imposition of specific drilling obligations,
- environmental protection controls,
- control over the development and abandonment of a field causing restrictions on production, and
- possible, though exceptional, nationalization, expropriation or cancellation of contract rights.

The oil industry is also subject to the payment of royalties and taxes, which may be high compared with those imposed in respect of other commercial activities. In addition, substantial portions of TOTAL's oil reserves are located in countries outside the European Union and North America, certain of which may individually be considered politically and economically unstable. These reserves and the related operations are subject to certain risks, including:

- increases in taxes and royalties,
- the establishment of production and export limits,
- the renegotiation of contracts,
- the expropriation or nationalization of assets,
- risks relating to changes of local governments and resulting changes in business customs and practices,
- payment delays,
- currency exchange restrictions,
- losses and impairment of operations by armed conflicts and actions of terrorist groups.

TOTAL, like other major international oil companies, attempts to conduct its business and financial affairs so as to protect against such political and economic risks. However, there can be no assurances that such events will not adversely affect TOTAL.

Iran Libya Sanctions Act

In August 2001, the US legislation implementing sanctions against Iran and Libya, referred to as ILSA, was extended until August 2006. ILSA authorizes the President of the United States to impose sanctions (from a list that includes denial of financing by the US export-import bank and limitations on the amount of loans or credits available from US

financial institutions) against persons found by the President to have knowingly made investments in Iran or Libya of USD 20 million or more in any twelve-month period. In May 1998 the US government waived the application of sanctions against TOTAL for its investment in the South Pars gas field in Iran. This waiver, which has not been modified since it was granted, does not address TOTAL's other activities in Iran and Libya, although the Company has not been notified of any related sanctions. At the end of 1996, the European Commission adopted European Regulation No. 2271/96 which prohibits TOTAL from complying with any requirement or prohibition based on or resulting directly or indirectly from certain enumerated legislation, including ILSA. This regulation prohibits TOTAL from extending its waiver for South Pars to other activities. In each of the years since the passage of ILSA, TOTAL has made investments in each of Libya and Iran (excluding South Pars) in excess of USD 20 million. In 2003, TOTAL's average daily production in Libya and Iran amounted to 92 kboe/d, approximately 4% of its average daily worldwide production. TOTAL expects to continue to invest amounts significantly in excess of USD 20 million per year in each of Libya and Iran in the foreseeable future. TOTAL cannot predict interpretations of or the implementation policy of the US government under ILSA with respect to its current or future activities in Iran or Libya. TOTAL does not believe that enforcement of ILSA, including the imposition on the Company of the maximum sanctions under the current law and regulations, would have a material negative effect on TOTAL's results of operations or financial condition.

Risks linked to the Argentina financial crisis

In 2002, the Group recorded an asset impairment charge related to the effects of the Argentine financial crisis which had an impact on 2002 net income (Group share) of -310 million euros. TOTAL continues to follow the evolution of the economic and financial situation in Argentina and its consequences on the Group's operations in this country, which are limited relative to the overall size of the Group.

Risks linked to the political situation in Venezuela

In 2003, Venezuela represented 3.3% of the Group's oil and gas production. TOTAL cannot predict the developments related to the political situation in Venezuela and its potential consequences on the Group activities in this country.

Risks linked to the geo-political situation in the Middle-East

In 2003, the entire Middle East represented 17% of the Group's production of oil and gas and 9% of the net income from operations of the operating segments, excluding non-recurring items. The Group produces in the United Arab Emirates, Iran, Oman, Qatar, Syria and Yemen. TOTAL cannot predict developments of the geo-political situation in the Middle East and its potential consequences on the Group's activities in this area.

Competition

The Company is subject to intense competition within the oil sector and in other related sectors in its activities related to satisfying the energy needs of the industry and of individuals. TOTAL is subject to competition from other oil companies in the acquisition of assets and licenses for the exploration and production of oil and natural gas. Competition is particularly strong with respect to the acquisition of undeveloped resources of oil and natural gas, which are in great demand. Competition is also intense in the sale of manufactured products based on crude and refined oil.

In this respect, the main competitors of TOTAL are ExxonMobil, the Royal Dutch Shell Group, BP and ChevronTexaco. At the end of 2003, TOTAL ranked fourth among international oil companies in terms of market capitalization and daily production of oil and gas, and fifth in oil and gas reserves (Company sources).

Dividends

Dividend payment

The distribution of dividends is centralized by BNP-Paribas. Payment is made directly to the account custodian by EUROCLEAR France.

The BANK OF NEW YORK (101 Barclay Street, New York, NY 10286, USA) arranges for the payment of dividends to holders of American Depositary Shares (ADSs).

Payment of dividend on Stock Certificates

TOTAL issued Stock Certificates (Certificats Représentatifs d'Action, hereafter CRs) as part of the exchange offer for PetroFina shares. The CR is a share certificate provided for by French law issued by EUROCLEAR France for circulation outside France and may not be held by French residents. The CR has the characteristics of a bearer security, whether registered in a custody account or issued as a physical certificate. The CR can be freely converted from a physical certificate to be registered in a custody account and vice versa. ING Belgique is the central bank for the payment of any coupons detached from CRs issued as physical certificates.

Payment for coupons detached from CRs will be made free of charge at the teller windows of the following institutions:

in Belgium:

ING BELGIQUE
FORTIS BANQUE SA
KBC BANK NV

Avenue Marnix 24, 1000 Bruxelles
Montagne du Parc 3, 1000 Bruxelles
Avenue du Port 2, 1080 Bruxelles

in Luxembourg:

ING LUXEMBOURG
CRÉDIT EUROPÉEN LUXEMBOURG SA
KREDIETBANK Luxembourg

Avenue J.F.-Kennedy 50, 2951 Luxembourg
Route d'Esch 52, 2965 Luxembourg
Boulevard Royal 43, 2955 Luxembourg

in the Netherlands:

ABN-AMRO BANK NV

Gustav Mahlerlaan 10, 1082 PP, Amsterdam,
The Netherlands

in Germany:

COMMERZBANK AG
DRESDNER BANK AG

Kaiserplatz, 60261 Frankfurt, Germany
Jürgen - Ponto - Platz 1, 60329 Frankfurt, Germany

in Switzerland:

CRÉDIT SUISSE
UBS

Paradeplatz 8, 8001 Zürich, Switzerland
Bahnhofstrasse 45, 8098 Zürich, Switzerland

TOTAL WPR-strips

A WPR-strips is a page of coupons each of which entitles an individual residing in Belgium to a reduction of the tax withheld on TOTAL dividends from 25% to 15% upon presentation with the corresponding dividend coupon. The TOTAL WPR-strips are traded on the Brussels stock

exchange but they do not have significant value. The banks designated as the paying agents in Belgium complete the appropriate formalities to document the reduction of the withholding tax from 25% to 15% for the number of TOTAL WPR-strips coupons issued for this purpose. As of December 31, 2003, there were 56,933,514 TOTAL WPR-strips in circulation.

Coupons

Coupon number	Due date	Expiry date	Type of coupon	Net total euros
1997	05/27/98	05/27/03	Dividend	1.98
1998	07/19/99	07/19/04	Dividend	2.0
1999	06/14/00	06/14/05	Dividend	2.35
2000	05/29/01	05/29/06	Dividend	3.3
2001	05/17/02	05/17/07	Dividend	3.8
2002	05/16/03	05/16/08	Dividend	4.1
2003 ⁽¹⁾	05/24/04	05/24/09	Dividend	4.7

(1) A proposal will be made to the Shareholder's Meeting of May 14, 2004 to distribute a dividend of 4.70 euros per share for 2003 to be paid in cash only. Dividend distribution will take place on May 24, 2004.

Shareholding structure

Relations between TOTAL and the French State

Relations between TOTAL and the French State were governed by agreements dated May 17, 1924 and June 25, 1930 until these agreements expired on March 14, 2000.

The Combined Ordinary and Extraordinary Shareholders' Meeting of March 22, 2000 took notice of the expiration of these agreements and decided to amend all the articles of the Company's Articles of Incorporation containing provisions related to the specific rights of the French State.

Separately, the share capital of Elf Aquitaine previously included a unique Elf Aquitaine share providing certain specific rights to the French State which was established by a decree dated December 13, 1993. This decree provided for a right of approval by the Ministry of Finance if a party or a group of parties increased their shareholding or voting rights above defined thresholds. It also provided a veto right on decisions to transfer or pledge certain companies within the Group. This decree also provided for the appointment of two representatives of the French State to the Board of Directors of Elf Aquitaine, without voting rights. This decree was repealed by another decree dated October 3, 2002.

Merger of TOTAL with PetroFina in 1999

On December 1, 1998, TOTAL signed a contribution agreement with Electrafina, Investor, Tractebel, Electrabel and AG 1824 (the Contributors), under which the Contributors exchanged 9,614,190 PetroFina shares for 43,263,855 new TOTAL shares (every two PetroFina shares being exchanged for nine TOTAL shares). The agreement was subject to approval by the American and European anti-trust authorities and TOTAL's Combined Shareholders' Meeting of January 14, 1999. These conditions were met during the first half of 1999.

TOTAL then launched a public exchange offer for the remaining PetroFina shares it did not yet own. The offer was made in Belgium and the United States from May 6 to June 4, 1999, on the same terms as the contribution agreement. During the offer 12,516,106 shares and 3,851,400 warrants were tendered, leading to the issuance of 56,322,477 TOTAL shares and 3,119,634 TOTAL warrants.

During the reopening of the public exchange offer for the remaining PetroFina shares between June 11 and July 2, 1999, 1,038,192 PetroFina shares and

289,100 PetroFina warrants were exchanged, resulting in the issuance of 4,671,864 TOTAL (renamed Totalfina on June 14, 1999) shares and of 234,171 TOTAL warrants.

Totalfina reopened the exchange offer once again between June 30 and July 28, 1999 to acquire PetroFina shares that were issued upon the exercise of PetroFina employee warrants. Under this offer, 80,356 PetroFina shares were tendered in exchange for 361,602 new Totalfina shares.

Supplementary offers for PetroFina

Under the terms of commitments made by the Company when it launched the public offer for PetroFina in 1999, holders of PetroFina employee warrants that matured on June 30, 2000 were able to take advantage of a new reserved offer between June 30 and July 28, 2000 on the same terms as the public offer of 1999 (nine TotalFinaElf⁽¹⁾ shares for every two PetroFina shares). Of the 30,302 employee warrants still in circulation when the first offer opened, 28,838 were exercised on June 30, 2000 for the same number of PetroFina shares and 1,464 warrants were not exercised at maturity. During this second offer 28,836 PetroFina shares were tendered and exchanged for 129,762 newly-issued TotalFinaElf shares.

On September 5, 2000, the Board of Directors launched a public exchange offer for the PetroFina shares not yet held by the Company, offering nine TotalFinaElf shares for every two PetroFina shares tendered. The offer was made in Belgium and the United States between October 10, 2000 and November 7, 2000, during which time 202,930 PetroFina shares were exchanged for 913,185 new TotalFinaElf shares. At the end of the operation, TotalFinaElf held 23,480,610 PetroFina shares, or 99.62% of the 23,570,739 shares comprising the registered share capital of PetroFina.

On November 8, 2000, the Company and PetroFina determined that the execution of the public exchange offer for PetroFina between October 10, and November 7, 2000, combined with the restructuring of PetroFina after the initial public exchange offer, constituted a *Combination* under article 12 of the PetroFina warrant agreement. Consequently, the 290,882 US PetroFina warrants not held by the Company were automatically exchanged on that date for 235,614 newly-issued TotalFinaElf warrants.

(1) The company name "TOTAL FINA S.A." was changed to "TOTAL FINA ELF S.A." by the Combined Shareholders' Meeting of March 22, 2000, and then to "TOTAL S.A." by the Combined Shareholders' Meeting of May 6, 2003.

In a notice dated November 20, 2000, the Brussels stock exchange announced its intention to delist PetroFina shares from regular trading, effective as of December 28, 2000. Since January 2, 2001, PetroFina shares are traded at public sales organized each Friday by the Brussels stock exchange. Similarly, in a notice dated December 22, 2000, Euronext Paris SA announced its decision to delist PetroFina from the first market of Euronext Paris S.A. and from EUROCLEAR France as of December 28, 2000. Moreover, the deregistration of PetroFina shares with the US Securities and Exchange Commission was effected on June 30, 2001.

In 2001, TOTAL FINA ELF S.A. contributed all of the 23,480,610 shares of PetroFina that it held to Total Chimie, a 99.99%-owned subsidiary of TOTAL FINA ELF S.A. whose purpose is to hold certain investments of the TotalFinaElf Group, particularly in specialty chemicals. The Extraordinary General Shareholders' Meeting of Shareholders of Total Chimie approved this transfer on April 27, 2001.

On September 20, 2001, the Board of Directors of Total Chimie decided to launch a squeeze-out procedure for the 90,129 PetroFina shares not yet held, at a price of 600 euros per share. The offering document was approved by the Belgian *Commission Bancaire et Financière* on January 16, 2002. By the end of the offer period (January 30, to February 12, 2002 inclusive), 45,894 PetroFina shares had been tendered and the remaining Petrofina shares were transferred by operation of law to the offeror. As a result, Total Chimie now holds all the shares of PetroFina.

On February 12, 2002, minority shareholders of PetroFina who previously held 4,938 shares filed summary proceedings with the Commercial Court of Brussels against Total Chimie, TOTAL S.A. and PetroFina. The decision rendered on April 15, 2002 questioned the conformity of the Belgian squeeze-out regulation with articles 10 and 11 of the Belgian Constitution and, consequently, the President of the Commercial Court of Brussels brought two preliminary questions relating to the constitutionality of the Belgian squeeze-out regulation before the Court of Arbitration of Belgium. In addition, the President of the Commercial Court of Brussels ordered the plaintiff's shares to be placed in escrow without voting rights.

TOTAL S.A., Total Chimie and PetroFina appealed against the decision in these summary proceedings on June 13, 2002.

In answer to the preliminary questions raised by the decision of the Commercial Court of Brussels dated April 15, 2002, the Court of Arbitration of Belgium rendered a decision in favor of TOTAL S.A.,

Total Chimie, PetroFina, as well as the Belgian government, which was also a party to the procedure, on May 14, 2003. This decision stated that the Belgian squeeze-out regulation was compliant with the Belgian Constitution.

Also, on May 30, 2003, the same group of former minority PetroFina shareholders brought a complaint against Total Chimie, TOTAL S.A. and PetroFina before the Commercial Court of Brussels contesting, in particular, the price offered by Total Chimie in the squeeze-out procedure and the terms of sale given by PetroFina in the transfer of Fina Exploration Norway (FEN SA) assets to Total Norge AS in December 2000.

From the time of their issuance and until their expiration on August 5, 2003, 3,491,776 TOTAL warrants were exercised. The remaining 97,643 unexercised TOTAL warrants and the 4,431,382 PetroFina US warrants held by TOTAL expired on that date.

Merger of Totalfina with Elf Aquitaine in 1999 and 2000

On September 13, 1999, the Boards of Directors of Totalfina and Elf Aquitaine proposed a combination of the two businesses to their shareholders through a public exchange offer under which every 13 shares of Elf Aquitaine tendered would be exchanged for 19 new Totalfina shares. The offer ran from September 23 to October 15, 1999, during which time Totalfina acquired 254,345,078 shares of Elf Aquitaine in exchange for 371,735,114 new Totalfina shares.

On May 24, 2000, the Board of Directors launched a public exchange offer for the remaining Elf Aquitaine shares not yet held by the Company, with an offer to exchange four TotalFinaElf shares for every three shares of Elf Aquitaine tendered. The offer ran from June 15, 2000, to September 1, 2000, during which time TotalFinaElf acquired 10,828,326 shares of Elf Aquitaine in exchange for 14,437,768 new TotalFinaElf shares.

In a notice dated October 20, 2000, as a result of the exchange offer, PARISBOURSE SBF S.A. (now called Euronext Paris S.A.) announced its decision to delist Elf Aquitaine from the first market of the Paris Stock Exchange. The delisting took effect on November 3, 2000. Since November 6, 2000, the Elf Aquitaine shares have been traded in the delisted shares section of the regulated markets ("compartment des valeurs radiées des marchés réglementés") where the price is fixed daily at 3:00 P.M.

In the United States, the trading of Elf Aquitaine American Depositary Shares (ADSs) was discontinued

by the New York Stock Exchange (NYSE) on September 5, 2000. The Elf Aquitaine ADS program was closed on September 18, 2000. The delisting of Elf Aquitaine ADSs was effected at market opening on October 18, 2000, after approval by the US Securities and Exchange Commission (SEC). On March 14, 2001, the SEC issued a no-action letter related to deregistration of Elf Aquitaine ordinary shares and ADSs under the Securities Exchange Act of 1934. On March 23, 2001, Elf Aquitaine filed a Form 15 with the SEC, requesting

termination of the registration of its ordinary shares and ADSs.

As of December 31, 2003, TOTAL S.A. held, directly and indirectly, 277,337,048 shares of Elf Aquitaine, taking into account the 10,635,767 treasury shares held by Elf Aquitaine. This represented 99.46% of Elf Aquitaine's share capital (278,845,361 shares) and 532,034,776 voting rights, or 99.71% of the 533,581,784 total voting rights.

Changes in the holdings of principal shareholders

The principal shareholders of TOTAL as of December 31, 2003, 2002 and 2001 are set forth in the table below. Their equity holdings amounted to 649,118,236 shares representing 661,238,566 votes on December 31, 2003, 687,190,510 shares representing 703,289,859 votes on December 31, 2002, and 705,934,959 shares representing 719,013,586 votes on December 31, 2001.

As of December, 31	2003		2002		2001	
	% of share capital	% of voting rights	% of share capital	% of voting rights	% of share capital	% of voting rights
1. Principal shareholders represented on the Board of Directors as of December 31, 2003	5.6	9.1	6.3	9.4	7.3	10.3
BNP Paribas	0.3	0.4	0.2	0.4	0.4	0.3
Areva	0.3	0.7	0.8	0.8	1.8	1.7
Société Générale	0.1	0.2	0.7	0.8	0.7	1.0
Groupe Bruxelles Lambert	3.6	6.6	3.4	6.2	3.3	6.1
Compagnie Nationale à Portefeuille	1.3	1.2	1.2	1.2	1.2	1.1
2. Employees of the Group ⁽¹⁾	3.4	3.9	3.2	5.8	2.9	5.3
3. Other registered shareholders (non-Group)	3.4	6.6	4.3	7.1	5.3	7.8
Total stable shareholders (1+2+3)	12.4	19.6	13.8	22.3	15.5	23.4
Inter-group holdings	5.7	-	6.7	-	6.5	-
TOTAL S.A.	1.9	-	3.0	-	2.9	-
Total Nucléaire	0.1	-	0.1	-	0.1	-
Elf Aquitaine subsidiaries	3.7	-	3.6	-	3.5	-
Other holders of bearer shares	81.9	80.4	79.5	77.7	78.0	76.6
<i>Of which bearers of ADS ⁽²⁾</i>	<i>5.7</i>	<i>5.6</i>	<i>5.1</i>	<i>5</i>	<i>4.4</i>	<i>4.3</i>

(1) Based on the definition of employee shareholders as defined by article L. 225-102 of the Commercial Code.

(2) American Depositary Shares quoted on the New York Stock Exchange.

In accordance with article 9 of its Articles of Incorporation, TOTAL is authorised, to the extent permitted under applicable law, to identify the holders of securities that grant immediate or future voting rights at the Company's shareholder meetings.

In addition to the legal obligation to inform the Company within five business days when crossing 5%, 10%, 20%, 1/3, 50% or 2/3 shareholding or voting rights thresholds (Law no. 2003-706, *Loi de Sécurité Financière*, dated August 1st, 2003), any individual or entity who directly or indirectly acquires shares, voting rights or rights giving future access to Company shares that results in total holdings equal to or greater than 1%, or a multiple of this percentage, is required to notify the Company within fifteen days by registered mail, return receipt requested, and to state the number of securities held.

If holdings above these thresholds are not declared, any shares held in excess of the threshold that required the declaration may be deprived of voting rights at future shareholder meetings if, at that meeting, the failure to make a declaration is noted and if one or several shareholders holding collectively at least 3% of the Company's share capital or voting rights so request at that meeting.

All individuals and entities are also required to notify the Company in the form and within the time limits stated above when their direct or indirect holdings fall below each of the above thresholds.

In accordance with article L. 233-13 of the French Commercial Code, the only shareholder known to hold 5% or more of the voting rights of TOTAL at the end of 2003 was Groupe Bruxelles Lambert, a company within the Frère Group, with 3.62% of the share capital representing 6.64% of the voting rights. Compagnie Nationale à Portefeuille is also a member of the Frère Group and holds 1.27% of TOTAL's share capital, representing 1.24% of the voting rights. Moreover, TOTAL is not aware of any declaration of shareholder's agreements between its shareholders.

Shares held by the Group

Trading in Company shares

The Combined Shareholders' Meeting of May 7, 2002 authorized the Board of Directors to buy and sell the company's own shares on the market for a period of 18 months in compliance with the objectives and procedures of the stock purchase program approved by the COB under visa no. 02-309 of April 3, 2002 (pursuant to COB Regulation no. 98-02 modified by COB Regulation no. 2000-06). The maximum purchase price was set at 250 euros per share and the minimum sell price was 100 euros per share. The number of shares acquired could not to exceed 10% of the authorized share capital.

The Combined Shareholders' Meeting of May 6, 2003 authorized the Board of Directors to buy and sell the company's own shares on the market for a period of 18 months in compliance with the procedures of the stock purchase program approved by the COB under visa no. 03-193 of March 26, 2003. The maximum purchase price was set at 250 euros and the minimum sell price at 100 euros. The number of shares acquired may not exceed 10% of the authorized share capital. This authorization replaced the previous resolution from the Shareholder's Meeting of May 7, 2002.

A resolution will be submitted to the shareholders at the meeting to be held on May 14, 2004 to approve a share buy-back program allowing TOTAL to trade in its own shares. The primary objective of the program will be to manage the cash or equity of the Company by purchases and possibly cancellation of shares. The maximum purchase price may not exceed 250 euros per share and the minimum sell price may not be below 100 euros per share. The maximum number of shares that may be subject to repurchase is limited to 10% of the total number of shares composing the share capital, taking into account the fact that this limit applies to a share capital that may vary due to future operations after the current Shareholders' Meeting. Under no circumstances may the number of shares acquired by the Company directly or indirectly through indirect subsidiaries exceed 10% of the share capital. The resolution proposes that the program be authorized for an 18-month period and replace the resolution of the Shareholders' Meeting held on May 6, 2003.

In 2003, 14,015,000 TOTAL shares were purchased under the authorization granted on May 7, 2002 and 17,215,000 TOTAL shares were purchased under the authorization granted on May 6, 2003. Thus, 31,230,000 TOTAL shares were purchased at an average price of 127.87 euros per share under these share buy-back programs.

In addition, 222,592 TOTAL shares were sold in 2003 at an average price of 97.58 euros through the exercise of stock options granted under stock option allocation plans approved by the Board of Directors' decisions of March 17, 1998 and June 15, 1999.

Cancellation of Company shares

The Combined Shareholders' Meeting of May 7, 2002 authorized the Board of Directors to reduce the share capital by up to 10% by canceling shares held by the Company during a 24-month period.

On July 16, 2003, the Board of Directors decided to cancel 9,900,000 treasury shares.

On November 6, 2003, the Board of Directors decided to cancel 30,100,000 treasury shares, effective on November 21, 2003. The authorisation granted by the Combined Shareholders' Meeting of May 7, 2002 will expire at the close of the Shareholder's Meeting held to approve the financial statements for the year 2006.

On December 31, 2003, the Company held directly a total of 12,029,288 TOTAL shares.

TOTAL shares held by companies of the Group

At December 31, 2003, Total Nucléaire, a Group company indirectly controlled by TOTAL, held 505,918 TOTAL shares.

Under the terms of the draft agreement signed on September 12, 1999 by Totalfina and Elf Aquitaine, Elf Aquitaine undertook on behalf of its subsidiaries to tender their shares into the public exchange offer conducted by Totalfina. The subsidiaries, Financière Valorgest, Sogapar, Fingestval and Elf Atochem North America, tendered the 3,798,000, 702,000, 12,315,760 and 72,000 shares of Elf Aquitaine that they held, respectively, on that date, in exchange for 5,550,926, 1,026,000, 17,999,973 and 105,230 TOTAL shares, respectively.

In 2001, Elf Atochem North America, renamed Atofina Chemicals Inc., sold all of its 105,230 TOTAL shares on the market.

The number of TOTAL shares held by Financière Valorgest, Sogapar and Fingestval did not change in 2003, still totalling 24,576,899 shares.

Thus, at December 31, 2003, the Company held 37,112,105 TOTAL shares, either directly or through its indirect subsidiaries.

Capital increase reserved for employees

The Combined Shareholders' Meeting of May 7, 2002 authorized the Board of Directors to increase the Company's share capital over a period of five years by a maximum of 3% of the existing share capital at the time of issue. Only employees having subscribed to a company savings plan may subscribe for these shares. This authorisation canceled and replaced the one given by the Combined Shareholder's Meeting of May 13, 1998.

Under this authorization, on November 6, 2003, the Board of Directors decided to proceed with an offering of six million Company shares reserved for employees at a price of 107.90 euros per share. These shares are entitled to the dividends paid for the fiscal year 2003. The offering document was approved by the AMF under visa no. 04-0047 on January 23, 2004. The supplement to the offering document including the audited accounts of TOTAL S.A. for the year ended December 31, 2003 issued on February 19, 2004 and their notes, as well as updates to the offering document, was approved by the AMF under visa no. 04-170 on March 19, 2004. Employees of TOTAL S.A. and its majority-owned French and foreign subsidiaries who subscribed to the TOTAL Group Savings Plan (PEG-A) and for whom local regulatory approval could be obtained in time are eligible to subscribe. The subscription period runs from March 22 to April 9, 2004.

Company Savings Plan

The Company savings plans give employees the option of making voluntary contributions to an investment plan to which the Company may contribute an additional amount under certain conditions.

Agreements signed on March 15, 2002, resulted in the creation of the TOTAL Group Savings Plan

("Plan d'Epargne Groupe TOTAL"), the Voluntary Salary-Savings Partnership Plan ("Plan Partenarial d'Epargne Salariale Volontaire") and the Complementary Company Savings Plan ("Plan d'Epargne Entreprise complémentaire"). Moreover, a Shareholders Savings Plan ("Plan d'Epargne Groupe Actionnariat") was created on November 19, 1999.

The total number of TOTAL shares held by employees as of December 31, 2003 is divided within the funds as follows:

TOTAL Actionnariat France	17,855,159
TOTAL Actionnariat International	3,149,154
Privatisation N°1	663,307
US employee funds	276,162
PetroFina Group Caisse Autonome	51,524
TOTAL registered share arising from option exercises (PEE)	149,668
Total shares held by employee shareholders funds	22,144,974

At December 31, 2003, the employees of the Group held 22,144,974 TOTAL shares, or 3.41% of the Company's share capital, based on the definition of employee shareholders as defined by Article L. 225-102 of the Commercial Code.

The aggregate supplemental contributions paid by the Group totaled 44.6 million euros in 2003.

Share subscription and purchase options

Distribution policy

TOTAL share subscription and purchase options

Distribution among top executives, officers and other employees is presented for each option plan in page 22.

Elf Aquitaine share subscription options confirmed to employees of the Group, entitled to be exchanged, in the event of exercise, for TOTAL shares

Certain employees of the Group, having been part of the Elf Aquitaine group in 1998, received confirmation in 2000, 2001, 2002 and 2003 of share subscription options attributed on April 1, 1998 pursuant to a Medium Term Incentive plan (MTI) (1), due to the results of Elf Aquitaine in 1999, 2000, 2001 and 2002. In accordance with the undertakings made by the Group during the 1999 Exchange Offer (information memorandum bearing COB approval no. 99-1179), these Elf Aquitaine options, in the event of exercise, are entitled to be exchanged for TOTAL shares at the exchange ratio of 19 TOTAL shares for 13 Elf Aquitaine shares (see Note 25 to the Consolidated financial statements).

The beneficiaries of these Elf Aquitaine options were in the following categories (2):

MTI Plan granted by Elf Aquitaine's Board of (Directors on April 1, 1998 ; strike : 105.95 euros)	Employee category	Number of recipients	Number of Elf Aquitaine options granted	Distribution	Average number of options per recipient	Corresponding number of TOTAL shares (4)	Corresponding average number of TOTAL shares per recipient (4)
	(3)						
2000 confirmation in connection with 1999 targets (decided by Elf Aquitaine's Board of Directors on February 2, 2000)	Top Executives	11	49,132	24.1%	4,467	71,808	6,528
	Officers	141	143,258	70.2%	1,016	209,377	1,485
	Other employees	17	11,574	5.7%	681	16,916	995
	Total	169	203,964	100%	1,207	298,101	1,764
2001 confirmation in connection with 2000 targets (decided by Elf Aquitaine's Board of Directors on April 23, 2001)	Top Executives	10	52,594	19.3%	5,259	76,868	7,687
	Officers	136	195,855	72.0%	1,440	286,250	2,105
	Other employees	40	23,424	8.6%	586	34,235	856
	Total	186	271,873	100%	1,462	397,353	2,136
2002 confirmation in connection with 2001 targets (decided by Elf Aquitaine's Board of Directors on April 15, 2002)	Top Executives	10	34,662	27.4%	3,466	50,660	5,066
	Officers	60	82,800	65.5%	1,380	121,015	2,017
	Other employees	9	8,976	7.1%	997	13,119	1,458
	Total	79	126,438	100%	1,600	184,794	2,339
2003 confirmation in connection with 2002 targets (decided by Elf Aquitaine's Board of Directors on March 10, 2003)	Top Executives	7	28,820	26.5%	4,117	42,121	6,017
	Officers	53	77,828	71.5%	1,468	113,749	2,146
	Other employees	3	2,221	2.0%	740	3,246	1,082
	Total	63	108,869	100%	1,728	159,116	2,526

(1) Plan approved by the Board of Directors of Elf Aquitaine on April 1, 1998 subject to the fulfillment of performance objectives by the Elf Aquitaine group for the 1998, 1999, 2000, 2001 and 2002 fiscal years. The options are exercisable from April 1, 2000 and expire March 31, 2005.

(2) Only recipients who were employees of the Group on the respective dates on which the Board of Directors of TOTAL S.A (July 11, 2000; July 10, 2001; July 9, 2002; July 16, 2003). Hence recipients who left the Group before these meetings are not included in these figures.

(3) Positions held within the Group on the respective dates on which the Board of Directors of TOTAL S.A. approved the 2000, 2001, 2002 and 2003 TOTAL stock option plans.

(4) Assumes the maximum number of shares are exchanged (19 TOTAL shares for 13 Elf Aquitaine shares).

Share subscription and purchase options granted to Executive Officers as a group (Management Committee and Treasurer as of December 31, 2003)

TOTAL share subscription and purchase options

Information presented in page 21.

Elf Aquitaine share subscription options ⁽¹⁾

	1996 Plan	1997 Plan	1998 Plan	1999 Plan n°1	1998 IMT Plan	Total
Exercise price per Elf Aquitaine share (in euros)	50.72	80.65	105.95	115.60	105.95	
Expiration Date	03/19/2003	03/25/2004	03/31/2005	03/30/2009	03/31/2005	
Options granted	20,300	27,250	28,250	16,970	92,650	185,420
Existing options as of January 1, 2003	4,000	10,999	28,250	16,970	92,650	152,869
Non confirmed options during fiscal year 2003 due to results of fiscal year 2002 ⁽²⁾	–	–	–	–	11,980	11,980
Exercised options in year 2003	4,000	10,999	9,810	0	3,414	28,223
Existing options as of December 31, 2003	0	0	18,440	16,970	77,256	112,666
Corresponding number of TOTAL shares ⁽³⁾	0	0	26,951	24,802	112,913	164,666

(1) Among the Executive Committee members of TOTAL at December 31, 2003, 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 Note 25 of the Consolidated financial statements).

(2) Confirmation of MTI options by the Elf Aquitaine Board of Directors depends on the realization of performance objectives during the fiscal years covered by the plan.

(3) Assumes the maximum number of shares are exchanged (19 TOTAL shares for 13 Elf Aquitaine shares).

Shares held by Directors and Executive Officers

As of December 31, 2003, based on the registered shares held, the members of the Board of Directors (physical persons) and the principal executives of the Group (Management Committee and Treasurer) together held less than 0.5% of the share capital. The number of shares they own is detailed as follows:

- Members of the Board of Directors (including Chairman): 77,265 shares
- Management Committee and Treasurer (including CEO): 223,748 shares
- Chairman and CEO (1 person): 14,800 shares

Transactions involving the Company’s stock conducted by its Directors and Officers (all Directors including the Chairman) during 2003 consisted of:

- the purchase of 8,105 TOTAL shares at the average price of 121.90 euros per share;
- the sale of 32,426 TOTAL shares at the average price of 123.01 euros per share.

Information for overseas Shareholders

TOTAL & subsidiaries

United States holders of ADRs

1. ADRs

Since October 25, 1991, TOTAL's American Depositary Shares (ADSs), represented by American Depositary Receipts (ADRs), have been listed on the New York Stock Exchange.

The ticker symbol for TOTAL is TOT. Since December 1992, options on TOTAL's ADSs have also been traded on the Chicago Board of Exchange (CBOE), the New York Stock Exchange (NYSE) and the American Stock Exchange (ASE).

2. Depositary

The Bank of New York

Written Correspondence: The Bank of New York, Investor Relations, PO Box 11258, Church Street Station, New York, New York 10286-1258, USA
Toll Free Telephone for Domestic Callers:

1-800-753-7230

International Callers: 1-610-382-7836

Email Inquiries: shareowners@bankofny.com

Website: <http://www.adrbny.com>

3. Cash dividends

On June 9, 2003, TOTAL paid a net dividend (after 15% withholding tax) of \$1.9906/ADR to its record holders of ADRs as of May 15, 2003.

Under French law, dividends paid to shareholders who are non-residents of France are generally subject to French withholding tax at a rate of 25%. However, according to the tax treaty signed between France and the United States (August 31, 1994) (the "Treaty"), the rate of French withholding tax is reduced to 15% in the case of dividends paid to a beneficial owner that is a resident of the United States as defined by the Treaty (a "US Holder").

According to the Treaty, certain eligible United States Holders whose ownership of ADRs is not effectively connected with a permanent establishment or a fixed base in France, are entitled to receive a payment from the French Treasury of an amount equal to all or a portion of the "avoir fiscal" that is granted to French resident shareholders, subject to the deduction of the 15% withholding tax.

Note, however, that the 2004 French Finance Act contains significant amendments regarding the avoir fiscal.

Before the 2004 French Finance Act, a resident of France was entitled to an "avoir fiscal" (or tax credit) on dividends received from a French corporation, such as TOTAL. The "avoir fiscal" was equal to 50% of the dividend paid to individuals (and companies that owned at least 5% of the capital of the French company distributing the dividends and meet other conditions to qualify under the French participation exemption regime). The avoir fiscal was equal to 10% of the dividend paid to other shareholders in 2003.

The 2004 French Finance Act tends to abolish incrementally the avoir fiscal step by step. Individuals resident in France will continue to benefit from the avoir fiscal for 2004 dividend distributions. However, dividends paid to individuals resident in France as from January 1, 2005 would no longer carry an avoir fiscal. French corporate shareholders will no longer use the avoir fiscal from January 1, 2005. This means that, in contrast to individuals resident in France, dividends paid to these shareholders in 2004 and assessed for tax in 2005 would no longer carry an effective avoir fiscal. The 2004 French Finance Act does not clarify the situation of non-resident recipients. However, it would appear that two situations will emerge, i.e.:

- (1) Individuals that are US residents under the Treaty will remain entitled to the avoir fiscal for dividends paid to them in 2004, even if in practice, the avoir fiscal is not transferred before January 15, 2005. Dividends paid to these individuals from January 1, 2005 would no longer carry an avoir fiscal. However, the "avoir fiscal" payment is only available to individuals who are subject to income tax on such dividends and on the payment of the avoir fiscal.
- (2) Other non residents such as US companies, pension trusts, other organizations established in the United States whose purpose is to administer or provide retirement or employee benefits, or not for-profit organizations established in the United States will no longer be entitled to the avoir fiscal for dividends distributed after January 1, 2004.

Under the normal procedure provided for by French regulations, to benefit from the withholding tax at 15% reduced rate at the time of payment of the dividend a United States Holder must file French Treasury Form 5052 EU with the French tax authorities before payment of the dividend. On this form, for shareholders other than individuals, the last sentence of the "Declaration by the recipient of the income" should be stroke out since no "avoir fiscal" will be transferred. Alternatively, under the so-called "simplified procedure" instituted by the French tax authorities in 1994, if it is not possible to complete the Form prior to payment of the dividend, a US Holder may complete and provide to the Depositary before the date of payment of the dividends a simplified certificate stating that the holder is a United

States resident within the meaning of the Treaty and that he meets all the requirements of the Treaty for obtaining the reduced rate of withholding tax and, for individual shareholders, the right to payment of the *avoir fiscal* (net of withholding).

According to the simplified procedure, the Depositary of the shares or the nominee bank or brokerage firm that holds the ADSs must provide the French paying agent with a list of its clients entitled to the immediately reduced Treaty rate (15%) and must certify that such clients are US residents for tax purposes and are, for individual shareholders, eligible under the Treaty for the “*avoir fiscal*” refund. Because shareholders other than individuals are not eligible for the benefit of the “*avoir fiscal*”, in respect of 2004 dividend distributions, it is not yet clear whether the so-called “simplified procedure” is still applicable to them.

In addition, TOTAL has been advised by its US counsel that, for US federal income tax purposes, the gross amount of dividends a US Holder must include in gross income equals the amount paid by TOTAL plus the amount of *avoir fiscal* (if any) transferred to the US Holder with respect to this amount (including any French tax withheld on the payment made by TOTAL or because of an *avoir fiscal*).

On May 28, 2003, the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the Act) was passed in the United States. The Act reduces the tax rates on dividends received from US corporations and “qualified foreign corporations” as defined in the Act. The reduced tax rates should apply until December 31, 2008.

TOTAL believes that it is a “qualified foreign corporation”. Therefore, the reduced tax rates (maximum rate of 15% for individuals) should apply with respect to dividends (as determined under U.S. federal income tax principles) paid to TOTAL ADR holders who are individuals subject to U.S. federal income tax. Dividends are not eligible for reduced rates if an ADR holder has held ADRs for 60 days or less during the 120-day period beginning 60 days before the ex-dividend date for that dividend and has not met other holding period requirements.

Because this is a general summary, US Holders are advised to consult their own tax advisors with respect to the US federal, state, and local tax consequences, as well as the French tax consequences, of the ownership of ADSs and the shares represented thereby applicable in their particular tax situations.

4. Dividend paid in shares

From 1993 to 1996 TOTAL’s Annual Shareholders’ Meeting resolved to offer each shareholder the option

to receive dividends either in cash or in shares. Since 1996, this option has not been renewed and dividends are paid only in cash

5. Double voting rights

At a Combined Shareholders’ Meeting of TOTAL held on December 14, 1992, a resolution was approved which added to TOTAL’s Articles of Incorporation an article entitling certain shareholders to a double voting right. As a result, all ADRs registered in the name of the same eligible owner for at least two years are entitled to double voting rights effective from December 14, 1994.

In order to be eligible for double voting rights, each holder of ADRs must:

- a. hold the ADRs in registered form in the books of the Depositary for two consecutive years, and
- b. send written notice to the Depositary to the effect that such holder would like to benefit from the double voting rights provision,
- c. the accrual period will begin upon confirmation of written notice from the Depositary.

6. Report to ADR holders

ADR holders receive the Annual Report of the Company.

If they are registered holders (i.e., if ADRs are held by them directly), the reports will be sent directly to the holder at the record address. If the ADRs are held in “street name”, the institution where the ADRs are deposited is responsible for forwarding the documents to the holders.

TOTAL is subject to the information requirements of the US Securities and Exchange Commission (SEC) as they apply to foreign companies. The Company files Annual Reports on Form 20-F (which corresponds to a 10-K for US corporations) and other information as required by the SEC.

7. Information – investor relations

US holders can obtain additional information by calling or writing to the Investor Relations Department in New York, or in Paris:

- Total American Services Inc., 100 Pavonia Avenue Suite 401- Jersey City –NJ 07310 USA
Tel: (001)(201) 626 3500
Fax: (001)(201) 626 4004
Email: ir.nyc@total.com
- TOTAL S.A., Investor Relations,
2, Place de la Coupole, La Défense 6,
92400 Courbevoie, France,
Tel: (33)(0) 1 47 44 58 53,
Fax: (33)(0) 1 47 44 58 24
Email: investor-relations@total.com

UK Shareholders

In addition to the Paris Bourse, TOTAL's shares have been listed on the London Stock Exchange since 1973. These shares have been traded on the SEAQ International since 1986. The security is included in both the FTSE Eurotop 100 and FTSE Eurotop 300 indexes.

Dividends:

Dividends paid to non-French resident shareholders are generally subject to French withholding tax at a rate of 25%.

However, according to the tax treaty signed between France and the United Kingdom (May 22, 1968) (the "Treaty"), the rate of French withholding tax is reduced to 15% in the case of dividends paid to a beneficial owner of the dividend that is a resident of the United Kingdom as defined by the Treaty.

A resident of France is entitled to an "avoir fiscal" (or tax credit) in respect of a dividend received from a French corporation, such as TOTAL. However, French law regarding the avoir fiscal has recently been changed.

Before the 2004 French Finance Act, a resident of France was entitled to an "avoir fiscal" (or tax credit) for dividends received from a French corporation, such as TOTAL. The "avoir fiscal" was equal to 50% of the dividends paid to individuals (and companies that owned at least 5% of the share capital of the French company distributing dividends and meet the other conditions to qualify under the French participation exemption regime). The avoir fiscal was equal to 10% of the dividend paid to other shareholders in 2003.

The 2004 French Finance Act contains significant amendments which tend to abolish the avoir fiscal. Individuals resident in France will continue to benefit from the avoir fiscal for 2004 dividend distributions. However, dividends paid to individuals resident in France from January 1, 2005 would no longer carry an avoir fiscal. French corporate shareholders will no longer be eligible for the avoir fiscal after January 1, 2005. This means that, in contrast to individuals resident in France, dividends paid to these shareholders in 2004 and assessed for taxation in 2005 would no longer carry an effective avoir fiscal.

According to the Treaty, certain Eligible United Kingdom Holders were entitled to receive a payment from the French Treasury of an amount equal to the "avoir fiscal" subject to the deduction of the 15% withholding tax.

The new Act does not clarify the situation of non-resident recipients. However, it would appear that two situations will emerge, i.e.:

- (1) Individuals that are United Kingdom residents under the Treaty will remain entitled to the avoir fiscal for dividends paid to them in 2004, even if in practice the avoir fiscal is not transferred before January 15, 2005. Dividends paid to these individuals as from January 1, 2005 would no longer carry an avoir fiscal. However, the "avoir fiscal" payment is only available to individuals who are subject to income tax on such dividends and on the payment of the avoir fiscal.
- (2) Other non-resident shareholders will no longer be entitled to the avoir fiscal for dividends distributed after January 1, 2004.

Upon receipt of a timely filed claim, UK resident shareholders are generally entitled to a reduced French withholding tax rate of 15% on dividends (French-UK tax treaty). Furthermore, for dividends paid in 2004, an individual is entitled to receive a payment from the French Treasury called an "avoir fiscal" equal to 50% of the dividend paid less a 15% withholding tax.

In order to claim the reduced rate specified by the French-UK tax treaty, the actual beneficiary of the dividends must normally submit a Form RF 4 GB to the French paying establishment, not later than the date when the dividends are paid. Note that for shareholders other than individuals, the reference to the "avoir fiscal" in this Form should be struck out.

UK shareholders may not be in a position to submit the above form prior to payment of dividends. For this reason, they are allowed to follow a simplified procedure which permits them to furnish a simplified certification. However, since shareholders who are not individuals can no longer benefit from the "avoir fiscal" in respect of 2004 dividend distributions, it is not yet clear whether the so-called "simplified procedure" is still applicable to them.

The payment of the amount equal to the "avoir fiscal" to individuals can not be made before January 15 of the year following the calendar year in which the related dividend is paid (i.e., January 15, 2005).

Gross French Dividend (plus the "avoir fiscal") is generally included in the recipient's taxable UK basis. French withholding tax on dividends is credited against UK tax.

Because this is a general summary, UK Holders are advised to consult their own tax advisors with respect to United Kingdom Income Tax as well as French tax consequences of the ownership of shares applicable in their particular tax situations.

General Company information

Name

TOTAL S.A.⁽¹⁾

Head office

2, place de la Coupole
La Défense
92400 COURBEVOIE, France

Share capital

6,491,182,360 euros consisting
of 649,118,236 shares as of December 31, 2003.

Business form and nationality

Business corporation governed by French law.

Business Registry

542 051 180 RCS Nanterre

Articles of Incorporation

On file with Maîtres Gildas Le Gonidec de Kerhalic
and Frédéric Lucet, notaries in Paris.

Code APE (NAF)

111Z

Term

99 years from March 22, 2000, to expire
on March 22, 2099 unless sooner dissolved or
extended.

Accounting year

From January 1, to December 31, of each year.

Company purpose

The direct and indirect objective of the Company
is to explore and exploit mining deposits in all
countries, particularly hydrocarbons in any form,
to process, refine, transform and market these
materials as well as their derivatives and by-products,
as well as all activities related to the production
and distribution of all forms of energy,
to the chemicals sector in all of its forms and
to the rubber and health sectors .

Places where Company documents and information may be examined

At the Company's head office.

Statutory allocation of profits

The net profit for the period consists of the net
income after general expenses, other company
charges, all depreciation of company assets,
and reserves for commercial and industrial risks.

The following is deducted, in the order given, from
this net profit, reduced by previous losses, if any:

- 1) 5% to the legal reserve, until it accounts for
one-tenth of the registered share capital;
- 2) amounts set by the General Shareholders' Meeting
to establish reserves, for which it will determine the
allocation and use;
- 3) amounts which the General Shareholders' Meeting
allocates to retained earnings.

The remainder is distributed to the shareholders.

The Board of Directors may pay out interim
dividends.

The General Shareholders' Meeting held to approve
the financial statements for the financial year may
decide to grant an option to each shareholder, with
respect to all or part of the dividend or of the interim
dividends, between payment of the dividend in cash
and payment in shares.

The General Shareholders' Meeting may decide
at any time, but only on the basis of a proposal
by the Board of Directors, to effect a complete
or partial distribution of the amounts appearing
in the reserve accounts, either in cash or in Company
shares.

General Meetings

Shareholders' meetings are convened and deliberate
under conditions provided for by law. However, some
provisions are specific to TOTAL S.A.:

Deadline to lock up shares

To be entitled to attend or be represented
at shareholders' meetings, holders of bearer shares
or shares that are entered in an account not

(1) The Combined Shareholders' Meeting of May 6, changed the Company name "TOTAL FINA ELF S.A." to "TOTAL S.A.".

maintained by the Company must, at least one day before the date of the meeting, file a certificate at the places indicated in the meeting notice drawn up by the broker keeping their accounts recording the non-transferability of the securities until the meeting date.

Double voting rights

Double voting rights are granted to holders of registered shares that are entirely paid in and held in the name of the same shareholder for at least two years, with due consideration for the total portion of the share capital represented. Double voting rights are also assigned to any registered shares that may be allocated freely to a shareholder in the event of an increase in share capital by incorporation of reserves, profits or premiums based on shares already held that are entitled to double voting rights.

Limitation of voting rights

At shareholders' meetings, no shareholder may cast, by himself and through a proxy, in connection with the simple voting rights attached to the shares he holds directly or indirectly and in connection with the powers of attorney granted to him, more than 10% of the total number of voting rights attributable to the company shares. However, if he also holds, on an individual basis and/or as agent, double voting rights, the limit set in this way may be exceeded taking account solely of the additional voting rights resulting therefrom, without all of the voting rights that he exercises being able to exceed 20% of the total number of voting rights attributable to the company shares. These restrictions no longer apply if any individual or entity, acting alone or in concert, acquires at least two thirds of the total share capital of the Company following a public tender offer for all of the Company's shares.

Statutory thresholds

Any person, whether a natural person or a legal entity, who comes to hold, directly or indirectly, 1% or more, or any multiple of 1%, of the share capital or the voting rights or of securities that may include future voting rights or future access to share capital or voting rights, is required to inform the Company and must also notify the Company if their direct or indirect interest drops below these percentages.

Characteristics of the shares

There is only one category of shares (not making a distinction for those shares that benefit from double voting rights as described above), with a nominal value of 10 euros. Shares may be in registered or bearer form.

Authorized share capital not issued as of December 31, 2003

- Authorization to increase share capital by issuing new shares with or without preferential subscription rights, by incorporating reserves, profits or share premiums in the form of free shares and/or raising the nominal value of existing shares, for a maximum total of 4 billion euros, and authorization to issue securities giving immediate or future access to a portion of the share capital of the Company for a maximum total of 10 billion euros (Combined Shareholders' Meeting of May 7, 2002 - authorization valid for 26 months). As of December 31, 2002, this authorisation had not been used. Therefore, the authorized share capital not issued as new shares under this authorization was 4 billion euros, representing 400 million shares, as of December 31, 2003. A proposal will be made to the Combined Shareholders's Meeting of May 14, 2004 to replace this authorisation with a new one.
- Authorization for a share capital increase reserved for employees subscribing to a Company Savings Plan up to a maximum of 3% of the share capital at the time of issue (Combined Shareholders' Meeting of May 7, 2002 - authorization effective for five years). On November 6, 2003, the Board of Directors decided, pursuant to this authorisation, to implement a capital increase reserved for employees limited to 6 million shares, to be subscribed between March 22 and April 9, 2004. Therefore, as of December 31, 2003, 13,473,547 shares could be issued pursuant to this resolution. A proposal will be made to the Shareholders's Meeting of May 14, 2004 to replace this authorisation with a new one.
- Authorization to allocate stock purchase and subscription options reserved for TOTAL employees up to a maximum of 3% of the share capital at the moment of allocation (Combined Shareholders' Meeting of May 17, 2001). The duration of the original authorisation by the General Shareholder's Meeting of May 17, 2001 was four years. This period was reduced to 38 months by Articles L. 225-177 and L. 179 of the French Commercial Code, modified by Law no.2001-420 of May 15, 2001, and, as a result, this authorization is valid until July 17, 2004. Pursuant to this authorisation, the Board of Directors allocated 2,760,000 TOTAL share purchase options at its meeting of July 10, 2001, 2,908,150 share purchase options at its meeting of July 9, 2002 and 2,973,756 share purchase options at its meeting of July 16, 2003. Therefore, as of December 31, 2003, 10,831,641 shares could be issued pursuant to this authorisation.

A proposal will be made to the Shareholders's Meeting of May 14, 2004 to replace this authorisation by a new one.

- Authorization to cancel Company shares up to a limit of 10% of the share capital for a period of 24 months. This authorization, granted by the Combined Shareholders' Meeting of May 7, 2002, is effective until the General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2006. Pursuant to this authorization, the Board of Directors decided to cancel 23,443,245 shares on November 19, 2002, 9,900,000 shares on July 16, 2003 and 30,100,000 on November 6, 2003, the last cancellation taking effect on November 21, 2003. Thus, as of December 31, 2003, 1,468,578 shares could yet be cancelled pursuant to this authorization until November 20, 2004 before reaching the limit of 10% of the share capital that may be cancelled during a 24-month period.

Potential capital

The securities that are convertible into TOTAL shares, through the exercise of options or redemption, are:

- 2,973,756 TOTAL share purchase options as of December 31, 2003;
- existing or future Elf Aquitaine shares for the beneficiaries of Elf Aquitaine stock options who had not exercised their options by the last day of the public exchange offer that TOTAL conducted in 1999. These shares can be exchanged for TOTAL shares (based on the exchange offer, 19 TOTAL shares for 13 shares of Elf Aquitaine) guaranteed by the Company in the registration statement for the offer of September 22, 1999. As of December 31, 2003, 2,595,657 existing or future shares of Elf Aquitaine were eligible for this exchange option, with rights to subscribe to a maximum of 3,793,652 TOTAL shares.

Personnel profit sharing and investment

On June 30, 2003, a profit-sharing agreement and a participation agreement were signed for 2003, 2004, 2005, concerning TOTAL S.A., CDF Energie, Elf Exploration Production, Gaz du Sud-Ouest, Total E&P France, Total France, Total Lubrifiants, Total Services Maritimes, Total Fluides et Totalgaz.

A total of 76 million euros is to be set aside in 2003 for the special participation and profit sharing reserve for these Group companies.

Shareholders' agreement concerning Sanofi-Synthélabo

As of December 31, 2003, TOTAL, through its 99.46% owned subsidiary Elf Aquitaine, taken together with L'Oréal held 43.9% of the stock and 62.69% ⁽¹⁾ of the voting rights of Sanofi-Synthélabo.

During fiscal year 2003, the TOTAL group's stake, held through Elf Aquitaine and VGF (itself a wholly – owned subsidiary of Elf Aquitaine), was changed from 24.52% of the stock and 33.74% of the voting rights as of December 31, 2002 to 24.35% of the stock and 34.80% of the voting rights as of December 31, 2003 ⁽¹⁾.

A shareholders' agreement was signed by Elf Aquitaine and L'Oréal on April 9, 1999 for an initial term of six years commencing as of December 2, 1998 which is described in the prospectus approved by the Commission des Opérations de Bourse (COB) on April 15, 1999 under visa no. 99-399.

In decisions dated November 27, 1998 (SBF notice No. 98-4707 dated December 7, 1998) and March 16, 1999 (SBF notice No. 99-1083 dated March 18, 1999) the Conseil des Marchés Financiers (CMF) granted Elf Aquitaine and L'Oréal an exemption from the obligation to file a public tender offer for remaining Sanofi-Synthélabo shares.

The main provisions of that agreement are as follows:

Elf Aquitaine and L'Oréal agreed, throughout the entire term of the agreement, not to sell any shares covered by the agreement (19.41% of the share capital of Sanofi-Synthélabo for each of the two companies). However, in the event of a tender offer for the Sanofi-Synthélabo shares, Elf Aquitaine and L'Oréal may act together to tender the shares covered by the agreement in such an offer, any competing offer or an amended offer. If both do not agree to tender their shares covered by the agreement, one of the companies may tender its shares covered by the agreement with the prior written consent of the other company, and the other company shall have a preemptive right to all or some of those shares.

The lock-up commitment does not apply to sales of shares covered by the agreement that amount to less than 0.5% of the stock or voting rights of Sanofi-Synthélabo over a sliding twelve-month period. Elf Aquitaine and L'Oréal agreed to grant one another a preemptive right applicable to any sale of shares covered by the agreement to a third party for the duration of the agreement.

(1) Based on the number of voting rights declared by Sanofi-Synthelabo on May 19, 2003.

Elf Aquitaine and L'Oréal agreed to act so that the board of directors of Sanofi-Synthélabo will be composed of twelve or eleven directors, as applicable, distributed as follows:

- four or three directors are to be chosen from among the candidates nominated by Elf Aquitaine, depending on whether or not the Elf Aquitaine group's stake remains more than 3% higher than L'Oréal's stake;
- three directors are to be chosen among the candidates nominated by L'Oréal;
- two operational directors are to be chosen;
- three independent directors are to be chosen.

Elf Aquitaine and L'Oréal also agreed to consult prior to any meeting of the board of directors or shareholders of Sanofi-Synthélabo and before any major decision regarding the future of Sanofi-Synthélabo to establish a common policy or position.

Elf Aquitaine and L'Oréal have agreed to act together in Sanofi-Synthélabo and not to increase their stake, alone or together, in any proportion that would create the obligation to file a tender offer for the shares of Sanofi-Synthélabo (currently 2% per rolling 12-month period).

Elf Aquitaine and L'Oréal also agreed not to act in concert with a third party. The sale of "free" shares (those not covered under the agreement) by the Elf Aquitaine group is unrestricted, subject to certain conditions.

The Conseil des Marchés Financiers (CMF) held that, "in the event that L'Oréal's stake exceeds, in terms of capital or voting rights, the stake of Elf Aquitaine due to acquisitions of shares by L'Oréal, including through the exercise of its preemptive right, there would be grounds for reviewing the consequences of that change in equilibrium among the parties with respect to the obligation to file a preliminary tender offer." (CMF notice no. 198C1125 dated December 3, 1998).

The agreement was entered into for an initial term of six years ending December 2, 2004. It was extendable by tacit renewal and, after the sixth year, either party had the option to terminate the agreement at any time, provided they give notice one year in advance. The agreement was amended on November 24, 2003 (AMF information no.203C2012 of November 28, 2003). The amendment stated that TOTAL S.A. is henceforth party to the agreement, that the agreement will terminate on December 2, 2004 and that the parties will not act together after that date.

On January 26, 2004 Sanofi-Synthélabo announced a public tender offer for the shares of Aventis.

TOTAL approved this offer in a press release dated January 26, 2004 and announced that it will vote in favor of the capital increase that will be submitted to the General Shareholders' Meeting of Sanofi-Synthélabo. Moreover, TOTAL and L'Oréal signed an agreement transmitted to the AMF (information no. 204C0196 of February 6, 2004) by which they unanimously approved the terms and conditions of the offer communicated to them.

For a description of Sanofi-Synthélabo, please consult the reference document prepared by Sanofi-Synthélabo.

TOTAL holdings in Cepsa

TOTAL has held an investment in the Spanish oil and gas company Cepsa since 1990. Elf Aquitaine and the Spanish bank Santander Central Hispano S.A. ("SCH") have entered into various contracts concerning their investments in and cooperation regarding Cepsa.

As of December 31, 2003 TOTAL held 36.97% of Cepsa's share capital through its 99.46% owned subsidiary Elf Aquitaine. In addition, TOTAL also indirectly held 8.31% of Cepsa's share capital through its investment in the Spanish holding company Somaen Dos. Together, this amounts to a total direct and indirect holding of 45.28%. The other major shareholders of Cepsa are Union Fenosa and International Petroleum Investment Company.

Without prior consultation with TOTAL, on September 26, 2003 SCH, which at the time had an indirect holding of 19.92% in the share capital of Cepsa, launched a public tender offer for 16% of Cepsa's share capital for a price of 28 euro per share.

On October 7, 2003, TOTAL notified the CNMV of the contracts that tied it to SCH, as provided under the Spanish Law 26/2003 of July 17, 2003 regarding transparency for listed companies.

Taking into account the persistent disagreements between TOTAL and SCH regarding the possible impact of Spanish law 26/2003 on their contractual relationships and in order to protect its rights, on October 13, 2003 TOTAL announced that, pursuant to the provisions for arbitration in the relevant agreements, it had introduced arbitral proceedings before the Netherlands Arbitration Institute at the Hague.

At the close of its tender offer on November 24, 2003, SCH had obtained 12.13% of Cepsa's share capital.

On November 25, 2003, the Netherlands Arbitration Institute at the Hague rendered a decision imposing provisional measures while awaiting a final judgement on the merits of the case. The proceedings on the merits of the case is underway and it is possible that the Netherlands Arbitration Institute will render its decision in 2005.

Information policy

In addition to its annual report, the Group routinely publishes information on its activities through regular publications and its Internet site, <http://www.total.com>. Major events are independently notified in press releases.

Moreover, TOTAL has applied to register its annual report as a reference document with the AMF since 1989. The Group also organizes regular information meetings, in France and abroad, for shareholders, journalists and financial analysts.

Financial information contacts

Paris:

Ladislav Paszkiewicz
 Direction de
 la Communication
 Financière
 2, place de la Coupole
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 92078 La Défense cedex
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 Tél. : ou (331) 4744 58 53
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 investor-relations@total.com

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 Suite 401
 Jersey City, NJ 07310
 USA
 Tél. : (001) (201) 626 3500
 Fax : (001) (201) 626 4004
 E-mail: ir.nyc@total.com

Filing of the annual report on Form 20-F with the Securities and Exchange Commission

In the context of its obligations following the listing of its shares in the United States, the Company also files an annual report on Form 20-F with the Securities and Exchange Commission which includes, in particular, a table comparing its Consolidated financial statements and the financial statements that would be presented according to US accounting standards.

For the year 2003, the main differences are analyzed below :

(in millions of euros)

	Shareholders' equity as of 12/31/2003	2003 Income
Group Consolidated financial statements:	30,406	7,025
Elf and PetroFina combinations	37,840	(887)
Valuation of Inventories	1,575	(252)
Other items	(548)	(172)
Tax impact of above differences	(2,746)	389
Amounts under US Standards:	66,527	6,103

The main differences regard, firstly, the treatment of the Elf Aquitaine and PetroFina combinations, which are recorded as a pooling of interests in the French GAAP financial statements and as acquisitions in the US GAAP financial statements, and secondly the appraisal of petroleum inventories, which are valued according to the replacement-cost method (which is close to the LIFO method) in the French GAAP financial statements and according to the FIFO method in the US GAAP financial statements. The other differences are related to various methods that are incompatible in terms of accounting law.

These differences – which stem from different conventions for appraising balance-sheet components – have no impact on cash flow, liquid assets, or financial liabilities.

Detailed explanations of the differences described above are presented in the US reference document Form 20-F, which is available on the Group's website.

The Company also discloses in item 15 of its Form 20-F that, in accordance with the requirements of the Sarbanes-Oxley Act of July 30, 2002, the Chairman and Chief Executive Officer and the Chief Financial Officer, with the participation of the Company's Management, evaluated the effectiveness of the disclosure controls and procedures applicable to reports filed under the US Securities Exchange Act of 1934, and their effectiveness as of the end of the period covered by the annual report on Form 20-F.

Administration – Management – Control

Membership of the Board of Directors during 2003

(Article L. 225-102-1 of the Commercial Code)

Thierry Desmarest

Chairman and Chief Executive Officer

Aged 58 ⁽¹⁾

Director of TOTAL S.A. since 1995 and until 2004.
Holds 14,800 shares.

Other duties exercised during the 2003 fiscal year:

Chairman and Chief Executive Officer:

- Elf Aquitaine - France

Member of the Supervisory Board of:

- Air Liquide - France
- Areva - France

Director of:

- Sanofi-Synthélabo - France

Total compensation and benefits of any nature received:

during 2003: 2,528,076 euros

during 2002: 2,409,952 euros

during 2001: 2,225,070 euros

Yves Barsalou

Independent Director ⁽²⁾

Aged 71 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until May,6, 2003.

Held 741 shares

Other duties exercised during the 2003 fiscal year:

Chairman of:

- VVO Listel (Groupe La Languedocienne) - France

Delegate-President:

- Crédit Foncier de Monaco - Monaco

Vice-Chairman of the Supervisory Board of:

- Midi Libre - France

Director of:

- Société des Caves & Producteurs Réunis de Roquefort - France
- Banco Espírito Santo - Portugal
- Sodagri - France
- U.I. - France

Member of the Supervisory Board of:

- BRL

Total compensation and benefits of any nature received:

during 2003: 9,677.34 euros

during 2002: 32,503.76 euros

during 2001: 31,537.44 euros

Daniel Bouton

Independent Director ⁽²⁾

Aged 53 ⁽¹⁾

Director of TOTAL S.A. since 1997 and until 2006.
Holds 800 shares.

Other duties exercised during the 2003 fiscal year:

Chairman and Chief Executive Officer:

- Société Générale - France

Director of:

- Arcelor - France
- Schneider Electric S.A. - France
- Veolia Environnement - France

Total compensation and benefits of any nature received:

during 2003: 37,500.00 euros

during 2002: 41,255.64 euros

during 2001: 39,806.16 euros

Bertrand Collomb

Independent Director ⁽²⁾

Aged 61 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until 2006.
Holds 1,178 shares.

Other duties exercised during the 2003 fiscal year:

Chairman of:

- Lafarge - France

Member of the Supervisory Board of:

- Allianz - Germany

Director of:

- Vivendi Universal - France
- ATCO – Calgary - Canada

Total compensation and benefits of any nature received:

during 2003: 37,500.00 euros

during 2002: 32,127.82 euros

during 2001: 39,671.80 euros

Paul Desmarais Jr.Independent Director ⁽²⁾Aged 49 ⁽¹⁾

Director of TOTAL S.A. since May, 7, 2002 and until 2005.

Holds 500 shares.

Other duties exercised during the 2003 fiscal year:

Chairman of the Executive Committee, Member of the Board and of the Management Committee of:

- Power Corporation du Canada - Canada

Chairman of the Board and member of the Board of:

- Corporation Financière Power – Canada

Vice-Chairman and Executive Director

- Pargesa Holding S.A. - Switzerland

Vice-Chairman of the Supervisory Board of:

- Imerys - France

Member of the Board of Directors and the Executive Committee of:

- Great-West, Compagnie d'assurance vie - Canada
- Great-West Life & Annuity Insurance Company – États-Unis
- Great-West Lifeco Inc. - Canada
- Groupe Bruxelles Lambert S.A. - Belgium
- Groupe Investors Inc. - Canada
- London Insurance Group Inc. - Canada
- London Life, Compagnie d'assurance vie - Canada

Member of the Board of Directors of:

- Gesca Ltée - Canada
- La Presse Ltée - Canada
- Les Journaux Trans-Canada (1996) Inc. - Canada
- Suez - France

Total compensation and benefits of any nature received:

during 2003: 37,500.00 euros

during 2002: 18,572.39 euros

Xavier DupontIndependent Director ⁽²⁾Aged 70 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until May,6, 2003.

Held 1,000 shares.

Other duties exercised during the 2003 fiscal year:

Chairman of:

- Natexis Quantactions - France

Vice-Chairman of the Supervisory Board:

- ACOFI - France

Member of the Supervisory Board of:

- Banque Privée Saint Dominique - France

Total compensation and benefits of any nature received:

during 2003: 18,677.34 euros

during 2002: 41,255.64 euros

during 2001: 39,806.16 euros

Jacques FriedmannIndependent Director ⁽²⁾Aged 71 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until 2006.

Holds 1,519 shares.

Other duties exercised during the 2003 fiscal year:

Director of:

- BNP Paribas - France
- L.V.M.H - France

Total compensation and benefits of any nature received:

during 2003: 69,000.00 euros

during 2002: 65,255.64 euros

during 2001: 51,671.80 euros

Bertrand JacquillatIndependent Director ⁽²⁾Aged 59 ⁽¹⁾

Director of TOTAL S.A. since 1996 and until 2005.

Holds 900 shares.

Other duties exercised during the 2003 fiscal year:

Chairman and Chief Executive Officer:

- Associés en Finance - France

Director of:

- Klepierre - France

Total compensation and benefits of any nature received:

during 2003: 64,500.00 euros

during 2002: 61,255.64 euros

during 2001: 55,806.16 euros

Antoine Jeancourt GalignaniIndependent Director ⁽²⁾Aged 66 ⁽¹⁾

Director of TOTAL S.A. since 1994 and until 2006.
Holds 865 shares.

Other duties exercised during the 2003 fiscal year:

Chairman of the Board of Directors of:

- GECINA - France
- SIMCO – France (until December 17, 2003)
- Société des Immeubles de France - France
- SNA Holding (Bermuda) Ltd

Chairman of the Supervisory Board of:

- Euro Disney SCA - France

Director of:

- Assurances Générales de France – France
- Kaufman & Broad S.A. - France
- Société Générale - France
- SNA SAL – Beyrouth - Lebanon
- SNA-Re (Bermuda) Ltd

Member of the Supervisory Board of:

- ODDO & Cie SCA – France
(since December 2, 2003)
- Fox Kids Europe NV – Netherlands

Total compensation and benefits of any nature received:

during 2003: 37,500.00 euros

during 2002: 36,879.70 euros

during 2001: 35,671.80 euros

Anne LauvergeonIndependent Director ⁽²⁾Aged 44 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until 2006.

Holds 500 shares.

Other duties exercised during the 2003 fiscal year:

Chairman of the Managing Board of:

- Areva - France

Chairman and Chief Executive Officer of:

- Cogema - France

Director of:

- Suez - France
- Sagem - France

Total compensation and benefits of any nature received:

during 2003: 33,000.00 euros

during 2002: 23,751.88 euros

during 2001: 35,671.80 euros

Maurice LippensIndependent Director ⁽²⁾Aged 60 ⁽¹⁾

Director of TOTAL S.A. since February, 19, 2003
and until 2005.

Holds 800 shares.

Other duties exercised during the 2003 fiscal year:

Chairman of:

- Fortis Brussels – Belgium
- Fortis SA/NV
- Fortis N.V.
- Fortis Utrecht – Netherlands
- Compagnie Her Zoute - Belgium
- Hazegras S.A. - Belgium

Director of

- Suez-Tractebel- Belgium
- C.D.C. United Network – United Kingdom
- Groupe Bruxelles Lambert - Belgium
- Finasucre - Belgium
- Groupe Sucrier S.A. - Belgium

Total compensation and benefits of any nature received:

during 2003: 30,943.35 euros

Michel PébereauIndependent Director ⁽²⁾Aged 61 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until 2006.

Holds 589 shares.

Other duties exercised during the 2003 fiscal year:

Chairman of:

- BNP Paribas – France
- Association Française des Banques

Director of:

- Lafarge - France
- Saint Gobain - France
- BNP Paribas UK Holdings Limited – United Kingdom

Non-voting board member:

- Galeries Lafayette - France

Member of the Supervisory Board of:

- Axa - France

Total compensation and benefits of any nature received:

during 2003: 42,000.00 euros

during 2002: 36,503.76 euros

during 2001: 35,671.80 euros

Thierry de RudderIndependent Director ⁽²⁾Aged 54 ⁽¹⁾

Director of TOTAL S.A. since 1999 and until 2004.

Holds 989 shares.

Other duties exercised during the 2003 fiscal year:

Managing Director of:

- Groupe Bruxelles Lambert - Belgium

Director of:

- Compagnie Nationale à Portefeuille - Belgium
- Suez-Tractebel - Belgium
- Imerys - France

Total compensation and benefits of any nature received:

during 2003: 69,000.00 euros

during 2002: 60,879.70 euros

during 2001: 55,806.16 euros

Jürgen SarrazinIndependent Director ⁽²⁾Aged 67 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until 2006.

Holds 1,777 shares.

Other duties exercised during the 2003 fiscal year:

None

Total compensation and benefits of all kinds received:

during 2003: 37,500.00 euros

during 2002: 41,255.64 euros

during 2001: 31,537.44 euros

Robert StuderIndependent Director ⁽²⁾Aged 65 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until May, 6, 2003.

Held 1,463 shares.

Other duties exercised during the 2003 fiscal year:

Director of:

- BASF - Germany
- Espírito Santo Financial Group S.A. - Portugal
- Renault - France
- Schindler Holding AG - Switzerland

Total compensation and benefits of any nature received:

during 2003: 18,677.34 euros

during 2002: 41,255.64 euros

during 2001: 35,671,80.euros

Serge TchurukIndependent Director ⁽²⁾Aged 66 ⁽¹⁾

Director of TOTAL S.A. since 1989 and until 2004.

Holds 50,935 shares.

Other duties exercised during the 2003 fiscal year:

Chairman and Chief Executive Officer:

- Alcatel - France

Director of:

- Société Générale - France
- Thales - France

Chairman of the Board of Directors of:

- Alcatel USA Holdings Corp.

Member of the Supervisory Board of:

- Alcatel Deutschland GmbH - Germany

Total compensation and benefits of any nature received:

during 2003: 46,500.00 euros

during 2002: 44,879.70 euros

during 2001: 35,403.08 euros

Pierre VaillaudIndependent Director ⁽²⁾Aged 68 ⁽¹⁾

Director of TOTAL S.A. since 2000 and until 2006.

Holds 1,113 shares.

Other duties exercised during the 2003 fiscal year:

Director of:

- Technip - France

Member of the Supervisory Board of:

- Cegelec - France
- Oddo Pinatton - France

Total compensation and benefits of any nature received:

during 2003: 37,500.00 euros

during 2002: 36,879.70 euros

during 2001: 39,806.16 euros

Regulated Agreements

The list of regulated agreements indicated in Articles L. 225-39 and L. 225-115 of the Commercial Code, which is available to shareholders at the corporate offices, does not indicate any agreement that might have a significant impact on the Company's financial condition. Specifically, there is no agreement between the Company and any shareholder holding more than 10% of the voting rights of the Company.

Note: During the last three fiscal years, the directors in office did not receive any compensation or benefit of any kind from companies controlled by TOTAL S.A. The compensation indicated (except for the Chairman's compensation) corresponds only to directors' fees (gross amount) paid for fiscal year.

(1) information at December, 31, 2003.

(2) Independent Director: Director considered as independent with corporate government criteria generally admitted and having no material relationship with TOTAL S.A. (quality reviewed every year by the Board of Directors).

Independent Company Audit – Auditors

Independent Auditors

KPMG Audit

Département de KPMG S.A.
1, cours Valmy, 92923 Paris-La Défense
Date of appointment: 5/13/1998 for 6 years
R. Amirkhanian

2003 - Total compensation received* (in millions of euros)

– Audit of Company and consolidated financial statements (a)	9.7
– Other audit engagements (b)	5.7
– Sub-total (c) = (a) + (b)	15.4
– Other services (d)	0.3
– Total (c) + (d)	15.7

* Including member firms of their network.

Barbier Frinault et Autres

Ernst & Young

41, rue Ybry, 92576 Neuilly-sur-Seine Cedex
Date of appointment: 5/21/1997 for one year
Reappointed on 5/13/1998 for 6 years
P. Macioce

2003 - Total compensation received* (in millions of euros)

– Audit of Company and consolidated financial statements (a)	10.6
– Other audit engagements (b)	2.9
– Sub-total (c) = (a) + (b)	13.5
– Other services (d)	1.5
– Total (c) + (d)	15.0

* Including member firms of their network.

Alternate Independent Auditors

Cabinet Salustro Reydel

8, avenue Delcassé, 75378 Paris Cedex 08
Date of appointment: 6/20/1986 for one year
Reappointed on 5/13/1998 for 6 years

M. Alain Grosmann

c/o Barbier Frinault et Autres
41, rue Ybry, 92576 Neuilly-sur-Seine Cedex
Date of appointment: 5/21/1997 for one year
Reappointed on 5/13/1998 for 6 years

The terms of the statutory and alternate independent auditors will expire at the end of the Shareholders' Meeting called to approve on the financial statements for fiscal year 2003.

Environmental and employment information provided pursuant to French law

Pursuant to the new French law of May 15, 2001 the Company must provide information on the manner in which it addresses the environmental and employment consequences of its activity.

The data required under these legal obligations is presented below, however, management considers that in respect of the parent company TOTAL S.A., environmental data is not relevant. Therefore, the Company presents below the environmental objectives of its subsidiaries.

Beyond these legal obligations the Company has decided to publish separately a specific report entitled "Sharing our energies" which covers all the Group's activities, and their employment and environmental consequences, and which reflects the past performance and future goals of the entire Group in these areas.

Social

1. Employees

TOTAL S.A. employees

As of December 31,	2003	2002	2001
Men	3,764	3,656	1,967
Women	1,333	1,216	802
Total	5,097	4,872	2,769

As of 12/31/03, women represented 26% of TOTAL S.A. employees. A specific department was created in 2003 within the Human Resources Division to oversee the increase in diversity and specifically gender parity within the company.

Average age and seniority of TOTAL S.A. employees

		2003	2002	2001
Average age	Men	43.7	43.7	43.5
	Women	40.0	39.7	39.2
Average seniority	Men	16.1	15.9	14.7
	Women	14.2	13.9	13.1

The discrepancy between the average age of men and women has been shrinking steadily since 2001. Average seniority increased in 2003 due to the many new hires from other companies in the Group who had a lot of seniority.

Transfers to TOTAL S.A.

		2003	2002	2001
External transfers	Open-ended employment contracts	175	235	262
	Fixed-term employment contracts	132	120	110
Internal transfers		243	2,096	251
Total		550	2,451	623

The discrepancy among staff transfers in 2001, 2002 and 2003 can be explained by the fact that, in 2002, there was an exceptional operation to transfer employees from several companies in the Group to TOTAL S.A.. In 2003, intra-Group transfers represented only 44% of transfers to TOTAL S.A., 32% of the new employees were hired under open-ended employment contracts and 24% were hired under fixed-term employment contracts. Although there are fewer new employees, they are much more diverse (increase in the proportion of women and internationals).

Departures from TOTAL S.A.

	2003	2002	2001
Resignations	21	24	31
Layoffs	0	0	0
Terminations for other reasons	6	4	3
End of fixed-term employment contracts	91	104	66
Retirement	16	28	35
End of trial period	2	2	0
Death	5	3	0
Transfers	34	79	55
Other departures*	101	103	167
Total	276	347	357

* Collective Productivity Bonus / Individual Productivity Bonus

In 2003, departures for early retirement, which were the last ones stipulated under the agreement signed on October 5, 2000, represented 37% of the departures for the year, resignations 8% and terminations 2%.

Outside Workers

	2003	2002	2001
Number of service providers as of 12/31	2,094	1,056	1,412
Average number of temporary workers per month	115	138	111

Service providers have functions that pertain for the most part to general services or advisory activities. In 2003, their increase was due to TOTAL S.A. taking over service contacts that had previously been attached to other companies in the Group.

With respect to temporary hiring, in 53% of the cases, temporary workers are used to replace employees who are absent for reasons such as maternity, illness, education, vacation or vacancies yet to be filled.

2. Management of economic impact on employment

There were no layoffs at TOTAL S.A. following the merger of TOTAL, PetroFina and Elf. All departures occurred through a voluntary early retirement system or voluntary departures with assistance from the company.

3. Work time and organization

Organization of work time

	2003	2002	2001
Full time	4,825	4,629	2,633
Part time	224	203	108
Teamwork*	48	40	28

* 3 X 8 C

On December 31, 1999 a collective agreement to reduce the work time was signed bringing the annual work time at TOTAL S.A. to 207 days for management and 1,573 hours over 207 days for other employees.

Only 4% of TOTAL S.A. employees work part-time.

Employees who work in teams are employees on temporary assignment at other structures of the Group.

Absenteeism - Number of Days of Absence

	2003	2002	2001
Illness and treatment	11,968	7,042	6,502
Accident at work or in transit	260	206	398
Maternity	4,595	3,545	3,059
Total	16,823	10,793	9,959

The number of days of absence has increased considerably since 2001 due to the increase in permanent employees at TOTAL S.A. However, proportionally, the rate of absenteeism has barely increased, from 2.09 in 2001 to 2.21 in 2003.

4. Compensation TOTAL S.A.

Evolution of compensation - TOTAL S.A.

	2003	2002	2001
(in euros)	67,239	66,702	65,839

These figures correspond to the annual payroll divided by the monthly average number of employees. They include compensation of upper management and executive officers.

Average per Month* - TOTAL S.A.

(in euros)	Men	Women
Managers and Engineers with variable compensation	7,769	6,567
Engineers and Managers	4,358	4,095
Supervisors and the like	2,781	2,600
Clerical / Technicians	2,003	1,995
Manual Laborers	1,585	–

* The average is not weighted per work time.

The discrepancy between the average compensation of men and women has decreased by 20% over two years. The interpretation of that discrepancy should also be modulated with respect to age, seniority, work time and the category of job held.

Total Salary Expenses - TOTAL S.A.

	2003	2002	2001
Personnel Expenses (billion e)	0.67	0.45	0.32
Value Added (billion e)	1.630	1.258	1.448
Ratio	0.41	0.36	0.22

Average Profit-Sharing and Incentives per Beneficiary - TOTAL S.A.

(in euros)	2002	2001	2000
Profit-Sharing	502	1,784	991
Incentives	3,955	2,452	3,043
Total	4,457	4,236	4,034

The 2003 figures will not be known until the May 14, 2004 AGM.

The collective agreements concerning incentives and profit-sharing were renewed in June 2003 at TOTAL S.A. The amounts paid out for profit-sharing and incentives have increased by 10% since 2000.

5. Health and safety conditions

Work Accidents Involving Employees of TOTAL S.A.

	2003	2002	2001
Number of accidents	2	7	7
Frequency rate	0.254	1.318	1.688

The frequency rate of work accidents has been decreasing steadily for three years. This decrease accelerated in 2003 as a result of the sharp reduction in the number of accidents and the increase in the number of employees at the company.

Budget for Safety - TOTAL S.A.

(in euros)	2003	2002	2001
	3,447,000	2,675,000	2,679,000

This item is based on the budget of expenses earmarked for safety for next year and for TOTAL S.A. only. The figures for 2002 and 2001 were higher because major projects in electricity and fire detection were begun in those years.

6. Training

Number of TOTAL S.A. Employees Receiving Training

	2003	2002	2001
	2,323	1,885	1,099

The number of employees who received training has grown steadily since 2001. That increase is due in part to the growth in employees that occurred during 2002 and 2003 after the merger of TOTAL, PetroFina and Elf and more efficient organization of training within the Group.

7. Employment of disabled workers

Number of disabled workers TOTAL S.A.

	2003	2002	2001
	93	93	69

In January 2003, TOTAL S.A. and several other companies of the TOTAL Group signed a new three-year agreement for integration of disabled workers. Under that agreement, 6% of new employees hired must be disabled. The company is also required to train disabled workers and work more with work-based assistance centers.

8. Social projects

Budget of Committees

(in euros)	2003	2002	2001
	7,776,467	2,442,589	1,698,435

Since 2003, TOTAL S.A. has belonged to a Social and Economic Unit through Elf Exploration Production. The committee budgets for 2003 represent the Works Councils budgets of this Social and Economic Unit. The scope of this arrangement is different from the one governing representation of staff in 2002.

9. Employees organizations

	2003	2002	2001
Number of meetings for negotiations with Central Union Delegates	50	58	72
Number of collective agreements signed	6	18	3

* Central Union Delegates

The collective agreements signed in 2003 concern salaries, employment of disabled workers, incentives and profit-sharing, operating methods of works councils and central works councils, use of new information-and-communication technologies by labor union organizations, and setting up additional health coverage.

TOTAL S.A. is also part of a Social and Economic Unit for which elections of employee representatives were held in January and March of 2003. On average, 59% of the Group's employees participated in those elections to choose the members of the Works Councils and the Employee Delegates.

Environment

Pursuant to Law No. 2001-420 of May 15, 2001, TOTAL S.A. must provide information regarding the social and environmental consequences of its activity and, under the application decree of February 20, 2002, it must include details about the environmental objectives of its foreign subsidiaries.

The following discussion provides information about the environmental policy objectives proposed by the parent company. More detailed environmental information does not seem relevant for this discussion, given the types of activities of the holding company, on the one hand, and of the Group, on the other.

The TOTAL Group operates projects in over 130 countries, in areas as diverse as upstream and downstream oil and gas, energy production and chemicals. The specific report entitled "Sharing our energies" in its section devoted to the environment, provides detailed information on how the various entities of the Group conduct their environmental policies. It reports on the environmental consequences of those activities, describes and explains their qualitative and quantitative impacts, details the actions taken and presents the environmental performance of the entire Group, as well as the commitments that the Group has made or is planning to make. This annual report contains a summary of that document, under the same name.

In 2001, TOTAL prepared a Charter devoted to health, safety, environment and quality issues. This document reshaped and harmonized the guiding principles in these areas already developed by each of the three companies that had just merged. Approved by the Executive Committee of the Group, the Charter is now a benchmark in the Group's corporate culture, and demonstrates its commitment to operational safety, personal health, environmental protection, and the quality of its products and services. The Charter must be implemented by taking into account the operational realities of each of our business lines. Translated into several languages, the Charter also includes a guide explaining the ten principles, to give operational personnel a better understanding of these principles so that they can be applied to daily responsibilities.

The ten principles are organized around three themes: the industrial activity itself, employees, and third parties.

In terms of industrial activity, no development project can be started and no new product launched without an initial detailed analysis of the safety, health and environmental risks within the operational branch in question. The minimal standards common to all the entities of the same type within the Group, whatever the country in which a new entity or its extension is located, are verified at the time the project is reviewed by the Risk Committee. That Committee makes its recommendation to the Group's Executive Committee on major capital investments, acquisitions or disposals proposed by the managers of the operational branches. It includes a representative from the Environmental and Sustainable Development Department and a representative from the Industrial Safety Department.

This risk evaluation and prevention procedure includes scientific analyses of substances and their effects, environmental impact studies and risk studies, conducted in accordance with current regulations and the rules of the industry. This procedure is progressively integrating the problems arising at the end of the useful life of products and facilities. It must be repeated on a regular basis throughout the project in order to verify that the environmental impact and the safety risks are as low as possible. Safety, environmental and quality management systems are implemented and are also periodically reevaluated.

The primary environmental objectives include the reduction of waste generation on sites, the recycling of the waste already generated, a reduction in the consumption of some raw materials, and improved energy efficiency. In 2001, TOTAL announced its objective to reduce greenhouse gas emissions for all its worldwide operations; as part of a voluntary agreement signed by several French companies and approved by the government, the refining and chemical subsidiaries have also made reduction commitments with respect to their activities in France. Those reductions in greenhouse gas emissions and the corresponding actions are described in detail in the aforementioned report "Sharing our energies". Special attention is also paid to soil and water table contamination within special programs to evaluate risks and cleanup.

In addition to this prevention policy, the operational entities of the Group must establish the resources and emergency intervention plans to respond to accidents. These measures are regularly updated and checked by the relevant environmental and safety departments, and opportunities to share experience are organized on a regular basis.

The principles set forth for our employees are based on the following ideas: each person at his or her own level has a responsibility for safety and environmental protection, must be aware of it, and act accordingly. The job evaluation is based on these criteria, among others.

With respect to relationships with third parties, the Charter recommends that outside service providers, suppliers, industrial, and commercial partners in general, adhere to the Group's safety and environmental policy. It also emphasizes that the expectations of corporate partners, customers, shareholders, and contractual partners in relationships affecting the environment must be satisfied with a constructive attitude of dialogue and transparency. The experiences in close partnership that have been conducted in the field, which are discussed in the aforementioned report "Sharing our energies" are finding widespread application.

The organization of the Group entities is proof of the Group's constant and effective consideration of the environment in all its activities. The actions and policies of the Sustainable Development and Environmental Department and the Industrial Safety Department within TOTAL S.A. are coordinated with the Strategy and Risk Evaluation Department. The Environmental and Sustainable Development departments and the Industrial Safety departments of the upstream oil, downstream oil, chemicals, gas and power divisions implement the action principles and short-term and medium-term environmental objectives which they have established together, in the subsidiaries, which then in turn transfer them to the industrial sites.

The TOTAL Group places great importance on monitoring the implementation of these principles. The reporting processes are harmonized and improved within the entities, and between the entities and the central managements, the medium-term goal is audited by an outside firm. During internal audits, or environmental inspections of any kind conducted by the departments concerned, one of the elements checked is the way in which the Charter principles are implemented.

The Environmental and Safety departments of the parent company organize training sessions for both management and for environmental, health and safety managers. Training in crisis management and adequate response is also offered. The operational divisions also offer programs geared to the various persons responsible for these duties.

As an example, and pursuant to the action principles, the basic requirements for hygiene and health, safety and the environment applicable worldwide to all the units of the Chemicals Branch have been defined and set forth in one manual, which is available in French, English and Spanish. These requirements apply to product and process research and development, to facilities' design and construction, to the manufacturing, transfer and storage of raw materials and products, to the supply of products to customers and the use of products by customers. Additional requirements based on the geographic region or specific to each Product Division may be prepared and implemented by each entity. General Environmental, Safety and Transport inspections and audits verify the implementation of these requirements in the field.

The other sectors have each implemented the same management systems, based on the specific features of their location and operations. They have all committed to making steady progress, based on taking stock, return on experience, cooperation, action plans, audits, consciousness-raising, information and education of all concerned. This desire to continually improve integrated environmental management has led the Group to complete the process by earning an ISO 14001 environmental certification. This international benchmark standard enables outside recognition of environmental management systems through certification by a third party, after independent audits of compliance, which are repeated every three years. In the chemical and refining sector in Europe, the majority of sites—i.e. more than a hundred—have already been certified; in other sectors and other countries, this certification process is being actively pursued.

Statutory Auditors' special report on regulated agreements

For the year ended December 31, 2003
(free translation of a French language original)

To the Shareholders of TOTAL S.A.,

In our capacity as Statutory Auditor of your company, we hereby present you with our report on the regulated agreements.

Our assignment does not involve seeking out the possible existence of any other such agreements but consists in informing you, on the basis of the information provided to us, of the essential characteristics and terms and conditions of those agreements brought to our attention, without having to express an opinion on their usefulness or appropriateness. Pursuant to Article 92 of the Decree of March 23, 1967, it is your responsibility to assess the interest for the company of concluding these agreements with a view to their approval.

We hereby inform you that we have not been notified of any agreement covered by Article L. 225-38 of the Commercial Code.

Furthermore, pursuant to the Decree of March 23, 1967, we have been informed that the following agreements, approved during previous financial periods, continued to remain in force during the last financial period.

With Banks BNP Paribas and Société Générale

- Your company and several banks including Banks BNP Paribas and Société Générale, have entered into guarantee agreements relating to the financing of the Sincor project in which Total Venezuela is participating. The global financing has been estimated at USD 2.7 billion. First stage completion allowed to reduce the guarantee amount from USD 2.7 billion to USD 43 million as of December 31, 2003, of which USD 20.2 million related to Total Venezuela.
- Guarantee relating to a USD 243 million financing agreement granted to Oleoducto Central S.A. ("Ocesa"). As repayments occurred during the year, the loan amounts to USD 91 million as of December 31, 2003.
- First demand guarantee for 16.7% of amounts due by TMR Energy Limited relating to a USD 34.2 million loan. As repayments occurred, your share of the guarantee amounts to USD 0.9 million as of December, 2003.

We have carried out our work in accordance with auditing standards generally accepted in France; these standards involve the implementation of the procedures required in order to verify that the information provided to us has been accurately derived from the related underlying documents.

Paris-La Défense and Neuilly-sur-Seine, February 19, 2004

The statutory auditors

Barbier Frinault et Autres
Ernst & Young Network

KPMG Audit
Department of KPMG S.A.

Statutory Auditors' Report on the financial statements

For the year ended December 31, 2003
(free translation of a French language original)

To the Shareholders of TOTAL S.A.,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended 31 December 2003, on:

- the audit of the accompanying financial statements of TOTAL S.A. ;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the company's financial position and its assets and liabilities as of 31 December 2003, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, which came into effect for the first time this year, we bring to your attention the following matters, which contribute to the opinion expressed above relating to the financial statements taken as a whole.

We assessed the approach defined by the Company for the valuation of its investments in subsidiaries and affiliates, as described in the Note 1 of the financial statements. Our procedures relating to the material judgements or estimates made by the management and which can result from the application of this accounting principle enabled us to assess their reasonableness.

Specific verifications and information

We have also performed the specific verifications required by law in accordance with the professional standards applicable in France.

We have no comments as to the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with the law, we verified that the management report contains the appropriate disclosures as to the acquisition of shares and controlling interests and as to the percentage interests and votes held by shareholders.

Paris La Défense and Neuilly-sur-Seine, February 19, 2004

The statutory auditors

Barbier Frinault et Autres
Ernst & Young Network

KPMG Audit
Department of KPMG S.A.

Summarized statement of income

(in millions of euros)

For the year ended December 31,	2003	2002	2001
Operating income	925	785	1,197
Financial result ⁽¹⁾	3,154	2,774	3,321
Special items and taxes	(807)	(1,149)	(689)
Net profit	3,272	2,410	3,829
<i>(1) Including income from subsidiaries and affiliated companies</i>	3,552	3,387	3,660

Changes in shareholders' equity

(in millions of euros)

	Issued shares		Paid-in surplus	Retained earnings	Revaluation reserve	Total
	Number	Amount				
As of December 31, 2002	687,190,510	6,872	44,798	7,670	39	59,379
Cash dividend ⁽²⁾				(2,671)		(2,671)
2003 Net income				3,272		3,272
Capital Reduction	(40,000,000)	(400)	(4,780)			(5,180)
Issuance of common shares - Elf	1,092,082	11	60			71
Warrants	835,644	8	136			144
Change in revaluation reserve					(1)	(1)
As of December 31, 2003	649,118,236	6,491	40,214	8,271	38	55,014

(2) Global distributed dividend in 2003 : 2,671 million euros (4.10 euros per share).

Summarized balance sheet

(in millions of euros)

As of December 31,	2003	2002	2001
ASSETS			
Non-current assets	76,771	78,751	78,741
Intangible assets	37	41	16
Property, plant and equipment	218	202	188
Investments	76,516	78,508	78,537
– Investments in subsidiaries and affiliated companies	70,868	71,517	71,531
– Loans to subsidiaries and affiliated companies	5,648	6,991	7,006
Current assets	2,504	2,728	3,469
Inventories	2	1	1
Accounts and notes receivable	1,128	1,267	2,472
Marketable securities	1,344	1,364	905
Cash, cash equivalents and short-term deposits	30	96	91
Adjustment accounts	328	91	9
Total	79,603	81,570	82,219
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	55,014	59,379	62,567
Common shares	6,491	6,872	7,059
Reserves, retained earnings	45,251	50,097	51,679
Income for the year	3,272	2,410	3,829
Other equity	–	–	–
Contingency reserves	1,210	1,209	266
Debts	23,376	20,976	19,332
Loans:	22,328	19,843	17,361
– Debentures other than convertible ⁽¹⁾	3,610	4,742	5,861
– Other loans and bank overdrafts	18,718	15,101	11,500
Liabilities	1,048	1,133	1,971
Adjustment account	3	6	54
Total	79,603	81,570	82,219

(1) Including assimilated loans.

The summarized financial statements of the Parent Company have been prepared in accordance with French Generally Accepted Accounting Principles.

The full financial statements of the Parent Company are available upon request from the Company.

Subsidiaries and affiliates

(in millions of euros)

December 31, 2003	% of capital owned by company	Capital	Other shareholders' equity	Book value of investments		Loans & advances	Sales for the year	Net income	Dividend received	Commitments contingencies
				gross	net					
SUBSIDIARIES										
Cray Valley S.A.	100.0	70	5	69	69	–	263	1	2	–
Elf Aquitaine	95.6	2,231	13,873	44,993	44,993	–	1	1,888	1,091	–
Omnium Insurance Reinsurance Cy.	100.0	32	212	114	114	–	299	152	78	–
TOTAL CHIMIE	100.0	930	11,728	13,117	13,117	–	–	433	426	–
TOTAL E&P HOLDINGS	65.8	4	(25)	391	391	–	–	537	926	–
TOTAL FRANCE	59.6	624	214	2,632	2,632	–	17,064	391	–	–
TOTAL GESTION U.S.A.	100.0	3,969	–	3,969	3,969	–	–	–	–	–
TOTAL HOLDINGS EUROPE	53.2	65	2,782	4,446	4,446	–	–	1,681	907	–
TOTAL PORTUGAL PETROLEOS S.A.	100.0	89	(38)	92	92	41	54	(8)	–	–
TOTAL TRACTEBEL EMIRATES POWER CY.	55.0	108	9	72	72	–	–	7	–	–
Others ⁽¹⁾				1,261	973	5,730			122	26,967 ⁽²⁾
Total				71,156	70,868	5,771			3,552	26,967

(1) Including investment activities (own shares: 231 million euros).

(2) Commitment on short term financing plan and loans incurred by TOTAL CAPITAL.

Five-year financial data

	2003	2002	2001	2000	1999
I - CAPITAL AT YEAR END					
<i>(in thousands of euros, except for number of shares)</i>					
Common stock	6,491,182	6,871,905	7,059,350	7,404,658	7,222,037
Number of shares of common stock outstanding	649,118,236	687,190,510	705,934,959	740,465,798	722,203,679
Potential number of shares for issue:					
• by exercise of share subscription options	2,935,306	–	449,881	962,680	1,522,135
• TOTAL US Warrant	–	884,465	1,786,395	1,789,691	1,674,958
• Elf shares and options guaranteed for exchange of TOTAL shares	3,793,652	5,178,906	5,951,375	6,296,965	6,786,902
• PetroFina employees warrants	–	–	–	–	136,359
II - OPERATIONS AND INCOME FOR THE YEAR					
<i>(in thousands of euros)</i>					
Net commercial sales	4,246,682	4,111,252	3,949,347	16,488,288	7,666,169
Employee profit sharing	22,000	14,000	10,200	10,214	10,214
Net income	3,272,173	2,410,412	3,828,722	3,012,113	916,109
Retained earnings brought forward	1,056,491	1,316,910	651,989	19,134	385,535
Income available for appropriation	4,328,664	3,727,322	4,480,711	3,031,247	1,301,644
Legal reserve	–	–	–	18,262	1,061
Provident funds	–	–	–	–	–
Reserves	–	–	–	–	(408,756)
Dividends	3,079,116	2,821,221	2,712,141	2,449,443	1,709,339
Retained earnings	1,249,548	906,101	1,768,570	563,542	–
III - EARNINGS PER SHARE					
<i>(in euros)</i>					
Income after tax, before depreciation, amortization and provisions ⁽¹⁾	5.28	4.42	5.51	4.56	0.98
Net income ⁽¹⁾	5.15	3.62	5.52	4.26	2.61
Net dividend per share	4.70	4.10	3.80	3.30	2.35
IV - PERSONNEL					
<i>(in thousands of euros except for the number of employees)</i>					
Average number of employees during the year ⁽²⁾	5,013	3,376	2,645	2,488	2,523
Total payroll for year	458,518	311,741	219,987	203,501	171,122
Social security and other staff benefits	221,653	147,133	106,315	85,738	85,083

(1) Earnings per share are calculated on the basis of the weighted average number of common shares and common share equivalents outstanding during the year.

(2) Including employees on early retirement or paid training leave (7 in 2001 and 1 in 2002).

Statements of changes in capital

(in thousands of euros, except for number of shares)

Year	Increase in capital	Cash contributions		Successive amount of nominal capital	Cumulated number of shares
		Par Value	Issue / conversion premium		
1999	Capital increase:				
	• Nominal value change	581,995	(581,995)	2,447,877	244,787,638
	• Petrofina	1,046,198	10,721,356	3,494,075	349,407,436
	• Elf	3,717,351	37,860,626	7,211,426	721,142,550
	• Warrants	19	158	7,211,445	721,144,494
	• Employees' share subscription plans	10,592	35,377	7,222,037	722,203,679
2000	Capital increase:				
	• Capital increase reserved for employees	19,772	173,229	7,241,809	724,180,872
	• Petrofina	10,429	154,354	7,252,238	725,223,819
	• Elf	144,378	2,315,869	7,396,616	739,661,587
	• Warrants	31	302	7,396,647	739,664,662
	• Employees' share subscription plans Elf	2,489	34,439	7,399,136	739,913,543
	• Employees' share subscription plans	5,522	21,144	7,404,658	740,465,798
2001	Capital increase:				
	• Warrants	33	318	7,404,691	740,469,093
	• Employees' share subscription plans Elf	3,276	47,760	7,407,967	740,796,710
	• Employees' share subscription plans	5,063	20,740	7,413,030	741,302,959
	• Capital reduction	(353,680)	(5,269,375)	7,059,350	705,934,959
2002	Capital increase:				
	• Warrants	9,019	83,890	7,068,369	706,836,889
	• Capital increase reserved for employees	27,852	313,675	7,096,221	709,622,103
	• Employees' share subscription plans Elf	5,645	83,470	7,101,866	710,186,574
	• Employees' share subscription plans	4,472	22,252	7,106,338	710,633,755
	• Capital reduction	(234,433)	(3,223,868)	6,871,905	687,190,510
2003	Capital increase:				
	• Warrants	8,356	60,385	6,880,261	688,026,154
	• Employees' share subscription plans	10,921	135,523	6,891,182	689,118,236
	• Capital reduction	(400,000)	(4,779,523)	6,491,182	649,118,236

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