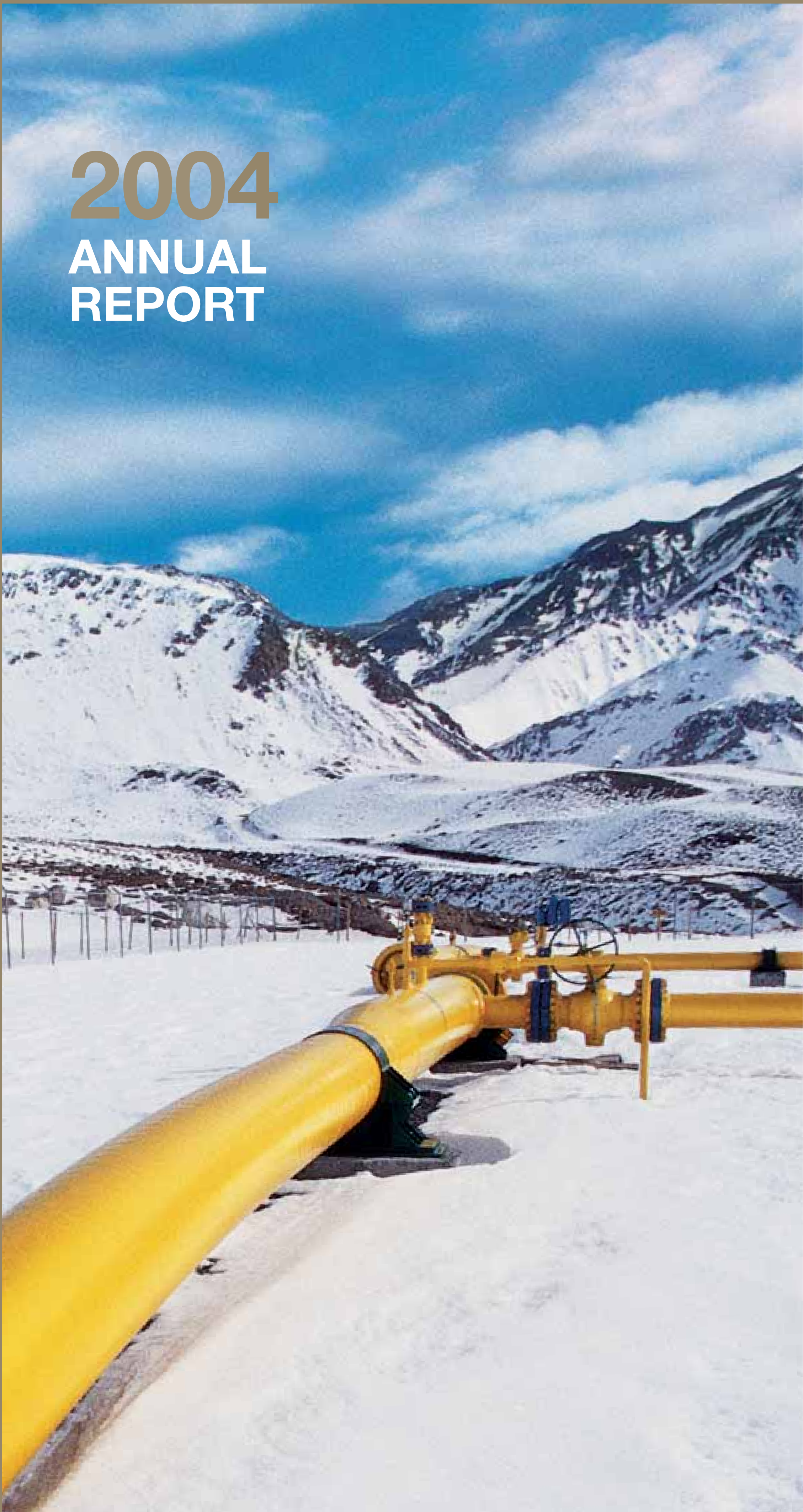
2004
ANNUAL REPORT



TOTAL

20
04

Financial data

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

	2004	2003	2002
Sales	122,700	104,652	102,540
Operating income from business segments (1)	17,123	13,004	10,995
Net operating income from business segments (1)	8,792	6,973	5,868
Net income (Group share) (2)	9,039	7,344	6,260
Earnings per share (in €) (2) (3)	14.68	11.56	9.40
Dividend per share (in €) (4)	5.40	4.70	4.10
Net debt-to-equity ratio	27%	26%	29%
Return on equity	31%	26%	20%
Cash flow from operating activities	14,429	12,487	11,006
Total expenditures	8,668	7,728	8,657

Operating highlights

	2004	2003	2002
Hydrocarbon production (kboe/d)	2,585	2,539	2,416
Liquids production (kb/d)	1,695	1,661	1,589
Gas production (Mcf/d)	4,894	4,786	4,532
Refinery runs (kb/d) (5)	2,496	2,481	2,349
Refined product sales (kb/d) (6)	3,771	3,652	3,380

(1) Adjusted for special items
(2) Adjusted for special items and adjusted for equity in amortization of goodwill and intangible assets related to the Sanofi-Aventis merger
(3) Based on fully-diluted weighted-average number of shares
(4) 2004 dividend: subject to approval by the May 17, 2005 Annual Shareholders' Meeting
(5) Including share of Cepsa
(6) Including Trading activities and share of Cepsa

Abbreviations

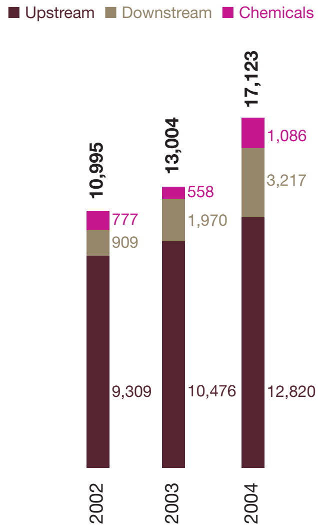
b	barrel
cf	cubic feet
/d	per day
/y	per year
€	euro
t	metric ton
boe	barrel of oil equivalent
k	thousand
M	million
B	billion
T	trillion
MW	megawatt
MWp	megawatt peak
TWh	terawatt-hour

TRCV (Topping Reforming Cracking Visbreaking) Refining margin indicator based on variable costs of a theorical refinery located in Rotterdam which treats a variety of crude representing the available supply in the area to provide main products quoted in this same area.

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

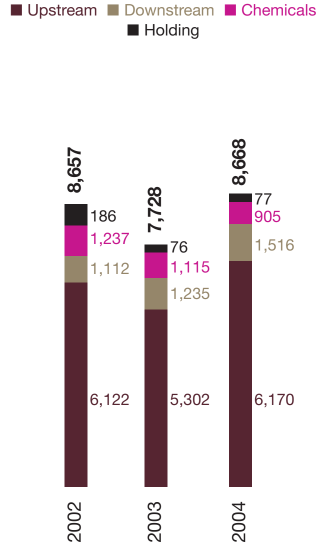
Sales (M€)

Operating net income from business segment(*) (M€)

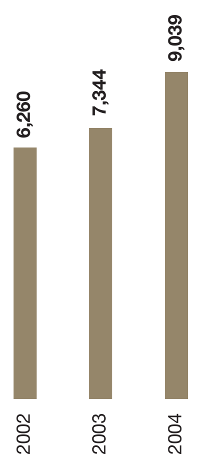


(*) Adjusted for special items

Total expenditures by segment (M€)



Adjusted net income (Group share) (M€)

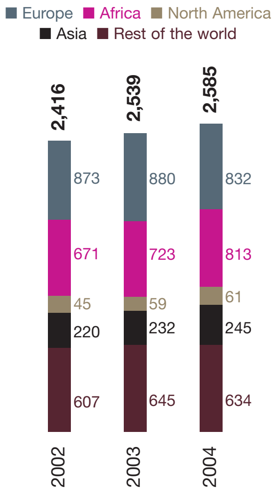


Adjusted net income per share (€/share)

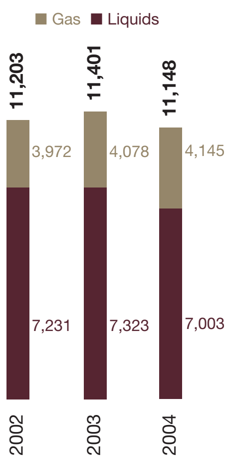
Dividend per share (€)

UPSTREAM

Liquids and gas production by region (kboe/d)

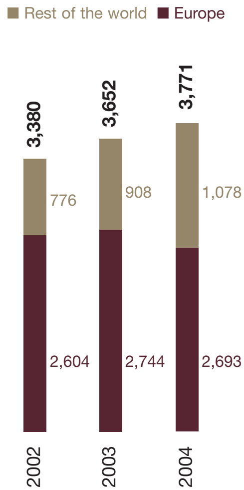


Liquids and gas reserves (Mboe)



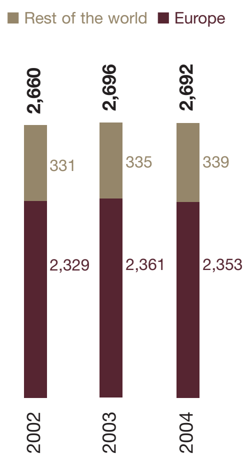
DOWNSTREAM

Refined product sales (kb/d) including Trading(*)



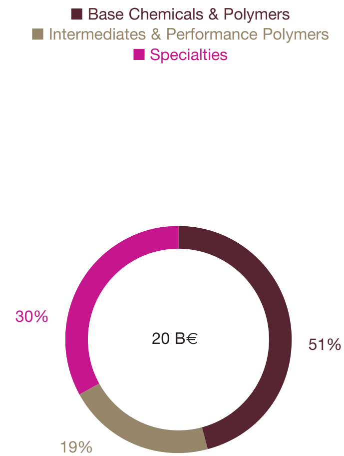
(*) After correcting a reporting disparity related to sales in France in 2002

Refining capacity (kb/d) at year-end

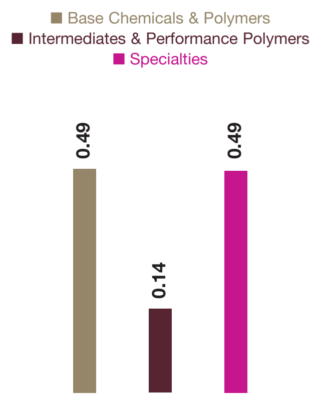


CHEMICALS

Sales by sector



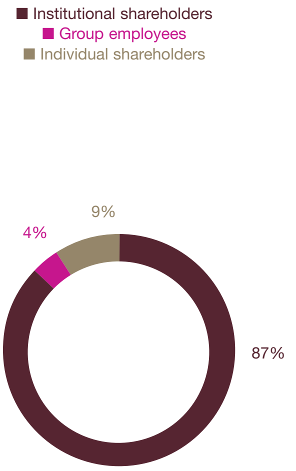
Operating income by sector(*) (B€)



(*) Adjusted for special items

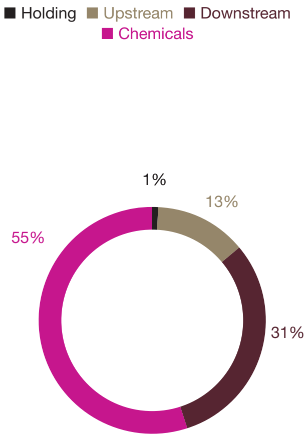
Key figures

Shareholder base(*)



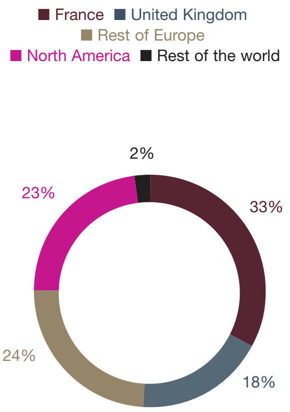
(*) Estimated as of December 31, 2004 excluding intra-Group holdings

Employees by segment



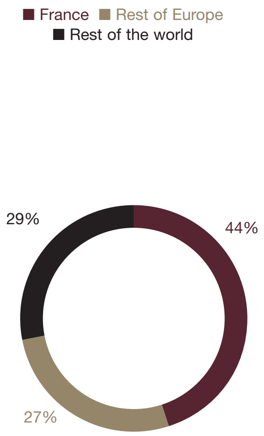
Consolidated subsidiaries
Employees at year-end: 111,401

Shareholder base by region(*)



(*) Estimated as of December 31, 2004 excluding intra-Group holdings

Employees by region



Chairman's Message

In 2004, TOTAL delivered remarkable operational and financial performances.

The Group achieved record profits, with adjusted net income of 9.04 billion euros, a 23% increase compared to 2003. Return on capital reached 24%, in line with the best in the industry.

These impressive results are largely due to a market environment that was more favorable than last year. In 2004, for TOTAL, the sharp increase in oil prices and the rebound in refining margins more than offset the negative impact of the continued depreciation of the dollar versus the euro.

Going beyond the impact of the market environment, TOTAL's performance was based on the growth of its businesses. Group oil and gas production was up, as were refinery throughput and petroleum products sales. Turnover in Chemicals also increased. Each of the segments recorded increases in profitability.
These improvements are the result of a well-considered investment policy and of careful management. Our teams were up to the challenges they were confronted with, and I would like to take this opportunity to thank them for a job well done.

TOTAL continues to move forward on the course it has set: to perform in line with the best of its peers in terms of growth and profitability, while expanding its activities in an environmentally-conscious manner. Our businesses can make important contributions to sustainable development, and we are mindful to take these concerns into account as we prepare our future activities.
Our continued focus on and our intensified efforts concerning our commitments in this area have been one of the highlights of 2004. Our third annual report on corporate and social responsibility is devoted to evaluating and communicating the results of our efforts. It reflects the progress we have made over the past year in addressing the different aspects of sustainable development and promotes an open dialogue with all who are interested in our undertakings.

The accomplishments of our Upstream segment give an example of the execution of our strategy for profitable growth. In 2004, our oil and gas production continued to grow, reaching an average of 2.6 million barrels of oil equivalent per day (boe/d). TOTAL is among the oil majors with the highest potential for growth. As a result of exploration success and the major projects currently being negotiated, we have extended the time frame of our target to increase production by an average of 4% per year up to 2010. These increases in production that we are working to achieve should allow us to increase our earnings while maintaining our profitable return on capital. Our solid and diverse portfolio of proved and probable reserves represents nearly 20 years of production at our current rate and gives a good indication of TOTAL's long-term Upstream performance.

In 2004, our Gas & Power activities were highlighted by the signature of several significant agreements. They will put TOTAL in a position to increase its natural gas marketing in North America, Europe and Asia, especially for the most dynamic sector of the market, liquefied natural gas.

The Downstream segment profited from a market environment that, in general, was favorable despite the depreciation of the dollar. In this market context, the Group successfully adapted its refineries to the very-low-sulfur-content fuels requirements that became effective in Europe on January 1, 2005. We are continuing to prepare our sites for the even more stringent requirements that will take effect in 2009. An example of our determination to maintain the performance of our industrial base and to adapt it to the evolving demands of the oil and petroleum products market can by seen in our construction of a new conversion unit for our refinery in Normandy which began in 2004. This project also illustrates our commitment to industrial safety and environmental protection. In its retail fuel marketing activities, the Group has completed its TOTAL-branded network unification plan and its new corporate identity program.

Outside of Europe, the Group has pursued a growth strategy for its high-value-added specialties product lines and a targeted development strategy for expanding markets. For example, in October 2004 TOTAL announced a joint-venture with Sinochem to create a network of 200 retail stations in northern China and, in November 2004, also acquired a marketing network in Puerto Rico.

TOTAL's Chemicals segment benefited from the rebound of the global economy and from the positive impacts of the productivity programs it has implemented over the past three years. Despite a sharp increase in the prices of raw materials for petroleum products, petrochemicals margins progressively returned to more favorable levels, also contributing to the improved performance of this segment. The Group has decided to reorganize its Chemicals segment by placing three of its businesses, Vinyl Products, Industrial Chemicals and Performance Products, in a new entity named Arkema. With a global presence, strong market shares and balanced portfolio of activities, Arkema should rapidly develop its activities and is expected to become a competitive, stand-alone entity in 2006.
In the meantime, Arkema, as part of the TOTAL Group, will continue to strive to improve its performance while preparing itself to become independent.

Our commitment to sustainable growth and development is matched with a prudent financial strategy. At the end of 2004, our net-debt-to-equity-ratio was 27%.
Our investments over the past year totaled 10.7 billion dollars. In 2005, they should rise to 12 billion dollars, of which approximately 70% will be for exploration and production activities.

TOTAL intends to pursue a dynamic dividend policy, with a medium-term target of distributing 50% of consolidated net income. The Group has also implemented a policy of share buy-backs which, by its accretive impact, increases the amount per share which could be distributed. For the 2004 fiscal year, the Board has decided to propose that the shareholders approve a dividend of 5.40 euros per share, up 15% from the 2003 dividend. This dividend will be paid according to our new policy implemented in the fall of 2004 to distribute dividends semi-annually, with an advance on the dividend paid in November and the balance distributed in May. Unless there are exceptional circumstances, each November the Group will distribute an interim dividend equal to approximately half of the total dividend for the prior year.

Over the past few years, we have made progress in creating a strong, competitive Group, which is among the largest and most profitable in its industry.
We have kept to our chartered course, with strategic objectives of increasing our oil and gas production, expanding our presence in the natural gas chain, developing targeted markets for our Downstream operations while strengthening its competitiveness in Europe in Africa, balancing and increasing the profitability of our portfolio of Chemicals activities alongside our traditional oil and gas operations, and positioning ourselves to develop new energy sources which will become more and more important.
We will continue on this course to develop the interests of our clients, our shareholders and our teams.

Thierry Desmarest

Questions for the Chairman

Thierry Desmarest, Chairman and Chief Executive Officer

What do you think of TOTAL's performance in 2004?
In 2004, we had record earnings. The price of crude oil was up sharply and we profited from very high refining margins. The market environment for our Chemicals segment also improved. In this market context, the depreciation of the dollar compared to the euro once again had a negative impact on our euro-denominated results. As a result, the price of our shares in New York increased significantly more than in Paris (a 20% rise compared 8%). Overall, the market environment was quite favorable to us, but more significantly, our performance shows the solid base that we have created through our continued efforts in terms of growth and productivity.

With cash flows so high, why didn't the Group make more acquisitions in 2004?
TOTAL's priority is internal growth; projects that we create ourselves. However, we may also be interested in acquisitions if the profitability of such projects is sufficiently attractive. In 2004, with oil prices at such high levels, it was certainly not a buyer's market unless one was willing to sacrifice future profitability. This was not the case for us, especially since we have numerous interesting prospects for internal growth.

Is the program for share buy-backs due to a lack of interesting projects?
That's not really the case for TOTAL. We invested 8.7 billion euros in 2004. Our oil and gas production has been increasing at a pace that is among the highest in the industry and significantly faster than the increase in demand. It is true, on the other hand, that with oil prices at such high levels the Group's capacity to provide internal financing has increased, and this capacity can be greater than what is needed for our investments in high-quality projects. In these circumstances, we have used part of this additional liquidity for share buy-backs. This program has allowed us to increase net earnings per share by 16.7% since 2000 (excluding the impacts of growth and productivity programs and of the economic environment) and has also had a positive impact on the share price as well as contributing to an increased dividend per share.

Are accusations that oil and gas companies have not been investing enough in production justified?
For TOTAL, this accusation is not relevant. Over the past ten years we have increased our production by an average of 4% or 5% each year, while the market has increased by only around 2%. However, it is true that not all companies have had the same strategy. With demand increasing, particularly in Asia, and production in the United States and the North Sea decreasing, it would be advisable to substantially increase worldwide oil and gas production capacity over the next few years. This task could be accomplished more easily if Middle Eastern countries were to open more opportunities for foreign investment. It is up to us to come up with new forms of partnerships that will interest these countries.

Why has TOTAL strengthened its positions in liquefied natural gas (LNG)?
Global demand for natural gas has been growing faster than for other fossil fuels, particularly because of its environmental qualities: it burns cleanly and, because of its high carbon content, it releases lower quantities of green-house gases. Commercializing abundant natural gas resources is a key for meeting the ever-increasing demand for energy while protecting the environment. We expect that worldwide demand for natural gas will increase by approximately by 3% per year over the next few years. Since natural gas resources in proximity to the biggest markets are in decline, supplies of natural gas will come from further afield and will often need to be transformed into LNG in order to be transported. As a result, we believe that LNG will grow very quickly, even up to 10% per year.

In the upstream portion of the LNG chain, TOTAL participates in 5 out of the 17 liquefaction plants that exist worldwide. These 5 plants account for approximately 40% of the global production of LNG. It was important for the Group to develop its position in the downstream portion of the LNG chain in parallel with the launch of new upstream projects in order to secure commercial outlets for its new LNG production. As a result, we have positioned ourselves on a number of markets, in particular by participating in LNG re-gasification terminal projects in the United States, France, India and Mexico.

How do you perceive the development of Arkema between now and 2006, when it is scheduled to become a listed company?

The primary objective of the team that was put in place to head Arkema, which was created in 2004, is to make this new entity self-sufficient and competitive so that it can become an independent entity in 2006. Backed by its annual turnover of 5 billion euros, its 19,000 employees, its solid industrial base and its innovative research and development, I am confident that it will complete its organization and improve its competitiveness during 2005. We will give it every chance to succeed, in particular, as we have stated in the past, a sound financial base including a net-debt-to-equity ratio of around 25 to 30%.

The Executive Committee and the Management Committee

Robert Castaigne · Christophe de Margerie · Bruno Weymuller · Jean-Paul Vettier · François Cornélis · Thierry Desmarest · Yves-Louis Darricarrère

TOTAL's worldwide operations are conducted through three business segments:

- Upstream includes oil and gas exploration and production, Gas & Power and other energy sources.
- Downstream covers refining and marketing, along with trading and shipping.
- Chemicals business comprises various activities including Petrochemicals, Fertilizers, Specialties, Elastomer Processing, as well as Arkema, a structure which will eventually become independent, consolidating Vinyl Products, Industrial Chemicals and Performance Products.

The segments are supported by the parent company's functional divisions: Finance, Legal Affairs, Strategy and Risk Assessment, Human Resources and Corporate Communications.

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.

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 Assessment

The Management Committee (CODIR)
The committee includes all Executive Committee members and 22 senior managers from the various functional and operational divisions.

Holding Company
Patrick de la Chevardière, Jean-Pierre Cordier, Jean-Marc Jaubert, Jean-Michel Gires, Jean-Jacques Guilbaud, Ian Howat

Upstream
Michel Bénézit, Philippe Boisseau, Jean-Marie Masset, Charles Mattenet, Jean Privey

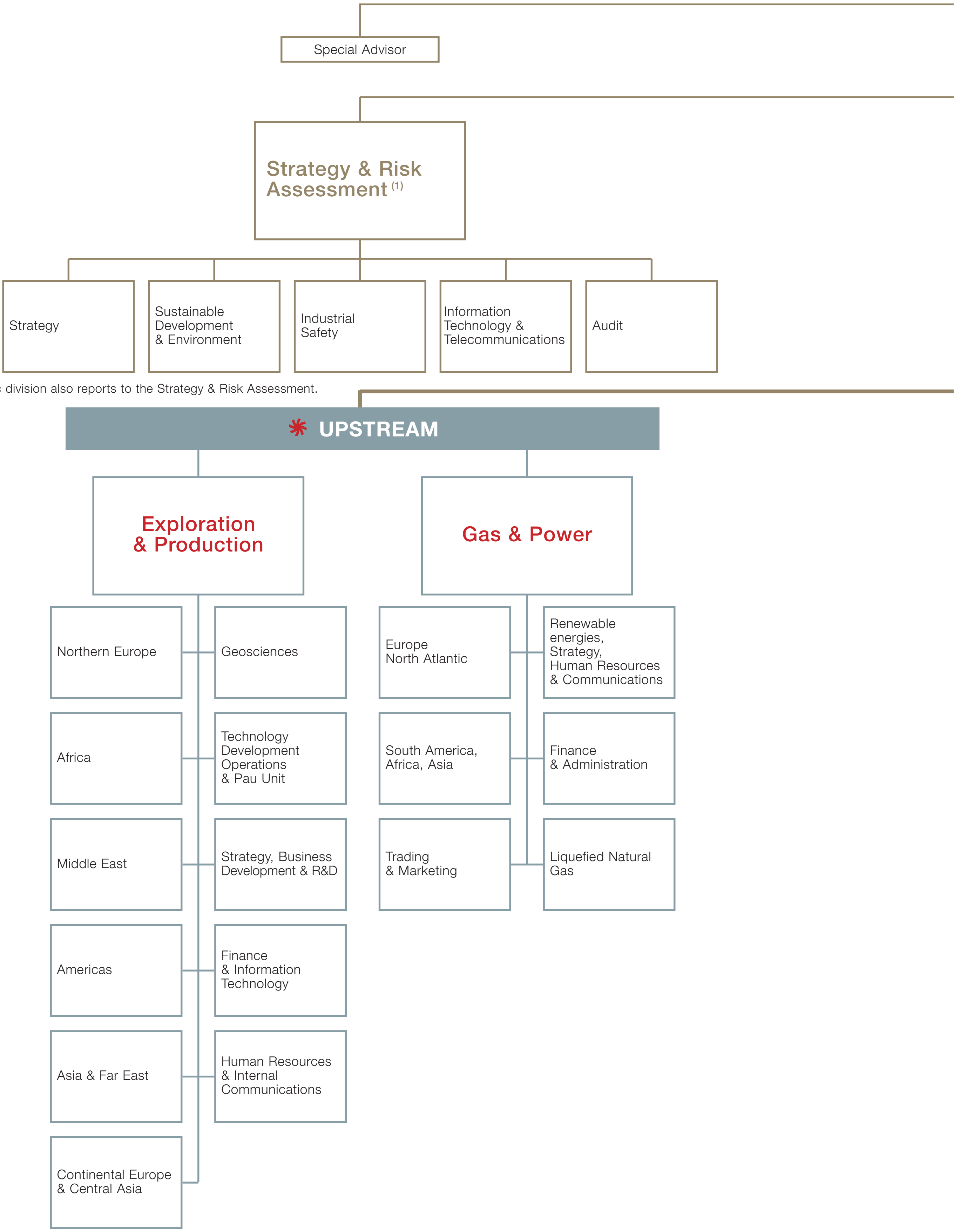
Downstream
Alain Champeaux, Jean-Claude Company, François Groh, Pierre Klein, Eric de Menten, André Tricoire

Chemicals
Pierre-Christian Clout, Philippe Goebel, Jean-Bernard Lartigue, Thierry Le Hénaff, Hugues Woestelandt

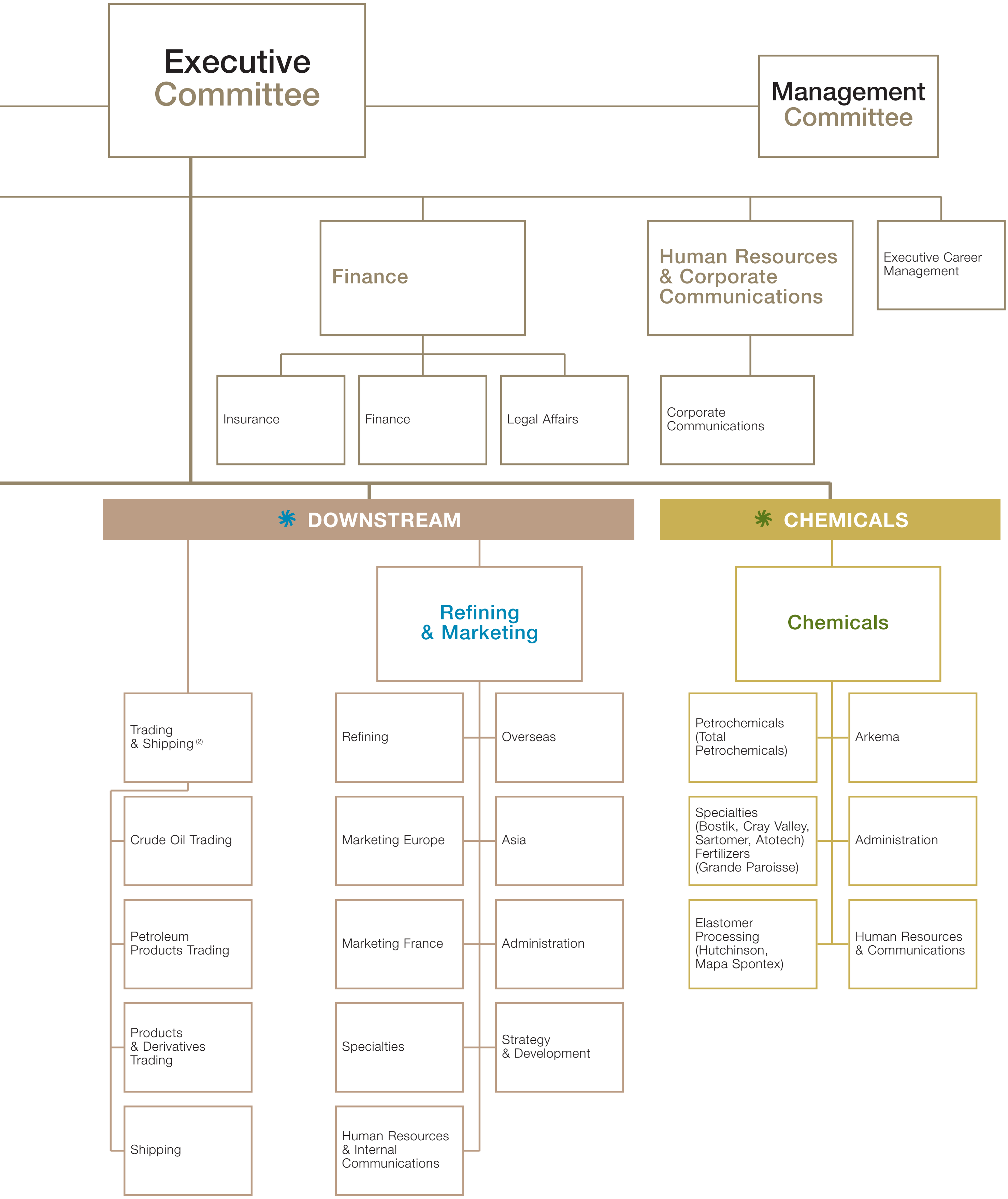
COMEX and CODIR composition as of April 1, 2005

Organization chart

April 1, 2005



(1) The Scientific division also reports to the Strategy & Risk Assessment.



(2) The Trading & Shipping division reports to the CFO.

Corporate Govern

ance

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

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

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

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

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

Composition of the Board of Directors

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

Thierry Desmarest

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

Daniel Boeuf

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

Daniel Bouton

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

Bertrand Collomb

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

Paul Desmarais Jr.

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

Jacques Friedmann

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

Bertrand Jacquillat

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

Antoine Jeancourt-Galignani

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

Anne Lauvergeon

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

Maurice Lippens

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

Michel Pébereau

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

Thierry de Rudder

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

Jürgen Sarrazin

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

Serge Tchuruk

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

Pierre Vaillaud

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

(1) Information as of December 31, 2004
(2) The independence of the members of the Board of Directors is reviewed every year by the Board itself, with the most recent review having occurred on February 16, 2005. Upon the proposal of the Nominating & Compensation Committee, and in conformity with the 2002 AFEP-MEDEF Report on corporate governance published in France, the criteria that the Board has adopted for evaluating the independence of its members is the absence of any material relationship with the Company, the Group or its management which could compromise the independent judgment of a Director. In its evaluation, the Board examines the specific criteria listed in the above mentioned report. The Board considers that the current or past relationships existing between the Company and certain of its Directors were not of the nature that they would affect the independent judgment of those Directors.

Directors Charter

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

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

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

- appoints the corporate officers responsible for managing the Company and supervises their management;
- defines TOTAL's strategy;
- discusses and debates major transactions under consideration by the Group, according to the criteria determined by the Board;
- receives information on any significant event pertaining to the operations of the Company;
- oversees the quality of the information supplied to shareholders and the financial markets through the financial statements that it approves and the annual report, or when major transactions are conducted;
- calls and sets the agenda of shareholders meetings;
- prepares a list each year of the directors it deems to be independent under generally accepted corporate governance criteria; and
- performs audits and inspections as it may deem appropriate.

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

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

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

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

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

Meetings of the Board of Directors

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

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

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

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

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

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

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

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

Audit Committee activity in 2004

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

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

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

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

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

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

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

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

The Nominating & Compensation Committee

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

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

It performs the following specific tasks:

With respect to nominations:

1. Assists the Board in the selection of directors, corporate officers, and directors as committee members.

2. Recommends annually to the Board the list of directors who may be considered as "independent directors" of the Company.

With respect to compensation:

1. Makes recommendations and proposals to the Board regarding:

a) compensation, the retirement and pension system, in-kind benefits, and other financial benefits of the executive directors of TOTAL S.A., including retirement.

b) allocations of stock subscription or purchase options and specifically allocations to individual executive directors.

2. Examines the compensation of members of the Executive Committee, including stock option plans and plans based on movements in share price ("equity-based plans"), retirement and pension systems, and benefits in-kind.

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

January 8:

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

January 25:

- tender offer of Sanofi-Synthélabo for Aventis.

February 18:

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

May 6:

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

May 14:

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

July 20:

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

September 7:

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

November 9:

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

The Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Management

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

Internal control procedures

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

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

Organization and principles of control

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

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

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

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

Risk assessment process

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

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

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

Control activities

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

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

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

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

The Group Accounting Department monitors changes in accounting regulations, especially international accounting standards, in order to measure the potential impact of accounting standard changes, particularly concerning hedge accounting, off-balance sheet commitments and the scope of consolidation.
In this regard, in 2004, the Group began the conversion of its accounts to IFRS and adapted its control system to resulting changes:
- adaptation of the *Financial reporting manual*, communicated by intranet to all subsidiaries;
- training of individuals involved in producing accounting and financial information;
- assessment and review of the principal impacts on the transition balance sheet as of January 1, 2004;
- communication on the status of the plan to the Executive Committee and Audit Committee;
- the transition balance sheet will be reviewed by the Audit Committee and communicated to the directors prior to publication.

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

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

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

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

Documentation and communication of rules of control

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

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

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

In 2004, the Group adapted its internal control system to the requirements stipulated in Section 404 of the Sarbanes-Oxley Act. The principal actions implemented, under the monitoring of an oversight committee, were the following:
- review of the Group's principal internal control processes and their documentation;
- implementation, under the supervision of a compliance officer, of the process of evaluation of internal controls and monitoring of any remediation plans.

Supervision of the internal control system

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

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

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

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

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

Thierry Desmarest

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

For the year ended December 31, 2004

(free translation of a French language original)

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

To the shareholders,

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

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

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

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

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

- obtaining an understanding of the work performed to support the information given in the report.

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

Paris La Défense, February 17, 2005

The statutory auditors

KPMG AUDIT
Département de KPMG S.A.

ERNST & YOUNG AUDIT

René Amirkhanian

Gabriel Galet

Philippe Diu

Compensation of Directors and Executive Officers

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

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

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

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

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

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

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

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

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

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

Management Committee:

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

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

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

Treasurer:

Charles PARIS de BOLLARDIERE

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

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

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

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

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

Allocation of TOTAL Share subscription options and purchase options

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

(1) The Vesting Schedule is equal to 5 years while the duration of the option is 8 years, with effect from their grant date.
(2) The Vesting Schedule is equal to 4 years plus 5 years during which the underlying shares cannot be sold. The duration of the option is 8 years.
(3) The options may be exercised from January 1, 2005 and must be exercised within 8 years of the grant date. The Vesting Schedule also prohibits sale of underlying shares for 4 years.
(4) The Vesting Schedule is equal to 2 years plus 4 years during which the underlying shares cannot be sold. The duration of the option is 8 years.
(5) Certain employees of Elf Aquitaine in 1998 received confirmation in 2000, 2001, 2002 and 2003 of Elf Aquitaine options allocated in 1998 subject to the realization of performance objectives by the Elf Aquitaine group between 1998 and 2002 (see page 190).
(6) Management Committee members and Treasurer as defined as of the date when the Board of Directors granted the options.

Share subscription and purchase options at December 31, 2004

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

(*) Employees of TOTAL S.A. and all other consolidated companies in the Group, excluding Directors of TOTAL S.A.
(**) January 1, 2003 for employees under contract with a foreign affiliate of the Company
(***) January 1, 2004 for employees under contract with a foreign affiliate of the Company

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

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

(*) Weighted average price

Corporate so
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bility

As an international energy provider and chemicals producer, TOTAL is directly concerned by major global economic, social and environmental issues.

We are committed to tangible objectives as part of our corporate social responsibility process, whose procedures, practices and performance are clearly defined and disclosed.

For the third year in a row, TOTAL is publishing, at the same time as the Annual Report, *Sharing Our Energies*, our Corporate Social Responsibility Report. The following sections provide a brief overview of the main issues covered in more detail in the report, which is available at www.total.com

France: restoration of the Hyères salt pans. In partnership with the Port-Cros National Park, the Group is helping to preserve wetland zones, which are rich in biodiversity.

Environmental stewardship

Managing greenhouse gas emissions

In 2001, TOTAL targeted a reduction in greenhouse gas emissions by end-2005 of 30% of 1990 levels in Exploration & Production, 20% in Refining and 45% in Chemicals. The targets were reached in 2004, a year ahead of schedule.

Together, the January 1, 2005 introduction of the Greenhouse Gas Emissions Trading Scheme (ETS) Directive and the February 16, 2005 application of the Kyoto Protocol marked a significant step forward in combating climate change. Fifty of our European Union facilities are covered by the new emissions trading scheme.

Two medium-term initiatives are underway to abate greenhouse gas emissions.

- The first consists of banning continuous flaring of associated gas in all new Exploration & Production development projects and of installing equipment to reduce continuous flaring on producing fields. Moreover, we are a partner in the Global Gas Flaring Reduction (GGFR) Public-Private Partnership, launched in late 2001 by the World Bank. Under the program, oil companies and the main countries concerned examine actions to be deployed to curb flaring related to exploration and production operations.

- The second initiative consists of enhancing energy efficiency at Gas & Power, Refining & Marketing and Chemicals facilities, starting with the identification in 2004 and 2005 of potential actions that could produce results between 2008 and 2012.

Improving air quality

TOTAL is working to reduce gaseous emissions that could damage local air quality. To reduce emissions of volatile organic compounds (VOCs) in downstream and chemical operations, we are installing floating roofs on storage tanks, pinpointing fugitive emissions from facilities, installing dedicated intake systems at sensitive points, and incinerating trapped VOCs. The banning of continuous flaring in new Exploration & Production developments will also significantly reduce VOC emissions. In the area of nitrogen oxide emissions (NOx), initiatives are being deployed to more accurately identify and reduce emissions from our facilities. Although absolute sulfur dioxide (SO_2) emissions have been sharply reduced, peaks are still reported around some of our refineries. To eliminate them, special equipment is being tested at the Donges and Provence refineries in France.

Conserving water

Oil and gas extraction is inevitably accompanied by inflows of water containing trace amounts of hydrocarbons. This means that produced water has to be treated appropriately before it is reinjected in the field or discharged to the natural environment.

Exploration & Production has undertaken a vast program aimed at halving the average hydrocarbon content of its wastewater in five years.

After assessing the potential for water treatment at its six French refineries, the Refining sector has prepared a ten-year Water Plan for each facility, and a number of projects are already being implemented. The assessment process
will be extended to all European refineries.

In addition to reducing wastewater, TOTAL is also committed to reducing water consumption to help conserve this valuable resource. In 2004, we inventoried water samples from all of our sites. In France, the Donges refinery is exploring alternative resources and recycling options.

Improving prevention of freshwater and seawater pollution

Our spill management organization includes an offshore emergency response plan known as Parapol that can quickly bring together the capabilities needed to manage pollution of surface water, rivers or the sea. At the same time, the Corapol team, which coordinates pollution control resources, ensures that we are prepared to deal with emergencies, thanks to emergency pollution control plans specific to each facility and operation.

In addition, TOTAL chairs the International Petroleum Industry Environmental Conservation Association (IPIECA) Oil Spill Working Group and cooperates with CEDRE, a French organization that conducts research into accidental water pollution.

Managing waste

A certain amount of ultimate waste cannot be avoided, but systems can be deployed to recover its resources or reuse it as energy. In the area of lubricants, one solution that has already been tested consists of extending their life, resulting in longer intervals between oil changes; for some transmissions, oil changes are no longer required. Another improvement consists of developing biodegradable lubricants.
Other regeneration options are being examined, including in-refinery recycling to transform used oil into another type of petroleum product.

Rehabilitating industrial facilities

To better understand the challenges and processes related to soil remediation, the Site and Soil Remediation Steering Committee (Coremed) was formed in 2004 to coordinate actions in this area. Responsible for increasing awareness among Health Safety and Environment (HSE) managers, Coremed promotes the sharing of feedback and discussion of joint proposals. The Remtech technical committee has also been created to advise Coremed. The Environment Department of the Mont-Lacq Research & Development Center also provides expertise in rehabilitating industrial sites. It examines solutions to make sites suitable for future use, in line with regulations, and constantly seeks to enhance our economic and environmental response to achieve “sustainable” rehabilitation. In particular, it limits energy consumption and deploys “gentle” methods, such as biotreatment and natural attenuation.

Maintaining biodiversity

Because we produce energy from natural resources, TOTAL has long been involved in protecting biodiversity, as demonstrated by the creation of the Corporate Foundation for Biodiversity and the Sea. For more than 12 years, the Foundation has been expanding knowledge, protecting the biodiversity of marine and coastal ecosystems, and introducing environmental management systems. In late 2004, we confirmed our commitment by adopting a biodiversity protection policy, which includes an obligation to include a section on protecting biodiversity in all of the proposals to build facilities that are submitted to the Executive Committee.

Maintaining diversity also entails reducing our environmental footprint. Accordingly, we rehabilitate our sites after they are shut down.

Venezuela: Sincor extra-heavy crude is an important future source for renewing the Group's resources.

Managing environmental performance

In 2004, initiatives continued to obtain certification to ISO 14001 standard, the international standard for environmental management systems (EMS). The target is to earn certification for 50% of industrial facilities with the highest impact by end-2005 and for 75% by end-2007.

✳ The future of energy

Combating climate change

In compliance with the Kyoto Protocol, the European Union has introduced a carbon dioxide (CO_2) regulation system for industry for the 2005-2007 period, based on national allocation plans. In the European Union, emissions from the 50 TOTAL facilities covered by the legislation account for just under 50% of our global greenhouse gas emissions.

While continuing to pursue the reduction targets set in 2001, in 2004 we enhanced the reliability of our greenhouse gas emissions data by introducing Group-wide reporting guidelines. We also created a centralized organization to trade greenhouse gases. In addition, we pursued initiatives to reduce greenhouse gas emissions, both by improving energy efficiency and by actively participating in a wide variety of research programs, especially in the area of CO_2 capture and sequestration.

Diversifying energy supply

Fossil fuels still have a bright future

Despite a very sharp rise in demand for fossil fuels, the life of proved oil and gas reserves has lengthened over the past 30 years, thanks to the discovery of new resources and, above all, technological breakthroughs that have improved knowledge of fields and significantly increased recovery rates.

TOTAL, for example, is actively working to extend the life of mature fields and to develop non-conventional resources. One major source of future reserves replacement will be extra-heavy crude oil, where studies currently focus on fields in Venezuela and the Athabasca oil sands in Canada. We are also involved in a variety of projects in the deep offshore, especially in the Gulf of Mexico and the Gulf of Guinea. In the area of very deep reservoirs, which are promising but complex to develop, we have a benchmark project with the neighboring Elgin and Franklin fields in the North Sea. We will leverage this experience with high-pressure/high-temperature fields to develop new projects at depths sometimes exceeding 8,000 meters.

TOTAL is a also major gas operator, with interests in natural gas, liquefied natural gas (LNG) and liquefied petroleum gas (LPG). As the major focus of our energy diversification strategy, gas is expected to account for more than half of our hydrocarbon production by 2020, as illustrated by discoveries in Bolivia, Algeria and the U.K. sector of the North Sea, production startups in Norway and Venezuela, and agreements signed in 2004. We are also a major LNG operator, with interests in six liquefaction plants (one under construction) out of the 18 in the world and stakes in four LNG regasification terminal projects. Since July 1, 2004, when the French natural gas market was deregulated, we have continued our expansion in France. We are the sole shareholder in Gaz du Sud-Ouest (GSO) and have two subsidiaries, TOTAL Infrastructure Gaz France (TIGF), responsible for gas transmissions and storage operations in southwestern France, and TOTAL Énergie Gaz (TEG), which supplies gas to end customers.

Renewable energies, an important source of additional supply

Since 1983, TOTAL has partnered Électricité de France (EDF) in TOTAL Énergie, a global leader in photovoltaic systems. The subsidiary is taking part in two major decentralized rural electrification programs, one to equip 15,000 homes in KwaZulu/Natal province, South Africa by end-2006, and one to equip 37,000 households in Morocco. In 2004, with our support, TOTAL Énergie began building a photovoltaic solar panel production plant in Toulouse, France, as part of our commitment to supporting the local economy. We are also a partner in Photovoltech, created in 2001 to produce multicrystalline silicon-based photovoltaic cells and modules.

One year after its commissioning in Tienen, Belgium, the Photovoltech plant is already planning to raise its output to 80 MW-peak in 2006 to meet strong growth in Europe, especially Germany.

Inaugurated in November 2003, the Mardyck wind farm, near Dunkirk, France, generated around 28 GWh /y in its first full year of operation, in line with the initial objective. This pilot facility has a rated output of 12 MW-peak and supplies electricity equivalent to the consumption of 15,000 people to EDF, which distributes it through the public grid. Its purpose is to test different types of wind turbines to later develop larger facilities, both on shore and offshore.

Another promising option for reducing greenhouse gas emissions is biomass, which consists of organic matter. However, the amounts needed to meet European Union targets and be financially competitive require the development of new options and less expensive conversion processes. Refining & Marketing strengthened its biomass R&D with the creation of a dedicated team in 2004.

As a pioneer in biofuels for more than ten years, TOTAL is a leading supplier of the two main types of commercial biofuel. Ethyl tertiary butyl ether (ETBE), synthesized from bioethanol and isobutylene, can be blended with gasoline in concentrations of up to 15%. The Dunkirk, Feyzin and Gonfreville refineries today produce most of France's ETBE. Vegetable oil methyl esters (VOME), also known as biodiesel, are produced by the reaction of methanol and vegetable oil, and can be used pure in specially adapted vehicles or blended with automotive diesel to a concentration of 5%, or as much as 30% in vehicles in captive fleets. TOTAL does not produce VOME, but blends it into diesel at our six French refineries.

Alternative energies, promising new technologies

TOTAL is particularly interested in research on liquid hydrocarbons as alternatives to oil that are equally easy for consumers to use. In addition to oil-based automotive fuels, the most promising avenue could be to produce an intermediate syngas from a heavy oil or natural gas, coal or biomass in processes known as Gas to Liquids (GTL), Coal to Liquids (CTL) and Biomass to Liquids (BTL). The syngas could be used to produce automotive diesel and jet fuel, lubricants or base chemicals such as olefins, as well as dimethyl ether (DME).

As part of this commitment, interests have been acquired in two companies led by Japan's JFE: DME Development, which is developing a direct DME synthesis process that is more energy efficient and more environmentally friendly, and DME International, which is identifying and promoting the development of the potential DME market.

Although the automotive industry is looking at hydrogen fuel cells as a propulsion system of the future, this is a long way off. Shorter-term applications are expected to include portable power supplies, followed by off-grid power generation. We are exploring this avenue by leveraging our chemical capabilities to build components, while looking at the possibility of broadening our fuel offering for stationary applications and eventually for the automotive market. We are forming partnerships that include cooperation with carmakers and participation in the Hydrogen Competence Center in Berlin, which operates a pilot bus station. In addition, a fuel cell system combined with cogeneration was installed at the Total service station in Le Roeulx, Belgium, in late 2004.

Shaping demand to enhance energy efficiency

The fight against climate change and the need for optimum management of fossil fuels require a re-examination of consumption patterns. TOTAL is not just an energy producer, but also a major consumer, especially in our refining and chemical operations. Guided by the Energy Committee set up in 2003, we are improving the management of our facilities and upgrading equipment, in particular to enhance the efficiency of our refineries. In France, a cogeneration unit was commissioned at the Normandy refinery in December 2004. Initiatives have also been deployed in the Chemicals business.

But the importance of energy efficiency doesn't end at the plant gate. We also provide customers with energy efficient products, in particular automotive fuels and lubricants, and help them to manage their individual consumption more efficiently. For instance, the introduction of sulfur-free gasoline and automotive diesel fuel will enable the use of new, more efficient engines.

✱ Industrial safety

Enhancing workplace safety performance

Reducing the number of occupational accidents

In early 2002, a four-year plan was implemented to reduce workplace accidents frequency by 60% over the period. In 2004, fewer than 7.4 accidents per million man-hours worked were reported, for an overall decline of 52% since 2001. The focus in 2005 is on reducing the total recordable incident rate (TRIR) to close to 6.2. One way of achieving this target is to ensure that a firmly-rooted safety culture prevails across our organization. The emphasis is on management setting the example and being present on the frontline, as well as on safe behavior by operators.

Despite an array of initiatives, road accidents are still the main cause of fatalities at TOTAL and represent one of the priority areas for improving safety. Cross-business programs to enhance awareness of road-related risks have been launched, targeting all drivers. In addition, a network of correspondents responsible for reducing these risks will be created in 2005 in each unit. Lastly, to reduce onsite accidents, a plant traffic risk management guide will also be distributed.

Strengthening contractor safety

TOTAL makes extensive use of contractors, because they have the specialized expertise we need for our operations. That's why we pay the same degree of attention to contractor safety as to employee safety. Working closely with contractors, we have introduced standardized selection procedures that drive continuous improvement in the best contractors and support our long-term relationship.

Since late 2001, the incident rate for contractor employees has fallen by the same proportion as for our own employees. This initiative will continue in 2005 when, for example, we will facilitate the widespread application of safety measures directed at contractor employees.

Enhancing operating and facility safety

Managing technological risks

Many of the industrial facilities we operate worldwide present technological risks related to the hazardous nature of products and processes used. We want to reduce these risks to as low as reasonably practicable, both for TOTAL employees and for the surrounding environment. Each new project and significant upgrade to an existing facility is the subject of a risk assessment that is periodically updated. In late 2004, we introduced a single methodology that can be tailored to the wide variety of facilities operated worldwide and to the different businesses.

By improving awareness of a site's risks, we can define safety enhancement programs and deploy prevention and protection measures.

In France, working closely with the Ministry of Ecology and Sustainable Development, three pilot sites are preparing Technological Risk Prevention Plans (PPRT), in line with the Act of July 30, 2003. The plans are designed to limit the exposure of neighboring communities to the impact of occupational accidents. In addition, TOTAL works locally to foster dialogue around our facilities. These processes will be extended globally, especially in the area of monitoring land use around industrial facilities.

In early 2002, a safety action plan was introduced, budgeted at €500 million over four years. The additional funds, mainly intended for Chemicals and Refining, have been allocated to blastproofing control rooms and securing the storage of toxic, flammable and hazardous substances.

Strengthening Safety Management Systems and expanding feedback

Safety Management Systems (SMS) are based on a set of organizational principles and best safety practices recognized by the industry. At TOTAL, each unit has prepared its own SMS in line with the specific features of its business, risk portfolio and size. The systems are currently being assessed, with the priority focus on sites presenting technological risks. Today, 55% of operations presenting such risks have an SMS audited to internationally recognized standards. The objective is to cover nearly all consolidated companies no later than end-2009.

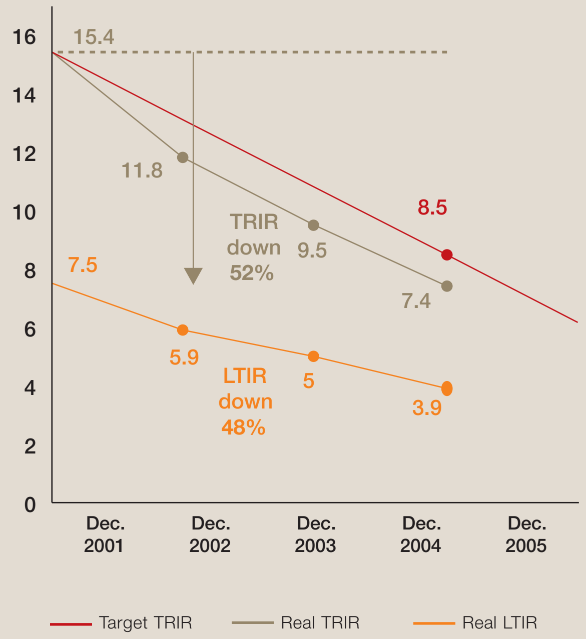
Our high-risk operations are often similar from one facility to another, whatever the business. That means that analysis of accidents and near-misses and the sharing of experience, best practices and success stories are important to continuously improve safety. This information is summarized in safety feedback notices, which are widely distributed among the businesses. They are used by operating teams to check that a similar accident could not happen on their site and to deploy the necessary corrective measures.

Preparing for emergencies

At any time, TOTAL may face some kind of emergency situation, despite our constant focus on enhancing safety. Emergencies require seamless coordination and the rapid deployment of a multidisciplinary team with a wide array of skills. Our crisis organization has three levels, each with its own crisis management unit-local, to manage a situation on the ground; at the business level to assess the situation and optimize crisis management; and at corporate level, to anticipate decisions to be made over the longer term. In 2004, 12 crisis management units took action at the business level. From an organizational standpoint, improvement focused on three areas: creating and gradually extending a dedicated, secure call center, improving risk information systems, and continuing to offer crisis management training and to conduct drills. In the future, feedback will be routinely provided after a crisis management unit is deployed.

Incident rates for TOTAL and Contractor Employees

Total Recordable Injury Rate (TRIR) per million man-hours worked
Lost Time Injury Rate (LTIR) per million man-hours worked



Managing product transportation risks

From the oil well to the gas pump or the gates of a chemical plant, TOTAL continuously ensures the safety of product transportation.

Detailed analysis of transportation-related risks is the first prerequisite of effective safety. That's why we place such importance on reliable reporting of accidents and incidents. There are three key stages in the logistics chain-loading operations, usually performed at the production facility, transportation itself, and offloading operations, usually performed at the customer facility.

Carriers are required to implement a safety management system that can be audited by outside parties. 60% of incidents occur at either end of the chain, which means that we have to ensure that safety is managed effectively to the final delivery point. This has led to well-designed, well-maintained equipment and formal inspections.

The safe transportation of hazardous materials also depends on strict selection of the equipment used, in line with increasingly demanding criteria and specifications. As a result, vast fleet replacement programs covering trucks, tank trucks, ships and barges were carried out or begun in 2004. For pipelines, technological advances in routine inspection policies sometimes mean that older structures have to be upgraded to enable new inspection tools to pass through the pipes.

✱ Human resources

Focusing on broader employee diversity

TOTAL's teams work in more than 130 countries and comprise more than 130 nationalities. However, the composition of managerial and executive teams still does not fully reflect the strong international makeup of our operations and teams. Despite a gradual improvement in recent years, non-French nationals and women are still inadequately represented in senior management.

In 2003, a global diversity process was launched to provide a corporate framework for actions already being implemented in the businesses. The process is primarily designed to increase the percentage of non-French nationals and women hired and their numbers in the ranks of senior management. Its other aim is to promote greater mobility of women and local managers between jobs and countries.

In 2004, this commitment to diversity was highlighted by the creation of a Diversity Council, whose ten "recommendations" were approved in principle by the Executive Committee in January 2005. Designed to enhance management diversity, the recommendations are being supported by practical measures in the areas of hiring, mobility and the identification of high potential managers.
Statistics show that the process is beginning to make an impact. At end-2004, for example women accounted for 26% of the total workforce, including 18% of managers, compared with 17% in 2003, 15% of high potentials (12%) and 6% of executives (4%).

Employee dialogue and fairness

Employee dialogue is a critical component of our employee relations policy, as demonstrated on November 24, 2004 when Corporate Human Resources and our European unions signed an agreement to create a European employee relations forum.

Under the agreement, TOTAL has pledged to encourage our European units to expand employee dialogue, based on three key principles-enhancing information and dialogue with employee representatives concerning proposed developments in our European operations, encouraging planning of jobs and skills throughout careers, and supporting the deployment of tailored solutions in the areas of employment, working conditions and the social safety net in the case of changes at Group units.

In addition, according to the 2004 Worldwide Human Resources Report, which surveyed 104 consolidated companies about employee relations issues, 188 collective agreements were signed by our companies-163 in Europe, 13 in Africa, and four each in North America, South America and Asia. The agreements covered a wide range of areas, including compensation, overtime pay, working conditions, profit-sharing, safety bonuses, accommodation allowances, compensatory time off, end-of-service packages, and part-time work.

Advances by the Businesses

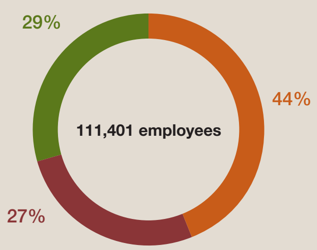
In Exploration & Production, efforts to increase the international diversity of management are based on three complementary drivers-recruiting, training and career management.

The subsidiaries directly recruit young graduates whose profiles are suited to a career leading to mobility and responsibility. Training initiatives deployed by Exploration & Production include culture and language courses, access to similar training for all employees in the same profession, and an introductory seminar for all new management hires worldwide. Moreover, the career management resources used in the biggest subsidiaries are applied systematically across the entire business.

Refining & Marketing has set specific targets to increase the number of women employees, supported by implementation deadlines that are monitored each year by the Management Committee. In 2004, women accounted for 41% of hires in France and 36% in Europe, exceeding the business' targets of 40% and 30% respectively. At December 31, 2004, women made up 20% of Refining & Marketing managers.

Breakdown of Group employees by region in 2004

■ France (49,174) ■ Europe excluding France (29,711)
■ Rest of the world (32,516)



Diversity Charter signed in 2004

Along with approximately 40 other French companies who responded to the invitation of the Institut Montaigne, a French sociological think tank, TOTAL signed the Diversity Charter on November 22. The Charter reflects a determination to encourage corporate initiatives to promote equal opportunity and demonstrates the commitment of French companies to cultural, ethnic and social diversity in the workplace. It describes the principles and methods companies can use to combat all forms of discrimination, including discrimination based on gender, culture and religion.

By signing the Charter in our home country, we have confirmed our strong commitment to promoting diversity in our management, in particular by accepting and leveraging our differences.

Capital increase reserved for employees

A new capital increase reserved for employees was offered in spring 2004 in all the host countries where such issues can be conducted on favorable financial terms under the applicable tax legislation, stock exchange regulations and currency controls.

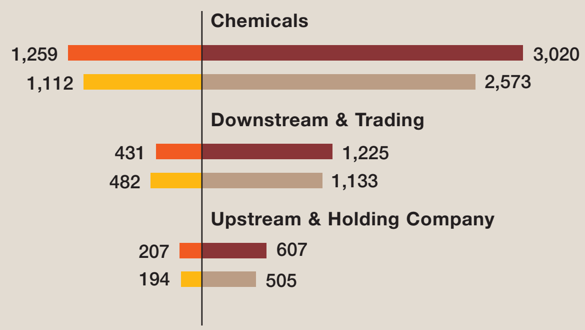
A total of 453 companies in 93 countries took part, with 46,751 employees (39.5% of the workforce) and 5,281 former employees purchasing 3.4 million new shares representing 0.5% of issued capital.

The resources deployed globally to expand the scope of participating companies resulted in a significant increase in the percentage of employee stock ownership and the number of countries covered.

Hiring processes are driving gender diversity and internationalization

Men and women hired under permanent contracts 2004/2003 (consolidated companies)

■ Women hired in 2004 ■ Men hired in 2004
■ Women hired in 2003 ■ Men hired in 2003



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In terms of financial communications, in 2004, priority was given to expanding the distribution of information.

TOTAL distributed the *Journal des Actionnaires* to more than 500,000 individual shareholders during the year. This represents over three times the distribution of previous years.
This expansion is evidence of the Group's intent to establish a close relationship and dialogue with all of its 520,000 individual shareholders.

In 2004, the Group organized about 400 meetings with investors and analysts around the world.

During meetings held with the Group's various shareholders, both individual and institutional, the teams saw first-hand, through the specific questions asked by shareholders, their detailed knowledge about TOTAL.

TOTAL share fact sheet:

Exchange listings:
Paris, Brussels, London and New York

Codes :

ISIN:	**FR0000120271**
Reuters:	**TOTF.PA**
Bloomberg:	**FP FP**
Datastream:	**F:CFP**
Mnémo:	**FP**

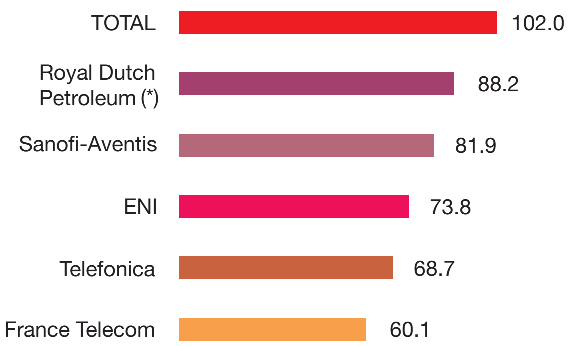
Included in the following indices:
CAC 40, Dow Jones Stoxx 50, Dow Jones Euro Stoxx 50, Dow Jones Global Titans 50 Index

Included in the following sustainable development indices:
FTSE4Good, DJSI World, ASPI Eurozone

Weight in indices as of December 31, 2004:
13.71% of the CAC 40
6.24% of the Dow Jones Euro Stoxx 50

Largest capitalization on the Paris Bourse and the Euro zone

Largest companies by market capitalization in the Euro zone as of December 31, 2004
(in billion euros)



Capitalization as of December 31, 2004:
102.0 billion euros
139.5 billion US dollars

Percentage of the float: **100%**

Par value: **10 euros**

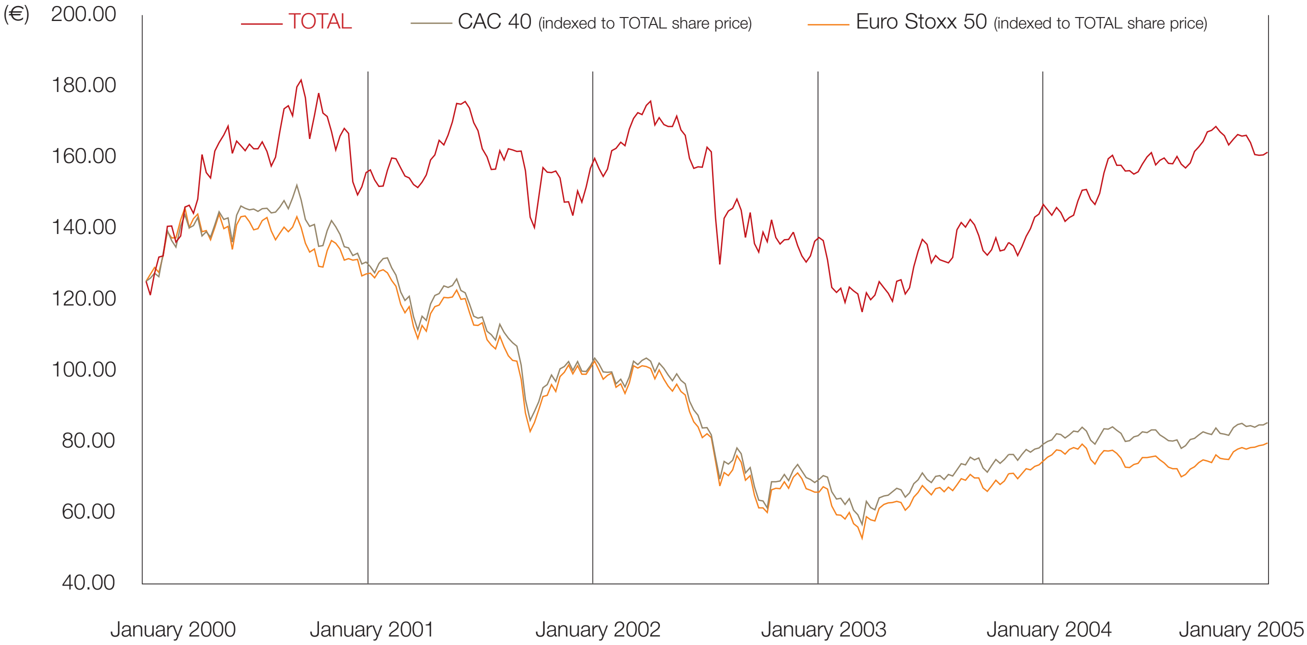
Credit rating as of December 31, 2004:
(long term, short term, perspectives)

Standard & Poor's :	**AA / A1+ / Stable**
Moody's :	**Aa2 / P1 / Positive**

(*) does not include Shell TT quoted in London

The TOTAL share

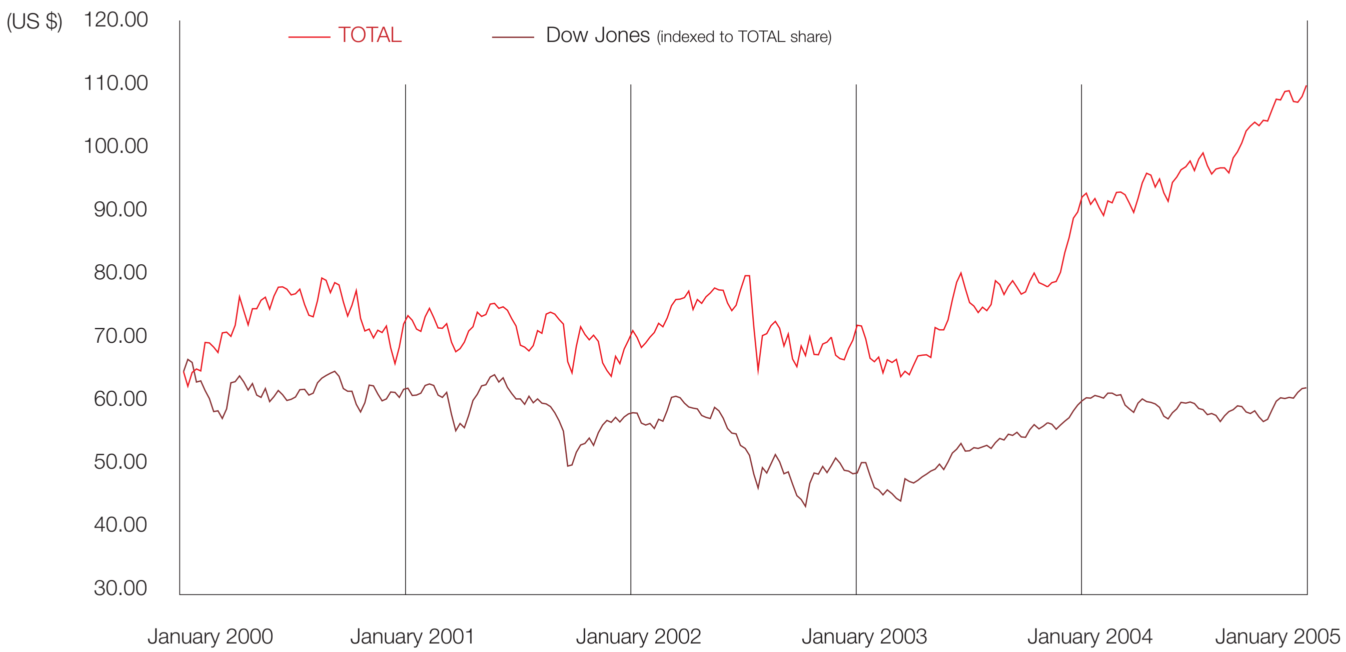
TOTAL stock price in Paris



Source: Datastream

Price at December 31, 2004: €160.70

TOTAL ADS in New York



Source: Datastream

Price at December 31, 2004: $109.84

✱ New dividend policy: payment of an interim dividend in the fourth quarter of each year

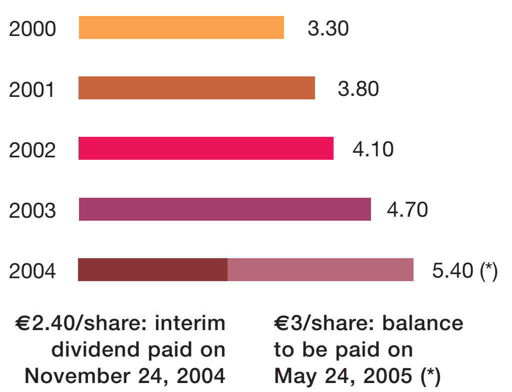
In accordance with the new distribution policy announced to the Shareholders' Meeting on May 14, 2004, an interim dividend will be paid in the fourth quarter of each year, which will be equal to approximately 50% of the dividend for the previous year, except under extraordinary circumstances.

On November 9, 2004, after approving the financial statements, the Board of Directors set the amount of the interim dividend for fiscal year 2004 at 2.40 euros, payable November 24, 2004. The dividend tax credit (*avoir fiscal*) had been added to this amount, in accordance with current regulations.

For fiscal year 2004, TOTAL plans to raise the dividend and will propose to the Shareholders' Meeting a total dividend of 5.40 euros per share (which includes the balance of 3 euros per share payable May 24, 2005), up 15% over the previous year. This represents an increase of 64% over the past four years.

In 2004, TOTAL's pay-out ratio was 37%, exceeding the average for the majors. The Group is maintaining its medium term target for pay-out ratio of 50%.

Net dividend per share:
+ 64% in four years
(in euros)



(*) Subject to the approval of the Shareholders' Meeting on May 17, 2005

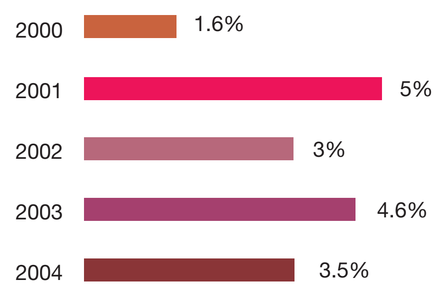
✱ Share buyback program continued

In 2004, TOTAL bought back 22.55 million of its own shares at a cost of approximately 3.6 billion euros. The buybacks involved 3.5% of the capital (**). For 2005, share buybacks will continue and will be adjusted based on the environment and the level of asset sales.

Using the authority granted by the Combined Ordinary and Extraordinary Shareholders' Meeting on May 7, 2002, to reduce the capital stock by canceling the shares held by the Company, up to a maximum of 10% of the capital stock per 24-month period, the Board of Directors approved the cancellation of 9,900,000 shares at an average price of 127.71 euros per share on July 16, 2003, and 30,100,000 shares at an average price of 130.07 euros per shares, effective November 21, 2003.

The Board of Directors also decided to cancel 19,873,932 shares at an average price of 154.73 euros per share on November 9, 2004, effective November 20, 2004.

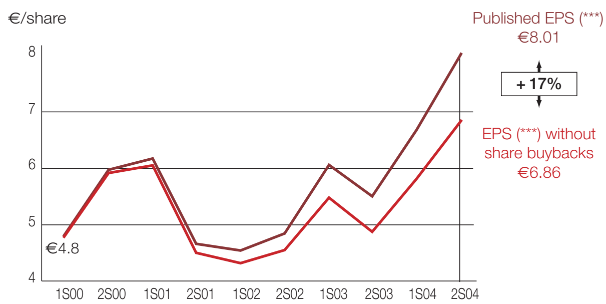
Percentage of capital bought back (**)



(**) Average capital over year N = (capital as of December 31 N-1 + capital as of December 31 N) / 2. For 2000, 2001 and 2002, excluding the buyback of shares related to coverage of option plans.

Significant impact of share buybacks on EPS

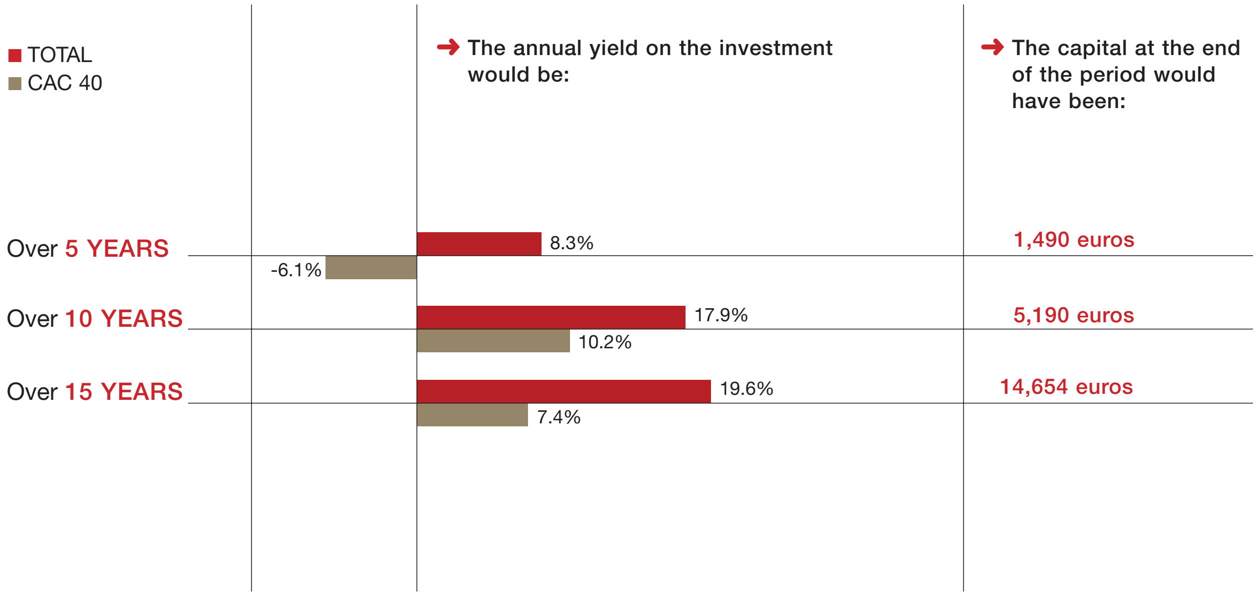
Published Earnings per share (EPS) (***)



(***) Excluding non-recurring items and, for the second half of 2004, excluding TOTAL's equity share of the amortization of intangible assets and goodwill related to the Sanofi-Aventis merger.

Yield: 17.9% per year over 10 years

For every 1,000 euros invested in TOTAL stock as of December 31 in year N, by an individual resident of France, and assuming reinvestment of gross dividends in TOTAL stock (including the dividend tax credit of 50%), and excluding income tax and social security withholding:



Performance of the share

	2004	2003	2002	2001	2000
Share price (in euros)					
High (during regular trading session)	171.80	147.90	179.40	179.80	189.00
Low (during regular trading session)	139.40	110.50	121.20	126.00	118.50
Year-end closing	160.70	147.40	136.10	160.40	158.40
Trading volume (average per session)					
Paris Stock Exchange	2,743,963	2 950,951	2,979,693	2,482,110	1,759,658
London Stock Exchange - SEAQ International [(a)]	950,012	857,933	1,913,200	2,568,514	1,963,004
New York Stock Exchange [(b)] (number of ADS)	599,527	487,942	477,912	436,654	441,063
Dividend per share (in euros)					
Net dividend [(c)]	5.40 [(c)]	4.70	4.10	3.80	3.30
Tax credit [(d)]	1.20	2.35	2.05	1.90	1.65

(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 the 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) Subject to approval by the Shareholders' Meeting on May 17, 2005. This amount includes the interim payment of 2.40 euros per share of the 2004 dividend, which was paid November 24, 2004.
(d) Based on a tax credit of 50% on dividends paid before January 1, 2005, the effective date of the elimination of the tax credit for individuals under the Finance Law of 2004. For other shareholders, the tax credit was eliminated by the same law as of January 1, 2004.

✱ TOTAL share performance over the past 18 months (on the Paris Stock Exchange)

	Average trading volume per session	Session high (in euros)	Session low (in euros)
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
March 2004	3,301,051	154.7	144.8
April 2004	3,657,812	162.7	146.9
May 2004	3,075,159	159.7	150.6
June 2004	3,079,444	164.5	153.4
July 2004	2,008,589	162.0	153.6
August 2004	2,353,864	163.8	155.0
September 2004	2,874,182	171.8	160.3
October 2004	3,007,715	170.6	161.4
November 2004	2,456,430	168.3	162.8
December 2004	2,214,678	166.2	157.3
January 2005	2,352,983	165.9	158.0
February 2005	3,040,960	182.3	165.1
March 2005	2,699,476	**184.1**	177.4

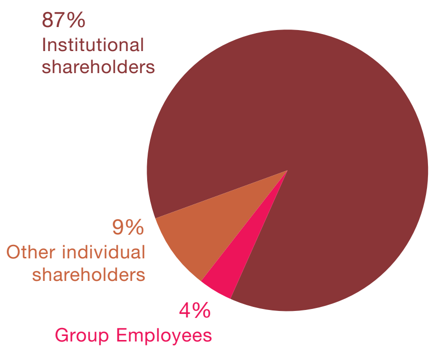
Shareholding structure

		% of capital
Capital at December 31, 2004	**635,015,108**	
Intra-Group holdings	39,072,487	6.2%
Capital excluding intra-Group holdings	**595,942,621**	

✱ Estimate of capital distribution excluding intra-Group holdings

Main classes of shareholders

Estimate at December 31, 2004 excluding intra-Group holdings	**% of capital**
Group employees [(1)]	**4%**
Other individual shareholders	**9%**
Institutional shareholders	**87%**
France	22%
United Kingdom	18%
Rest of Europe	22%
North America	23%
Rest of the world	2%



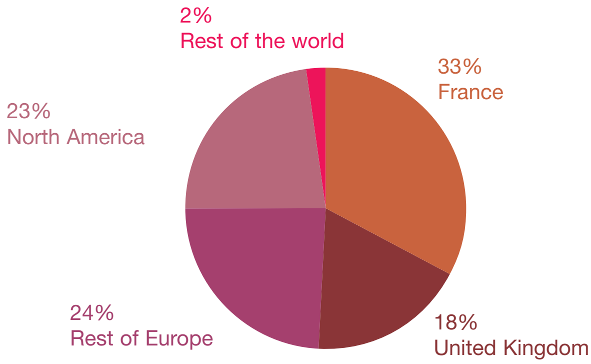
(1) On the basis of the definition of employee shareholding as set forth in Article L. 225-102 of the French Commercial Code.

The number of individual TOTAL shareholders is approximately 520,000.

The principal TOTAL shareholders as of December 31, 2004 are indicated in the table on page 186.

* Distribution of shareholders by geographic region, excluding intra-Group holdings

Estimate at December 31, 2004



Relations with our individual shareholders

The year 2004 was marked by the implementation of a new communications system intended for the 520,000 individual TOTAL shareholders.

This new system will allow the Group to achieve three goals:

Communicate with all its individual shareholders at least once a year.

Distribution of the *Journal des Actionnaires* (JDA - Shareholders Journal) has more than tripled. Over 300,000 shareholders now receive the three yearly issues. Once a year, upon publication of the annual results, all 520,000 shareholders receive the JDA.

Create more personalized communications with each shareholder.

TOTAL implemented a Customer Relationship Management (CRM) database over two years ago. This database allows the Group both to customize each letter sent to shareholders and, more importantly, to maintain a record of the relationship with each shareholder to better meet his or her needs. Tracking this ongoing “shareholder relationship” allows TOTAL to pursue the quality approach the Group has been developing for many years, particularly in its service station network. Within this context, since early 2004, one individual has been dedicated to answering shareholder questions, whether by telephone, e-mail, traditional mail or fax.

TOTAL’s booth at the French Shareholder’s convention “*Actionnaria*”

Shareholders' Meeting of May 14, 2004

Make it easier to read the company's financial statements.

For educational purposes, the Shareholder's Circle has offered a workshop module entitled "Understanding TOTAL Financial Statements" since May 2003. This training is designed to help our shareholders interpret the financial data published by the Group more easily. About 600 people have already attented the workshop, which is offered in Paris and regionally. Four sessions are scheduled for 2005, two in Paris, one in Nice and one in Clermont-Ferrand.

In the same spirit, the financial notice (*avis financier*) has been restructured in collaboration with the Shareholders Advisory Committee to satisfy this need for accessibility.

All of these activities earned TOTAL the award for best shareholder service in the CAC 40 during the *Fils d'Or* (the awards ceremony for best shareholder services, held on October 14, 2004, and organized by Vie Financière, Le Figaro and Synerfil).

In addition to these three priority efforts, TOTAL has of course pursued efforts to promote meetings and question-and-answer sessions with individual shareholders, as in previous years.

* Shareholders' Meeting: attendance record

The Shareholders' Meeting was held on May 14, 2004 with over 2,300 shareholders in attendance at the Paris Convention Center.

Notices of the meeting were sent to all shareholders holding 100 shares or more, i.e., approximately 100,000 people.

As in 2003, the Meeting was broadcast live and was later available on the Group's website at www.total.com.

* Actionaria Trade Show: a stronger presence year after year

On November 19 and 20, 2004, the Actionaria Trade Show once again gave TOTAL the opportunity to demonstrate its commitment to individual shareholders.

- The TOTAL team welcomed over 3,400 people at its booth, 42% more than in the previous year. 75% of the visitors were Group shareholders.

- But the major event for TOTAL was the question-and-answer session with Thierry Desmarest, moderated by two journalists. More than 1,200 individual shareholders were present in the Grand Amphitheater of the Convention Center at Porte Maillot. The Chairman answered questions on various current issues.

✱ Shareholder conferences: we continue to hold regional conferences

In 2004, the Group continued its schedule of information sessions for individual shareholders both in Paris and in other regions. Thierry Desmarest personally led the meeting held at the Actionaria Trade Show. The Group also traveled to Lille, Rouen and Lyon. A total of more than 2,700 people attended the four conferences.

The cities of Strasbourg, Montpellier and Bordeaux are already on the schedule for 2005.

✱ Shareholders Advisory Committee: 2005 will be a year for recruitment

In 2004, the Committee specifically provided clarification on the functions of the Shareholders' Meeting and registered status. The Committee also worked on the content of the individual shareholder page of the total.com website, the "Shareholder Notebook", the annual report, and financial notices. In addition, the communication devices for the Actionaria Trade Show and Operation Arkema were also discussed.

2005 will be a year for recruitment, since all the terms of the Committee members expire in early 2006. TOTAL will issue a call for candidates in its *Journal des Actionnaires*, on its web site, in the press and on Boursorama throughout 2005.

The Apollo gallery at the Louvre museum during visits reserved to members of the Shareholders' Circle

✱ The Shareholders' Circle: 18 events

In 2004, 18 events reserved for members of the Shareholders' Circle were scheduled, and some 1,100 individuals took advantage of this opportunity. A third of the events involved visits to industrial sites, another third were cultural visits sponsored by the Group, and the last third were events carried out under the auspices of the TOTAL Foundation.

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

✱ Registered status: increased convenience to place your orders on the Stock Exchange (*)

What is registered status? TOTAL shares, which are generally ***bearer*** instruments, may be ***registered***. In this case, shareholders are identified by the issuer.

There are two forms of registration:

- shares are registered with the issuing corporation, but the holder's financial intermediary continues to administer them, these are ***administered registered shares***;
- the issuing corporation retains and directly administers the shares on behalf of the holder, these are ***pure registered shares***.

The advantages of ***pure registered shares*** include:
- no custodial fees;
- a dedicated toll-free number for all contacts with BNP Paribas Securities Services (a toll-free call within France): 0 800 11 7000 or (331) 01 40 14 80 61;
- easier placement of market orders (*) (telephone, mail, fax, Internet);
- preferential brokerage fees: 0.30% (net of tax) of the gross value of the trade, with no fixed minimum;
- personal notice of Shareholders' Meetings
- double voting rights if shares are held continuously for two consecutive years;
- complete information about TOTAL: the shareholders receives at home all information published by the Group for its shareholders;
- Internet access to your account;
- the ability to joint the TOTAL Shareholders' Circle with one share.

(*) Subject to the signature of a market service agreement. Signing this contract is free of charge.

BNP Paribas Securities Services is TOTAL's agent for managing registered shares. To convert your TOTAL shares to pure registered shares, just fill out the form that can be obtained on request and send it to your financial intermediary.

Once it receives your shares, BNP Paribas Securities Services will send you a certificate of account registration and ask you to provide the following:

- a bank account number (or a postal account or savings account number) for payment of your dividends;
- a market services agreement if you wish to trade your TOTAL shares on the stock exchange.

* On the Internet: a regularly updated "Finance" site

The new version of the total.com website has been online since the spring of 2004. Since then, the "Finance" site has been regularly updated, and an "E-mail Alert" section has been created. Now, you can be notified by e-mail of an event, or the publication or update of one of our documents.

Shareholders' Advisory Committee to the TOTAL head office

Contacts

Individual shareholders: for general information, conversion of bearer to registered shares, membership in the Shareholders' Circle

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Contacts: Valérie Laugier – Jean-Louis Piquée

Relations with our institutional shareholders and financial analysts:

During the two 2004 road-shows, which were held after publication of the results for 2003 and the first half of 2004, members of the Group's management met, as they do every year, with portfolio managers and financial analysts in the leading financial centers of Europe (Paris, Brussels, Amsterdam, the Hague, Rotterdam, London, Dublin, Edinburgh, Frankfurt, Munich, Cologne, Düsseldorf, Zurich, Geneva, Lausanne, Stockholm, Helsinki, Copenhagen, Milan and Madrid), North America (New York, Boston, Philadelphia, Chicago, Denver, Atlanta, Houston, Austin, Des Moines, Miami, San Francisco, Los Angeles, San Diego, Montreal and Toronto), and Asia (Tokyo).

Several information meetings were also organized when earnings were published. The material from those meetings are available in the "Finance" section of the website www.total.com. Three telephone conferences led by Robert Castaigne, Chief Financial Officer for the Group, were also conducted to discuss earnings for the first, second and third quarters of 2004.

Thus, Group organized about 400 meetings with investors and analysts in 2004.

* TOTAL financial communications wins award for the second year in a row

When IR Magazine presented its awards for the euro zone on October 13, 2004, TOTAL's financial communications was singled out several times for its quality for the second year in a row. Once again, the Group won four prizes: the Grand Prize for Best Financial Communications from a Corporation, Best Financial Communications from a Vice President for Financial Communications, Best Communications on Value Creation and, finally, Best Roadshow Organization.

Contacts

Analysts or institutional investors

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  Jersey City, NJ 07-310

  Tel: (001)(201) 626-3500
  Fax: (001)(201) 626-4004

  E-mail: ir.nyc@total.com

  Contact: Robert Hammond

2005 Calendar:

February 17: Results for 4th quarter, 2004
April 13: Telephone conference on the shift to IFRS standards
April 14: Meeting of the shareholders in Strasbourg
May 4: Results for 1st quarter 2005
May 17: Shareholders' Meeting at the Paris Convention Center
May 24: Payment of the cash dividend
June 20: Meeting of shareholders in Montpellier
August 4: Results for 2nd quarter and 1st half 2005
September 7: Presentation of mid-2005 outlook
October 12: Meeting of shareholders in Bordeaux
November 4: Results for the 3rd quarter 2005
November 18 and 19: Actionaria Trade Show in Paris

2006 Calendar:

February 15: Presentation of 2005 results
May 12: Shareholders' Meeting in Paris

Management report from the Board of Directors

Overview of TOTAL's fiscal year

The Group's three business segments are:
- the Upstream segment, which includes exploration, hydrocarbon production, gas, electricity, and other forms of energy ;
- the Downstream segment, which includes refining, petroleum product marketing and distribution, specialty products, and the trading and shipping of crude oil and products ;
- the Chemicals segment, which includes Base chemicals & Polymers, Intermediates & Performance Polymers and Specialties.

The 2004 market environment has been favorable for the oil industry. The combination of very high oil prices, a sharp increase in refining margins and a rebound in petrochemical margins during the second half of the year allowed the Group to reach a new record level of earnings, 9.04 billion euros for adjusted net income [1], or an increase of 23% compared to 2003, despite the decline in the dollar.

Thanks to the commitment of our teams, we enjoyed solid operational performance by the business segments, particularly the continued growth of Upstream production, as well as ongoing productivity programs, which made significant contributions to the results.

Adjusted earnings per share increased by 27% to 14.68 euros. Expressed in dollars [2], the increase was 40%.

TOTAL pursued a large investment program of more than 8.7 billion euros, while offering, through a combination of dividends and buybacks, the best return to shareholders among the major oil companies.

TOTAL is confident that it can extend its long-term profitable growth largely through exploration successes and through giant projects currently being negotiated.

Full-year 2004 results

Consolidated sales increased by 17% to 122,700 million euros (M€) in 2004 from 104,652 M€ in 2003.

Operating income

Operating income from the business segments adjusted for special items increased by 32% to 17,123 M€ from 13,004 M€ in 2003.

The 4.1 B€ increase from 2003 to 2004 in operating income from business segments adjusted for special items is due primarily to the 3.7 B€ improvement in the market environment, which includes:
- + 3.1 B€ higher oil and gas prices [3]
- + 1.5 B€ stronger refining environment, including benefits not reflected in the higher TRCV margin mainly on the valorization of products and the cost of feedstock
- – 1.1 B€ decline in the dollar relative to the euro
- + 0.3 B€ better market conditions for Chemicals
- – 0.2 B€ weaker environment for marketing
- + 0.1 B€ stronger environment for shipping

In the Upstream segment, the benefit of 3.7% underlying production growth was partially offset by an increase in technical costs to 8.0 $/boe in 2004. More than half of the 0.7 $/boe increase in technical costs compared to 2003 is due to the impacts of foreign exchange and of the price effect on production volumes (production sharing and buy-back contracts).

In the Downstream segment, self-help programs contributed 0.15 B€ to the improvement in 2004 operating income.

In the Chemicals segment, the 12% increase in olefin production (which includes the integration of the Total-Samsung JV in South Korea) and ongoing self-help programs contributed 0.2 B€ to the improvement in operating income.

(1) Adjusted net income = net income (Group share) adjusted for special items and excluding TOTAL's equity share of amortization of goodwill and intangible assets related to the Sanofi-Aventis merger (153 M€ for full year 2004)
(2) Dollar amounts represent euro accounts converted at the average €/$ exchange rate for the period (1.2439 for the full year 2004, and 1.1312 for the full year 2003)
(3) This amount takes into account the fact that the change in the average gas price realization between 2003 and 2004 was smaller than the change in the average liquids price realization; in 2004, the average gas price increased by 14% to 3.74 $/Mbtu while the average liquids price increased by 31% to 36.8 $/b.

Special items had a negative impact of 847 M€ on operating income from the business segments in 2004, primarily due to the impairment of assets in the vinyl products and polyethylene activities in Europe.

In 2003, special items had a negative impact of 25 M€ on operating income from the business segments and included primarily impairment of assets in the Chemicals segment.

Net operating income from the business segments adjusted for special items increased by 26% to 8,792 M€ in 2004 from 6,973 M€ in 2003. The lower percentage increase, relative to the increase in operating income, is due primarily to a higher effective tax rate in 2004.

Net income

Net income adjusted for special items increased to 8,886 M€ from 7,344 M€ in 2003.

Special items had a positive effect on net income of 726 M€ in 2004 and were comprised mainly of:
- positive impacts primarily from the gain on dilution related to the merger of Sanofi and Aventis, net of the impact on equity income of TOTAL's share of items recorded by Sanofi-Aventis as part of the merger (restructuring charges, write-offs of certain in-progress R&D costs, and charges resulting from the adjustment of inventories to market value);
- partially offsetting the above were negative impacts primarily from the after-tax effect of the special items affecting operating income, notably the asset impairments related to the vinyl products and polyethylene activities in Europe, as well as impairments of goodwill in the Chemicals and Upstream segments and an additional Toulouse-AZF reserve.

In 2003, special items had a negative effect on net income of 319 M€ and included mainly restructuring charges and a provision for alleged anti-competitive practices in the Chemicals segment.

Adjusted net income for 2004, which excludes the negative impact of 153 M€ on equity income for TOTAL's share of the amortization of goodwill and intangible assets related to the Sanofi-Aventis merger as well as special items, showed an increase of 23% to 9,039 M€ as compared to 7,344 M€ in 2003.

In 2004, the Group bought back 22.55 million of its shares for 3.55 B€.

At December 31, 2004, there were 607.4 million fully-diluted shares compared to 625.1 million fully-diluted shares at the end of 2003.

Adjusted earnings per share, calculated based on 615.9 million fully-diluted shares in 2004, was 14.68 euros compared to 11.56 euros in 2003, an increase of 27%, reflecting the accretive effect of the share buyback.
Reported net income increased to 9,612 M€ in 2004 from 7,025 M€ in 2003.

Cash flow

Cash flow from operating activities rose to 14,429 M€ in 2004, a 16% increase compared to 2003. Excluding disbursements related to the reserve for Toulouse-AZF of 316 M€ in 2004 and 719 M€ in 2003, cash flow from operations increased by 12%.

In 2004, investments were 8,668 M€ or about 10.7 B$, in line with estimates made using an exchange rate assumption of 1.1 dollar per euro.

Divestments in 2004 were 1,192 M€, including sales of financial participations and, in the Upstream segment, sales of non-strategic assets and asset swaps with Gaz de France involving GSO and CFM in France.

Net cash flow [(4)] was 6,953 M€ in 2004 compared to 6,637 M€ in 2003.
The net-debt-to-equity ratio was 26.7% at December 31, 2004 compared to 25.9% at December 31, 2003.

Profitability

The return on average capital employed (ROACE [(5)]) for TOTAL was 24% in 2004, which was at the highest level among the majors.

Return on equity in 2004 was 31% compared to 26% in 2003.

(4) Net cash flow = cash flow from operating activities + divestments – investments
(5) Adjusted for special items and adjusted for equity in amortization of goodwill and intangible assets related to the Sanofi-Aventis merger

Consolidated accounts

(in millions of euros)	2004	2003	%
Sales	122,700	104,652	+ 17%
Operating income from business segments adjusted for special items	17,123	13,004	+ 32%
Net operating income from business segments adjusted for special items	8,792	6,973	+ 26%
Net income [a] adjusted for special items	8,886	7,344	+ 21%
Adjusted net income [a]	9,039	7,344	+ 23%
Net income [a]	9,612	7,025	+ 37%
Adjusted earnings per share [a] (euros)	14.68	11.56	+ 27%
Dividend (euros/share)	5.40 [b]	4.70	+ 15%
Investments [c]	8,668	7,728	+ 12%
Divestments [d] at selling price	1,192	1,878	– 37%
Cash flow from operating activities [e]	14,429	12,487	+ 16%

(a) Group share
(b) Pending approval at the May 17, 2005 AGM
(c) Including increases in long-term loans
(d) Including decreases in long-term loans
(e) Includes disbursements of 316 M€ in 2004 and 719 M€ in 2003 covered by a previously established reserve related to the Toulouse-AZF plant

Number of shares

(in millions)	2004	2003	%
Fully-diluted weighted-average shares	615.9	635.1	– 3%
Fully-diluted shares at end of the period	607.4	625.1	– 3%

Market environment

	2004	2003	%
€/$	1.24	1.13	– 9% (*)
Brent ($/b)	38.3	28.8	+ 33%
European refining margins TRCV ($/t)	32.8	20.9	+ 57%

(*) Change in the dollar versus the euro

Special items

(in millions of euros)	2004	2003
Impact of special items on operating income from business segments		
Restructuring charges	(119)	(1)
Impairments	(631) [a]	(17)
Other	(97) [b]	(7)
Total	**(847)**	**(25)**
Impact of special items on net income		
Gain on dilution from the Sanofi-Aventis merger, net of TOTAL's share of special items related to purchase accounting	1,690	-
Gain on asset sales	53	22
Additional Toulouse-AZF reserve	(98)	-
Restructuring charges and early retirement plans	(143)	(144)
Impairments	(688) [c]	(11)
Other	(88)	(186) [d]
Total	**726**	**(319)**

(a) Including (597) M€ in the Chemicals segment
(b) Including (92) M€ for a provision for environmental remediation in the Chemicals segment
(c) Including (553) M€ in the Chemicals segment
(d) Including (155) M€ for a provision for alleged anti-competitive practices in the Chemicals segment

Adjustment for amortization of Sanofi-Aventis merger-related intangibles

(in millions of euros)	2004	2003
Impact on equity income from TOTAL's share of amortization of goodwill (*) and intangible assets related to Sanofi-Aventis merger (*)	(153)	-

(*) Based on 13% ownership of Sanofi-Aventis at December 31, 2004

Upstream

Results

(in millions of euros)	2004	2003	%
Operating income adjusted for special items	12,820	10,476	+ 22%
Net operating income adjusted for special items	5,834	5,259	+ 11%
Investments	6,170	5,302	+ 16%
Divestments at selling price	637	428	+ 49%
Cash flow from operating activities	10,316	9,214	+ 12%

Operating income from the Upstream segment adjusted for special items increased by 22% to 12,820 M€ in 2004. The benefit from higher hydrocarbon prices and production growth was partially offset by the decrease in the dollar relative to the euro and higher technical costs.

Net operating income from the Upstream segment adjusted for special items was 5,834 M€ in 2004, an increase of 11%.

This increase, which is lower than the percentage increase for operating income, is due primarily to a higher average tax rate in 2004 compared to 2003, mainly because of an increase in production taxed at higher-than-average rates (Nigerian concessions) and to the temporary decrease in production that is taxed at lower-than-average rates (shut-down of the Sincor upgrader in Venezuela and suspended Gulf of Mexico production following Hurricane Ivan).

Profitability

Upstream return on average capital employed (ROACE) was 35% in 2004 compared to 29% in 2003. Recalculated using the reference environment (6), 2004 ROACE was 21%.

Production

	2004	2003	%
Hydrocarbon production (kboe/d)	2,585	2,539	+ 2%
• Liquids (kb/d)	1,695	1,661	+ 2%
• Gas (Mcf/d)	4,894	4,786	+ 2%

For the full year 2004, hydrocarbon production increased by 2% to 2,585 kboe/d from 2,539 kboe/d in 2003. Liquids production increased by 2% to 1,695 kb/d, and gas production also increased by 2%.

Adjusted for the negative impact of higher oil and gas prices on entitlement volumes from production sharing and buy-back contracts (7) ("price effect"), the underlying increase in production was 3.7% in 2004.

In addition to numerous start-ups during the year, notably Yucal Placer in Venezuela, Skirne Byggve in Norway, and Peciko Phase III in Indonesia (where operated production set a new record high), production ramp-ups on fields launched in 2003, including Amenam in Nigeria, Matterhorn in the US and Jasmin in Angola, contributed strongly to 2004 production growth.

(6) Brent = 25 $/b; TRCV = 15 $/t; €/$ = 1.25; petrochemicals at mid-cycle
(7) Approximately 27% of TOTAL's 2004 production was covered by production sharing and buy-back contracts

12/31/2004 reserves

	2004	2003	%
Hydrocarbon reserves (Mboe)	11,148	11,401	– 2%
• Liquids (Mb)	7,003	7,323	– 4%
• Gas (Bcf)	22,785	22,267	+ 2%

Proved reserves, calculated according to SEC rules, were 11,148 Mboe at December 31, 2004. At the current production rate, the reserve life is 11.8 years. The negative impact on proved reserves related to the application of high year-end prices as required by the SEC (Brent at 40.47 $/b on 12/31/2004) was approximately 270 Mboe.

The reserve replacement rate [8] for the 2002-2004 period, based on SEC rules, was 120% for the consolidated subsidiaries only and 106% for the Group.
Excluding the impact of changes in year-end prices and using a Brent 25 $/b scenario, the reserve replacement rate for the 2002-2004 period would be 131% for the consolidated subsidiaries only and 116% for the Group.

Over the same period, for consolidated subsidiaries only, the finding cost [9] was 0.8 $/boe and the reserve replacement cost [10] was 5.4 $/boe.

As of year-end 2004, TOTAL's portfolio of proved and probable reserves is solid and diversified, representing close to 20 years of production at the current rate [11].

Highlights

Exploration was very successful in 2004 with the main discoveries in Angola on Block 32, in Nigeria, in Libya, in Congo, in Kazakhstan and in Bolivia. Main appraisals in 2004 were made on the Laggan permit in the UK North Sea, on OPL 222 and 246 in Nigeria, on Block 17 in Angola, on Moho Bilondo in Congo, and on the Timimoun permit in Algeria.

Moreover, TOTAL has taken new permits mainly in Indonesia, the UK, Norway and Algeria.

Important project developments have been launched in 2004: Kashagan in Kazakhstan, Rosa on Block 17 in Angola and the 6th train of Bonny LNG in Nigeria.

In line with expectations, many start-ups have taken place among which Yucal Placer in Venezuela, Skirne Byggve in Norway, Peciko phase III in Indonesia and Al Khalij in Qatar. The Sincor upgrader in Venezuela has been debottlenecked, increasing its capacity to 215 kb/d.

In Upstream, LNG, sales [12] grew by 7% in 2004, and the Group took important new steps, notably signing an agreement in Iran to set the general framework for the Pars LNG project.

In addition, TOTAL has strongly developed its positions in regasification terminals by acquiring a stake in the Hazira project in India and in the Fos Cavaou project in France and by securing regasification capacity of 10 Bm^3/year, over a period of 20 years starting in 2009, at the Sabine Pass project in Louisiana (US).

In mid-stream gas, TOTAL and Gaz de France signed the final agreements to swap interests in GSO and CFM.

2004 highlights also included an agreement to acquire 25% plus one share of Novatek, the largest independent gas producer in Russia.

(8) Ratio of changes in reserves excluding production (i.e. revisions, discoveries, extensions, acquisitions, sales of reserves) divided by production
(9) (Explorations costs + unproved property acquisition) / (revisions + discoveries, extensions of reserves)
(10) (Exploration and development costs + proved and unproved acquisitions) / (revisions + discoveries, extensions + acquisitions of reserves)
(11) Limited to proved and probable reserves covered by E&P contracts on fields that have been drilled and for which technical studies have demonstrated economic development in a Brent 25 $/b environment
(12) TOTAL share, excluding trading

Downstream

Results

(in millions of euros)	2004	2003	%
Operating income adjusted for special items	3,217	1,970	+ 63%
Net operating income adjusted for special items	2,302	1,460	+ 58%
Investments	1,516	1,235	+ 23%
Divestments at selling price	200	466	– 57%
Cash flow from operating activities	3,111	3,099	-

Operating income from the Downstream segment adjusted for special items increased by 63% in 2004 to 3,217 M€ from 1,970 M€ in 2003. This performance was due mainly to a sharp improvement in the refining environment, despite a decline in the dollar. Strong tensions on the Atlantic basin markets combined with an increase in the price differential between heavy and light grades of crude at the end of the year created favorable market conditions that were only partially reflected by the increase in TRCV margins.

Downstream results also continued to benefit from self-help programs.

Net operating income from the Downstream segment adjusted for special items rose to 2,302 M€ in 2004 from 1,460 M€ in 2003, an increase of 58%.

Profitability

Downstream return on average capital employed (ROACE) was 25% in 2004 compared to 15% in 2003. Recalculated using the reference environment [13], 2004 ROACE was 13%.

Refinery throughput - Refined product sales

	2004	2003	%
Refinery throughput (*) (kb/d)	2,496	2,481	+ 1%
Refined product sales (**) (kb/d)	3,771	3,652	+ 3%

(*) Includes share of Cepsa
(**) Includes trading and share of Cepsa

For the full year 2004, refinery throughput increased by 1% to 2,496 kb/d compared to 2,481 kb/d in 2003. The utilization rate rose to 93% in 2004 from 92% in 2003.

Refined product sales increased by 3% to 3,771 kb/d in 2004.

Highlights

In refining, the main highlights for 2004 concerned the launch of the construction of a distillate hydrocracker (DHC) at the Normandy refinery in France. This project, including the hydrogen supply unit, represents a total investment of approximately 500 M€ over the 2003-2006 period. 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 specialty fluids. The start-up is scheduled for 2006.

In marketing, TOTAL announced the signing of a joint venture with Sinochem for the creation of a network of 200 service stations in northern China, where the two companies are already working together at the Dalian refinery.

TOTAL also acquired a service station network in Puerto Rico that has about a 6% market share.

In France, the Group has implemented its brand strategy, including the deployment of the Elan brand mainly aimed at rural areas.

(13) Brent = 25 $/b; TRCV = 15 $/t; €/$ = 1.25; inventory at replacement cost. Downstream ROACE calculated in this reference environment is comparable to the ROACE calculated in the former reference environment (TRCV = 12 $/t; €/$ = 1.10)

Chemicals

Results

(in millions of euros)	2004	2003	%
Sales	20,042	17,260	+ 16%
Operating income adjusted for special items	1,086	558	+ 95%
Net operating income adjusted for special items	656	254	+ 158%
Investments	905	1,115	– 19%
Divestments at selling price	122	891	– 86%
Cash flow from operating activities (*)	556	268	+ 107 %

(*) Includes disbursements related to the Toulouse-AZF reserve of 316 M€ for the full year 2004 and 719 M€ for the full year 2003

Chemicals sales increased by 16% to 20,042 M€ in 2004.

Operating income adjusted for special items increased sharply by 95% to 1,086 M€ from 558 M€ in 2003.

This recovery was due mainly to a higher contribution from base chemicals, reflecting the rebound in petrochemical margins in Europe and the US in the second half of 2004. The improvement in the utilization rate of the steam-crackers compared to 2003 allowed the Group to benefit fully from the favorable market conditions.

In 2004, margins for the Intermediates improved, particularly at the end of the year, despite the weakness of the dollar and an increase in raw material costs.

Specialties continued to perform well in terms of results and cash flow.

Net operating income from the Chemicals segment adjusted for special items rose to 656 M€ from 254 M€ in 2003.

Profitability

Chemicals return on average capital employed (ROACE) increased to 8.5% from 3.5% in 2003. Excluding Arkema, the 2004 Chemicals ROACE would have been 10%. Recalculated using the reference environment (6), ROACE was 8.5% in 2004 compared to 7% in 2003.

Highlights

In 2004, TOTAL announced a project to restructure its Chemicals segment aiming at a lighter functional organization as well as the creation of a decentralized entity, separate from the petrochemicals and the specialties, that would be comprised of the chlorochemicals, intermediates and performance polymers. This new entity has been named Arkema on October 1, 2004. Arkema is comprised of three activities: Vinyl Products, Industrial Chemicals and Performance Polymers.
Its management team was put in place in June 2004 and is building an organization that will allow Arkema to be spun-off as an independent entity in 2006 (14).

In January 2005, Arkema announced a plan to restructure its vinyl products business in France to improve the performance of its chlorochemicals chain.

* TOTAL S.A. parent company accounts and proposed dividend

The parent company, TOTAL S.A., reported net earnings of 3,443 M€ in 2004 compared to 3,272 M€ in 2003. The Board of Directors, after closing the accounts, decided to propose at the May 17, 2005 Annual General Meeting a dividend of 5.40 euros per share for 2004, a 15% increase compared to 2003.
The pay-out ratio for TOTAL in 2004, based on adjusted net income, would be 37%, above the average of the other majors (15).

Taking into account the interim dividend payment of 2.40 euros per share made on November 24, 2004, the remaining dividend payable of 3 euros per action will be paid on May 24, 2005.

(14) Subject to market conditions and after informing/consulting with labor representatives
(15) ExxonMobil, BP, RD/Shell, ChevronTexaco

2005 Sensitivities

(in millions of euros)	Change	2005 Sensitivities (estimation) (*) Operating income	Net income
€/$	+ 0.1 $ per €	– 1.05 B€	– 0.60 B€
Brent	+ 1 $ per barrel	+ 0.45 B€	+ 0.20 B€
European refining margins (TRCV)	+ 1 $ per ton	+ 0.09 B€	+ 0.06 B€

(*) 2005 sensitivities based on reference environment: Brent = 25 $/b; TRCV = 15 $/t; €/$ = 1.25

Summary and outlook

Based on the oil supply-demand tensions, TOTAL foresees a medium-term Brent price above 25 $/b. To evaluate long-term projects, TOTAL maintains a prudent 21$/b scenario.
In this context, TOTAL continues to implement a growth strategy well-adapted to the changing environment.

- In the Upstream, TOTAL intends to continue to combine growth and profitability at the highest level for the long term. Thus, the target rate of 4% per year on average for production growth is extended through 2010 [16] thanks notably to the new large projects close to finalization in the Middle East, in Russia and in West Africa. The Group has the objective to maintain ROACE above 20% in a 25 $/b Brent environment.

- In the Downstream, the Group intends to strengthen its leadership positions in Europe and in Africa while growing selectively, notably in Asia and in the Caribbean. This strategy includes continuing self-help programs over the 2004-2007 period aimed at achieving a recurring impact on operating income of 500 M€ per year by 2007. In this context, the Group maintains the ROACE target of 15% in the reference environment [13] for Downstream by 2007/2009, without substantially changing capital employed.

- In the Chemicals segment, TOTAL confirms its target to spin-off Arkema in 2006 [14]. The combination of this operation, olefin production growth, notably in Asia and the Middle East and the ongoing productivity programs should allow profitability to reach the 12% ROACE target for Chemicals by 2007/2009 in the reference environment [13].

The implementation of TOTAL's strategy requires a sustained investment program.

Based on an exchange rate of €/$ 1.25, the 2005 Capex budget is approximately 12 B$, including 0.9 B$ for the proposed acquisition of a 25% stake in Novatek.
In the Upstream (70% of 2005 budget), investments will be mainly dedicated to the ongoing development of large projects (Kashagan, Dolphin, Dalia, Snøhvit...).

In the Downstream, a peak in investments is expected in 2005 notably due to the construction of the DHC at the Normandy refinery.

Beyond 2005, investments should represent 10 B$ to 11 B$ per year on average over 2006-2009.
This represents a level of investments in line with prior estimates given the impact of changing the €/$ exchange rate assumption (from 1.10 to 1.25) and the capitalization of costs for major turnarounds in refining and petrochemicals as required under IFRS.

Over the 2005-2009 period, the average annual cash flow after investments in the reference environment [13] should represent between 6 B$ and 7 B$.

The net-debt-to-equity ratio for the Group is targeted to remain at around 25% to 30%.

TOTAL intends to pursue a dynamic dividend policy with a target pay-out ratio of 50% over the medium term.

Cash flow after investments and payment of dividend will be available for share buybacks.

In addition, sales of Sanofi-Aventis shares (valued at 10,3 B€ as of December 31, 2004) are not planned for the short term.

Since the beginning of 2005, although the dollar remains weak, the oil market environment has remained favorable with high oil prices, refining margins that are still strong despite a retreat from the level of the fourth quarter, and an overall favorable environment for Chemicals.

(16) In a 25 $/b Brent scenario

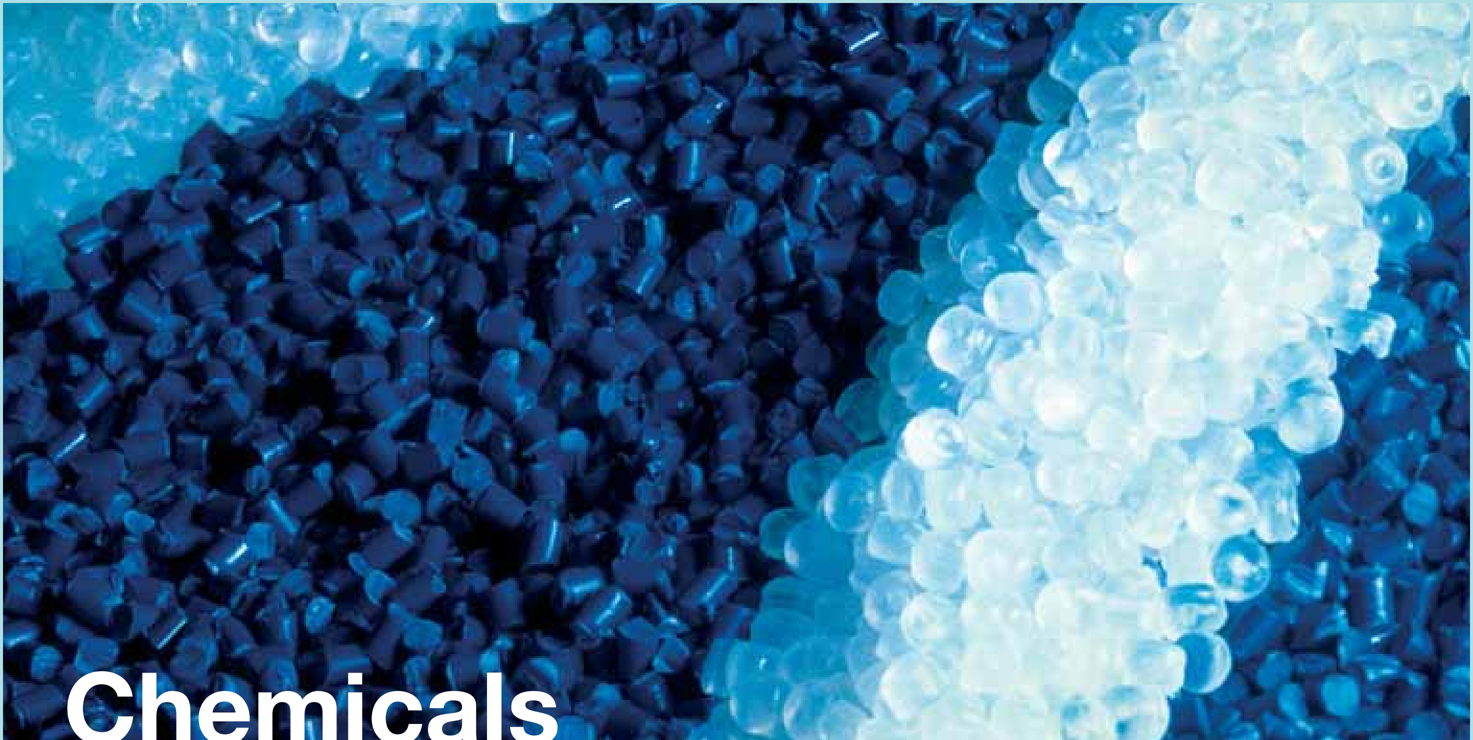
Activities on Company

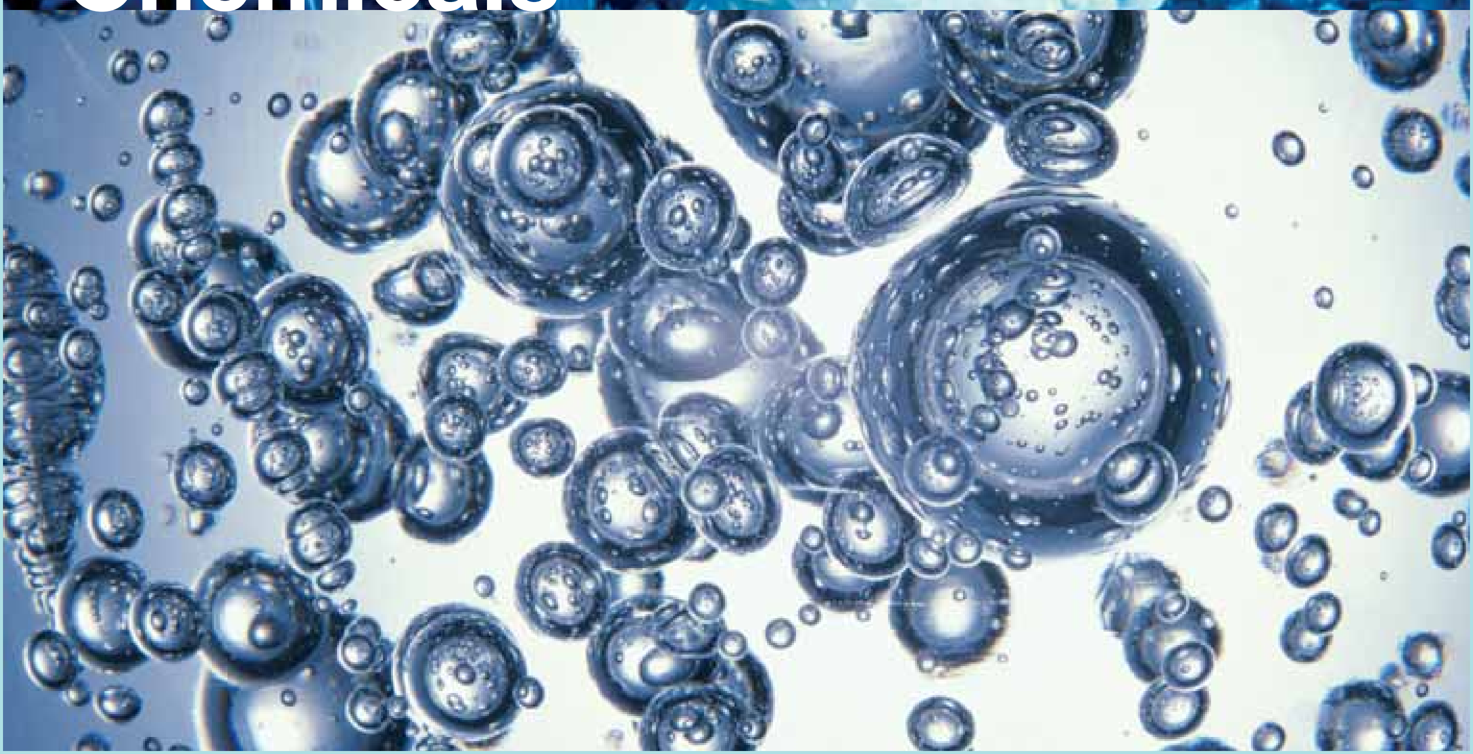
the

Upstream

Downstream

Chemicals





Information on the Company

History and development

TOTAL, a French *société anonyme* incorporated on March 28, 1924, together with its subsidiaries and affiliates ("the Company" or "TOTAL"), is the fourth largest publicly-traded integrated oil and gas company in the world(*), with operations in more than 130 countries.

TOTAL engages in all aspects of the petroleum industry, including Upstream operations (oil and gas exploration, development and production; LNG), Downstream operations (refining, marketing, trading and shipping of crude oil and petroleum products).

TOTAL also produces Base Chemicals & Polymers, Chlorochemicals, Intermediates & Performance Polymers and Specialty Chemicals for industrial and consumer use. In addition, TOTAL has interests in coal mining and in the cogeneration and electricity sectors. The Company began its Upstream operations in the Middle East in 1924. Since that time, the Company has grown and expanded its operations worldwide.

Most notably, in early 1999 the Company acquired control of PetroFina S.A. ("PetroFina" or "Fina") and in early 2000, the Company acquired control of Elf Aquitaine S.A. ("Elf Aquitaine" or "Elf"). The Company currently owns 99.5% of Elf Aquitaine shares and, since early 2002, 100% of PetroFina shares.

Since the Shareholders' General Meeting on May 6, 2003, the Group, which operated under the name Totalfina from June 1999 to March 2000, and then under the name TotalFinaElf, now operates once again under the name TOTAL.

The Company's strategy is to develop its Upstream activities throughout the world, including reinforcing its position as one of the global leaders in the natural gas and LNG markets; to consolidate its position in the Downstream segment in Europe, while developing its interests in rapidly growing markets (such as the Mediterranean Basin, Africa and Asia); and to rationalize and develop its Chemicals segment by giving priority to improving profitability and creating a new decentralized pole encompassing the chlorochemicals, intermediates and performance polymers activities, thereby allowing the Group to focus its Chemicals activities on petrochemicals(base chemicals and polymers) and specialty chemicals. This new entity, Arkema, was created on October 1, 2004, and is expected to become a stand alone entity.

The Company's principal office is:
2, place de la Coupole, La Défense 6
92400 Courbevoie, France.
Its telephone number is: 33 1 47 44 45 46
and its website address is: **www.total.com**

Basis of Presentation

In general, financial information included in this Annual Report is presented according to French GAAP.

(*) Based on market capitalization

Important events in 2004

January

Sweden

TOTAL signs a long-term contract to charter two new Stena P-MAX tankers (capacity of 65,000 tons) for delivery in 2005 and 2006.

France

TOTAL, shareholder of Sanofi-Synthélabo, approves the merger plan for Sanofi-Synthélabo and Aventis.

February

France

TOTAL to invest €500 million to increase the conversion capacity at its Normandy refinery.

Kazakhstan

Development plan for the Kashagan oil field (north of the Caspian Sea) approved by local authorities and consortium members; first phase of investment initiated.

Iran

Signature of a shareholders' agreement by the National Iranian Oil Company (NIOC, 50%), TOTAL (30%) and Petronas (20%) for the creation of a joint venture, Pars LNG. The project will produce Liquefied Natural Gas (LNG) from gas produced on block SP 11 of the South Pars gas field.

March

Norway

Start-up of Skirne Field for gas deposits and condensates.

India

TOTAL takes a 26% stake in the LNG regasification terminal of Hazira.

April

Angola

TOTAL makes second oil discovery in the ultra-deep waters of Block 32 (TOTAL is the operator with a 30% interest).

Venezuela

Phase 1 of the Yucal Placer gas field development brought on stream (TOTAL owns 69.5%).

May

France

Annual Meeting of Shareholders. Thierry Desmarest re-elected as Chairman of the Board of Directors of TOTAL S.A., and Chief Executive Officer of the Company.

June

France

Approval of the construction of a photovoltaic solar panel production plant in Toulouse.

Norway

TOTAL awarded exploration license and operatorship (with a 40% interest) of Blocks 6406/7 and 6406/8 located in the Haltenbanken area of the Norwegian Sea.

July

Kazakhstan

Hydrocarbon discovery in the Kairan structure, north of the Caspian Sea.

Nigeria

Approval for the construction of the sixth gas liquification plant for the Bonny facility.

August

Angola

TOTAL launches development of the deep-offshore Rosa field. It is the second field to be tied back to the Girassol FPSO, after the Jasmim field.

September

Kuwait

Renewal of technical assistance contract with the government-owned Kuwait Oil Company.

Qatar

Production start-up of third phase of development of the offshore Al Khalij field.

UK North Sea

Discovery of gas in the Laggan gas field and award of three frontier licences for blocks adjacent to Laggan.

Republic of Congo

New discovery in ultra-deep offshore zone “Mer Très Profonde Sud” (MTPS), off the coast of Pointe Noire.

Russia

Plans to acquire 25% stake in Russian gas company Novatek, Russia’s largest independent gas producer.

October

Nigeria

Hydrocarbon discovery in the western Usan field, under the deepwater Oil Prospecting License (OPL) 222.

China

Joint venture project with Sinochem to set up a 200 service station network in northern China.

Bolivia

First gas discovery in the Ipati Block.

France

Creation of Arkema, a new unit which will become an independent entity, encompassing Chlorochemicals, Intermediates, and Performance Polymers.

France

TOTAL becomes sole shareholder in Gaz du Sud-Ouest (GSO), acquires part of Compagnie Française du Méthane (CMF)’s natural gas trading operations, and takes an interest in the Fos Cavaou LNG Regasification Terminal.

Important events in 2004

November

Puerto Rico

Acquisition of a 100 service stations to enhance distribution capacity.

United States

TOTAL acquires LNG regasification capacity at the Sabine Pass terminal project in Lousiana.

Algeria

Natural gas discovery on the Timimoun permit and award of an 80% interest in the Bechar exploration permit.

December

Belgium

Decision to increase photovoltaic cell production capacity of the Tienen plant for solar energy.

Iran

Signing of agreements establishing the framework for the Pars LNG project and its principal commercial terms.

Upstream / Downstream / Chemicals

First quarter 2005

January

Nigeria

New hydrocarbon discovery in the western area of the Usan field, under deepwater Oil Prospecting License (OPL) 222.

Trinidad and Tobago

Production start-up of the Greater Angostura field.

Venezuela

Signature of an agreement to take a 49% stake in Plataforma Deltana Block 4, in the offshore gas field northwest of the Orinoco Delta.

Australia

TOTAL takes a stake in two deep offshore exploration blocks northwest of Australia (30% in the WA-269-P exploration block and 50% in the WA-297-P exploration block).

Mauritania

Signature of two Production Sharing Contracts with the government of Mauritania for the onshore blocks Ta7 and Ta8, situated in the Taoudenni basin in northeastern Mauritania.

February

Yemen

Yemen LNG (owned 42.9% by TOTAL) signs three agreements for the sale of Liquefied Natural Gas and initiates bidding process for two liquification trains.

Morocco

Temasol, jointly held by TOTAL, Total Énergie and Électricité de France, is again selected to provide an additional 37,000 households with solar power.

Qatar

TOTAL signs a protocol agreement concerning the acquisition of a 16.7% equity participation in Train II of the Qatargas 2 project and the purchase of LNG from the Qatargas 2 project.

March

Romania

Creation of Total Lubrifin.

China

Agreement with Chinese authorities to establish a joint venture with Sinochem for the purpose of establishing a 200 service stations distribution network.

Kazakhstan

Following the pre-emption process associated with the sale of the BG Group’s stake in the North Caspian Sea Permit, TOTAL has signed an agreement to sell a 1.85% interest to KazMyunayGas, the national oil company of the Republic of Kazakhstan. When this sale is completed, TOTAL will have an 18.5% interest in the permit.

Upstream

The Upstream segment includes the Group's Exploration & Production and Gas & Power activities. The Group has exploration and production activities in 44 countries and produces oil and gas in 27 countries.

TOTAL is the world's fourth largest producer of hydrocarbons (*)

No.1 in Africa

No.2 in the Middle East

2.59 Mboe/d produced in 2004

11.1 Bboe of reserves as of December 31, 2004 (**)

2004 investments: 6.2 billion euros

14,597 employees

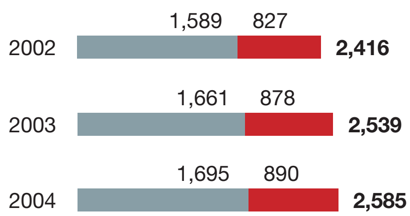
(*) Source: Company data, excluding national oil companies
(**) Based on a year-end Brent price of 40.47 $/bbl

Upstream segment financial data

(in millions of euros)	2004	2003	2002
Non-Group sales	**21,995**	18,704	16,225
Operating income adjusted for special items	**12,820**	10,476	9,309

Liquids and gas production (kboe/d) (*)

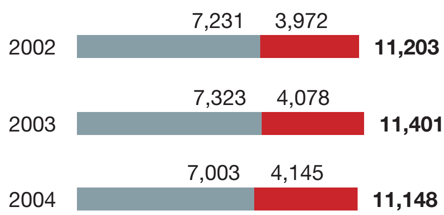
■ Gas
■ Liquids



(*) In thousands of barrels of oil equivalent per day

Liquids and gas reserves (Mboe) (**)

■ Gas
■ Liquids



(**) In millions of barrels of oil equivalent

Exploration & 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 70% of the 2,774 Mboe added to the Upstream segment's proved reserves during the three-year period ended December 31, 2004 (before deducting production and sales of reserves in place and adding any acquisitions of reserves in place during this period).

TOTAL continued to follow an active exploration program in 2004, with exploration expenditures of consolidated subsidiaries amounting to 651 M€ (including unproved property acquisition costs). The principal exploration expenditures were made in the United States, Nigeria, Angola, the United Kingdom, Libya, Algeria, Congo, Kazakhstan, Norway, Bolivia, the Netherlands, Colombia and Indonesia.

The development expenditures of the Group's consolidated Exploration & Production subsidiaries amounted to 4.1 B€ in 2004. The principal development projects for 2004 were carried out in Norway, Angola, Nigeria, Indonesia, Kazakhstan, the United Kingdom, Qatar, Azerbaijan, the United States, Gabon, Congo, Libya, Trinidad & Tobago, Venezuela and Iran.

✱ 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.

Exploration teams at all sites are careful to comply with safety regulations.

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.

The estimation of proved reserves is controlled by the Group through established validation guidelines. Reserves evaluations are established annually by senior level geoscience and engineering professionals (assisted by a central reserves group with significant technical experience) including reviews with and validation by senior management.

Congo: revitalisation of the mature N'Kossa field in the deep offshore

Significant features of the reserves estimation process include:

- internal peer reviews of technical evaluations also to ensure that the SEC definitions and guidance are followed, and
- a requirement that management make significant funding commitments toward the development of the reserves prior to booking.

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 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, 2004, 2003, and 2002, see "Supplemental Oil and Gas Information (Unaudited)", included on page 155.

Rule 4-10 of Regulation S-X requires the use of the year-end price, as well as existing operating conditions, to determine reserve quantities.
Reserves at year-end 2004 have been determined based on the Brent price on December 31, 2004 ($40.47/b).

As of December 31, 2004, TOTAL's combined proved reserves of crude oil and natural gas were 11,148 Mboe (of which 51% were proved developed reserves and 49% proved undeveloped reserves). Liquids represented approximately 63% of these reserves and natural gas the remaining 37%. These reserves are located in Europe (Norway, United Kingdom, the Netherlands, Italy and France), Africa (Nigeria, Angola, Congo, Gabon, Algeria, Libya and Cameroon), Asia-Pacific (Indonesia, Myanmar, Thailand and Brunei), North America (United States and Canada), the Middle East (United Arab Emirates, Qatar, Oman, Iran, Syria and Yemen), South America (Venezuela, Argentina, Bolivia, Trinidad & Tobago, and Colombia), and CIS (Kazakhstan, Azerbaijan and Russia).

Proved reserves are the estimated quantities of TOTAL's entitlement under concession contracts, production sharing agreements or buy-back agreements.
These estimated quantities may vary depending on oil and gas prices.

An increase in the year-end price has the effect of reducing proved reserves associated with production sharing or buy-back agreements (which represent approximately 30% of TOTAL's reserves). Under such contracts, TOTAL is entitled to receive a portion of the production, calculated so that its sale covers expenses incurred by the Company. With higher oil prices, the level of entitlement necessary to cover the same amount of expenses is lower.

This reduction is partially offset by an extension of the duration over which fields can be produced economically. However, the increase in reserves due to extensions is smaller than the decrease in reserves under production sharing agreements. For this reason, a higher year-end price translates into a decrease in TOTAL's reserves.

Considering the relatively high Brent price on December 31, 2004 (Brent 40.47$/b), an estimate of reserves is provided hereinafter for a price of Brent 25$/b, which corresponds to the environment retained by TOTAL for the definition of its medium-term performance targets. These estimates are for reserves that would have been otherwise calculated in accordance with Rule 4-10 of Regulation S-X if the Brent price had been 25$/b on December 31, 2004. The proved reserves calculated under this 25$/b assumption would have been 11,421 Mboe.

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) (2)

	Liquids (Mb)	Natural Gas (Bcf)	Combined (Mboe)
December 31, 2002	**7,231**	**21,575**	**11,203**
Variation from December 31, 2001	3.9%	– 1.6%	2.0%
December 31, 2003	**7,323**	**22,267**	**11,401**
Variation from December 31, 2002	1.3%	3.2%	1.8%
December 31, 2004	**7,003**	**22,785**	**11,148**
Variation from December 31, 2003	– 4.3%	2.3%	– 2.2%

TOTAL's proved reserves (1) calculated at 25 $/b

December 31, 2004	**7,238**	**23,001**	**11,421**

(1) Includes TOTAL's proportionate share of the proved reserves of equity affiliates and of two companies accounted for by the cost method. See "Supplemental Oil and Gas Information (Unaudited)", page 155.
(2) Reserves as of December 31, 2004 are calculated based on a Brent crude price of 40,47$/b in accordance with Rule 4-10 of Regulation S-X.

Production

TOTAL's average daily production of liquids and natural gas was 2,585 kboe/d in 2004, up 1.8% from 2,539 kboe/d in 2003. Liquids accounted for approximately 66% and natural gas accounted for approximately 34% of TOTAL's combined liquids and natural gas production in 2004 on an oil equivalent basis.

The table on the next page sets forth by geographic area TOTAL'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 Production Activities by Geographic Area" (p 63) for a description of TOTAL's principal producing fields.

Substantially all of the crude oil production from E&P activities is sold to its 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" page 91).

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 production from the United Kingdom, Norway and Argentina.

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 relationship between 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)", page 155.

Gabon: a young woman being trained by Global Santa Fe (GSF), the drilling contractor for AD9.

Production by geographic area

	2004			2003			2002		
	Liquids (kb/d)	Natural Gas (Mcf/d)	**Total (Kboe/d)**	Liquids (kb/d)	Natural Gas (Mcf/d)	**Total (Kboe/d)**	Liquids (kb/d)	Natural Gas (Mcf/d)	**Total (Kboe/d)**
Consolidated subsidiaries									
Europe	**424**	**2,218**	**832**	**460**	**2,286**	**880**	**464**	**2,230**	**873**
France	9	143	35	10	153	38	11	176	43
Italy				-	-	-	1	-	1
Norway	263	775	406	276	703	405	280	651	400
Netherlands	1	330	59	1	324	58	1	351	62
United Kingdom	151	970	332	173	1,106	379	171	1,052	367
Africa	**693**	**440**	**776**	**612**	**404**	**689**	**589**	**374**	**661**
Algeria	42	160	72	48	194	85	52	205	92
Angola	159	27	164	156	-	156	158	-	158
Cameroon	13		13	14	-	14	15	-	15
Congo	87	21	90	91	-	91	103	-	103
Gabon	99	27	104	104	9	105	100	8	101
Libya	62		62	42	-	42	36	-	36
Nigeria	231	205	271	157	201	196	125	161	156
North America	**16**	**241**	**61**	**4**	**294**	**59**	**5**	**214**	**45**
United States	16	241	61	4	294	59	5	214	45
Asia	**31**	**1,224**	**245**	**25**	**1,156**	**232**	**23**	**1,122**	**220**
Brunei	3	58	14	2	61	14	1	52	11
Indonesia	22	854	177	18	791	168	17	731	154
Myanmar		110	14	-	132	16	-	150	18
Thailand	6	202	40	5	172	34	5	189	37
Middle East	**110**	**39**	**117**	**140**	**37**	**146**	**152**	**62**	**163**
Iran	26		26	50	-	50	38	-	38
Qatar	31	1	31	29	1	29	34	4	35
Syria	30	32	36	34	36	40	54	58	64
U.A.E.	16	6	17	19	-	19	18	-	18
Yemen	7		7	8	-	8	8	-	8
South America	**128**	**474**	**213**	**130**	**363**	**196**	**116**	**297**	**170**
Argentina	11	325	70	12	284	64	14	249	59
Bolivia	3	82	18	2	51	11	-	24	5
Colombia	24	32	30	32	28	37	39	24	43
Venezuela	90	35	95	84	-	84	63	-	63
Others	**9**		**9**	**8**	**-**	**8**	**5**	**-**	**5**
Russia	9		9	8	-	8	5	-	5
Total production	**1,411**	**4,636**	**2,253**	**1,379**	**4,540**	**2,210**	**1,354**	**4,299**	**2,137**
Equity and non-consolidated affiliates									
Africa	37	4	37	34	-	34	10	-	10
Middle East	247	254	295	248	246	295	225	233	269
Total of equity and non-consolidated affiliates	**284**	**258**	**332**	**282**	**246**	**329**	**235**	**233**	**279**
Worldwide production	**1,695**	**4,894**	**2,585**	**1,661**	**4,786**	**2,539**	**1,589**	**4,532**	**2,416**

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 as of December 31, 2004

	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
Norway	1965	Frigg (37.79%) [2]		G
		Skirne (40.00%)		L,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
			Kvitebjørn (5.00%)	L, G
			Mikkel (7.65%)	L, G
			Oseberg (10.00%)	L, G
			Sleipner East (10.00%)	L, G
			Sleipner West/Alpha North (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 (10.00%)	L
			Vale (24.24%)	L, G
			Valhall (15.72%)	L
			Vigdis (5.60%)	L
			Visund (7.70%)	L, G
Netherlands	1964	FF15a (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
			Markham unitized field (14.75%)	G
United Kingdom	1962	Alwyn N., Dunbar, Ellon, Grant, Nuggets (100.00%)		L, G
		Elgin-Franklin (EFOG 46.17%) [3]		L, G
		Frigg (39.18%) [2]		G
		Otter (54.30%)		L
			Alba (12.65%)	L
			Armada (12.53%)	G
			Bruce (43.25%)	L, G
			Caledonia (12.65%)	L
			Markham unitized field (7.35%)	G
			ETAP (Mungo, Monan) (12.43%)	L, G
			Keith (25.00%)	L, G
			Nelson (11.53%)	L
			SW Seymour (25.00%)	L

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 as of December 31, 2004

	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%) [4]	L
			RKF (45.28%) [4]	L
			Tin Fouye Tabankort (35.00%)	L, G
Angola	1953	Blocks 3-80 (37.50%), 3-85, 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%)	L
			Zatchi (35.00%)	L
Gabon	1928	Anguille (100.00%)		L
		Atora (40.00%)		L
		Avocette (57.50%)		L
		Baudroie Nord (100.00%)		L
		Gonelle (100.00%)		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

Main producing fields as of December 31, 2004

	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	1986	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
			Badak (1.05%)	L, G
Myanmar	1992	Yadana (31.24%)		G
Thailand	1990		Bongkot (33.33%)	L, G
Middle East				
Abu Dhabi	1939	Abu Al Bu Khoosh (75.00%)		L
			Abu Dhabi offshore (13.33%) [5]	L
			Abu Dhabi onshore (9.50%) [6]	L
Dubai	1954		Dubai offshore (27.50%) [7]	L
Iran	1954	Dorood (55.00%) [8]		L
			South-Pars 2&3 (40.00%) [9]	L,G
			Balal (46.75%) [10]	L
			Sirri (60.00%) [11]	L
Oman	1937		Various onshore fields(4.00%) [12]	L
Qatar	1938	Al Khalij (100.00%)		L
			North Field (20.00%)	L,G
Syria	1988	Jafra/Qahar (100.00%) [13]		L
			Deir Ez Zor Gaz (50.00%)	L, G
Yemen	1987	Kharir / Atuf (28.57%)		L
			Jannah (Block 5) (15.00%)	L
South America				
Argentina		Aguada Pichana (22.27%)		L, G
		Argo (37.50%)		L
		Canadon Alfa (37.50%)		L, G
		Hidra (37.50%)		L
		San Roque (24.71%)		L, G
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
			Yucal Placer (69.50%)	G
Others				
Russia	1989	Kharyaga (50.00%)		L

(1) The Group's financial interest in the local entity is approximately 100% in all cases except TOTAL Gabon (57.9%), TOTAL E&P Cameroun (75.8%), and entities in the U.K., Algeria, Abu Dhabi, Iran and Oman (see notes 3 through 12 below).
(2) Frigg's production terminated on October 26, 2004.
(3) TOTAL has a 35.8% indirect interest in Elgin-Franklin via its participation in EFOG.
(4) TOTAL has an indirect 18.0% interest in the Ourhoud field and a 45.3% indirect interest in the RKF field via its participation in CEPSA (equity affiliate).
(5) Via ADMA (equity affiliate), TOTAL has a 13.3% interest and participates in the operating company, Abu Dhabi Marine Operating Company.
(6) Via ADPC (equity affiliate), TOTAL has a 9.5% interest and participates in the operating company, Abu Dhabi Company for Onshore Oil Operation.
(7) TOTAL has a 25.0% indirect interest via Dubai Marine Areas (equity affiliate) plus a 2.5% direct interest via Total E&P Dubai.
(8) TOTAL is the operator of the development of Dorood field with a 55.0% interest in the foreign consortium.
(9) Following the completion of the development phase, NIOC has taken over the operation of the field. The Group has a 40.0% interest in the foreign consortium.
(10) TOTAL has transferred operatorship to NIOC for the Balal field. The Group has a 46.8% interest in the foreign consortium.
(11) TOTAL has transferred operatorship to NIOC for the Sirri A & E fields. The Group has a 60.0% interest in the foreign consortium.
(12) Via POHOL (equity affiliate), TOTAL has a 4.0% interest in the operator, Petroleum Development Oman LLC. TOTAL also has a 5.54% interest in the Oman LNG facility.
(13) Operated by DEZPC which is 50.0% owned by TOTAL and 50.0% owned by SPC.

France: the gas treatment plant at Lacq

✱ Principal activities

Europe

TOTAL's average production in Europe was 832 kboe/d in 2004, down 5% compared to 880 kboe/d in 2003, representing 32% of the Group's 2004 production.

France

TOTAL's principal natural gas fields are located mainly in the southwest of France, principally at Lacq-Meillon (TOTAL 100%), although there are several smaller natural gas and oil fields in the same region and in the Paris basin. Their average production was 35 kboe/d in 2004, compared to 38 kboe/d in 2003.

The "Lacq 2005" project, which is focused on reinforcing industrial safety standards and optimizing operational processes at the Lacq Plant, is continuing and is scheduled for completion in 2005.

Italy

Development works on the Tempa Rossa field located in the Gorgoglione concession (TOTAL-operated 50.0%) are planned to start in 2005, after an agreement in principle was reached with the Basilicata regional authorities and approved early in 2005 by the regional council.

Norway

In Norway, the country with the largest contribution to the Group's oil and gas production, production in 2004 remained at the 2003 average level of 406 kboe/d, of which 176 kboe/d originated from the Ekofisk area (TOTAL 39.9%), even with the impact of a planned triennial shutdown in the area in 2004.

Oil production at the Valhall North Flank field (TOTAL 15.7%) started in January 2004.

The Skirne (TOTAL-operated 40.0%), Kvitebjørn (TOTAL 5.0%) and Sleipner Alpha North (TOTAL 9.4%) natural gas and condensate fields started production in March, September and October 2004, respectively. Production at the J structure at the Oseberg South field (TOTAL 10.0%) is scheduled to begin in 2005. The development of the Visund natural gas field (TOTAL 7.7%), which was approved in 2002, as well as that of the Oseberg West Flank field (TOTAL 10.0%) and of the Ekofisk Area Growth project (TOTAL 39.9%), each of which was approved in 2003, is continuing.
For all three projects, production is expected to begin in 2005.

The high-pressure-high-temperature Kristin field (TOTAL 6.0%, after an interest swap agreement with Statoil) in the Haltenbanken region is under development. The offshore development for the Snøhvit natural gas field (TOTAL 18.4%) and the construction of the LNG plant in northern Norway are underway.

Production at the Frigg field (TOTAL-operated 77.0%), which began in 1977, came to an end on October 26, 2004. The field produced a total of 192 Bcm of natural gas over its lifetime, corresponding to a recovery factor of 78%. The multi-year plan to dismantle the facilities was approved by the relevant authorities in 2003 and is now underway.

Netherlands

TOTAL is the second largest natural gas operator in the Netherlands with an average production of 59 kboe/d in 2004, an increase of approximately 2% compared to 2003. An exploration well (Luttelgeest-1 onshore) and several development wells (F15-A5, K1-A4, Zuidwal-A10) were drilled in 2004. The development of the L4G structure was approved in October 2004, with the start-up of production scheduled for the end of 2005. The sale of certain onshore assets (including the Zuidwal and Leeuwarden licenses) was completed in 2004 in order to further rationalize the Group's portfolio.

United Kingdom

TOTAL's average production was 332 kboe/d in 2004, down compared to 379 kboe/d in 2003, primarily due to significant planned shutdowns in the summer of 2004 and, to a lesser extent, the decline of certain fields.

In 2004, TOTAL drilled two exploration/appraisal wells with positive results, Laggan 206/1a-4 (TOTAL-operated 50.0%) and Alwyn Statfjord 3/9a-N49 (TOTAL 100%). TOTAL also participated in the exploration and appraisal of the Maria Structure in Block 16/29a (TOTAL 28.9%), with positive results obtained on the Maria Horst and Maria Terrace wells.
During the 22nd round of permit allocation, the British authorities awarded permits on three zones of the UK continental shelf to TOTAL as operator:

- in the West of Shetlands near Laggan,
- in the Northern North Sea adjacent to the Alwyn area, and
- in the southern gas basin near the Dutch border.

The development of the satellites of Elgin (Glenelg, TOTAL-operated 49.5%) and Franklin (West Franklin, TOTAL-operated 46.2%) was approved and is scheduled to be completed in 2005. These satellite fields will be developed through highly deviated wells drilled from the existing Elgin-Franklin wellhead platforms. Phase III of the Dunbar (TOTAL 100%) development was approved, as was the development of the Forvie North structure, which will be a sub-sea tie-back to the Alwyn North installation (TOTAL 100%).

During the summer, the planned shutdowns of the Alwyn, Dunbar and St. Fergus installations (TOTAL 100%, 45 days) and of the Bruce installation (TOTAL 43.2%, 56 days), occurred. During these shutdowns, the following work was completed:

- the by-pass of the Frigg TP1 and MCP01 concrete platforms by the FUKA gas pipeline,
- the installation, on the Bruce platform, of processing modules for the Rhum field and of additional compression modules for natural gas,
- significant maintenance program was also implemented on each of these sites.

United Kingdom: the PUQ platform producing the Elgin-Franklin field (Scotland).

Production from the second phase of development on the Alba site (Alba Extreme South, TOTAL 12.65%) started mid-October 2004.

Africa

TOTAL's average production in Africa (including its share through equity affiliates) was 813 kboe/d in 2004, up 12% from 723 kboe/d in 2003, representing 31% of the Group's production in 2004. TOTAL's exploration and production activities are principally in the countries bordering the Gulf of Guinea and in North Africa.

Algeria

TOTAL's average production (including its share through equity affiliates) was 105 kboe/d in 2004 compared to 115 kboe/d in 2003. This production comes from the Hamra (TOTAL 100%) and Tin Fouye Tabankort (TFT) (TOTAL 35%) fields, as well as through the Group's 45.3% interest in Cepsa, which is involved in the RKF and Ourhoud fields. The Ourhoud field's (Cepsa 39.8%) average production was at its plateau rate of 223 kb/d in 2004. The average production for the RKF field (Cepsa 100%) was 20.5 kb/d in 2004. The TFT field produced an average of 684 Mcf/d of natural gas in 2004.
In November 2004, TOTAL was awarded an 80% stake in the Bechar exploration permit, northwest of Timimoun. Also in 2004, appraisal work continued on the Irharen natural gas field located on the Timimoun license, awarded to TOTAL in 2002.

The Rhourde El Sid license was relinquished in 2004 after drilling two negative exploration wells.

Angola

TOTAL's average production (including its share through equity affiliates) in 2004 reached 168 kboe/d, coming primarily from Block 17 (TOTAL-operated 40.0%) and Block 0 (TOTAL 10.0%). The production of the Girassol and Jasmim fields in the deep offshore Block 17 was noteworthy, with an annual average of 243 kb/d (in 100%) compared to 215 kb/d in 2003.
The development of the Dalia field progressed on schedule, with production expected to begin in the second half of 2006 and ultimately reaching a plateau of 225 kb/d. The Rosa development project was approved in August 2004 and production is scheduled to begin in 2007. Production for this project will be by tie-back to the Girassol floating production, storage and offloading (FPSO) vessel, anchored around 15 kilometers away.

As a result, when the Rosa field begins production, this will increase the production plateau of the Girassol FPSO, which will be modified to increase its capacity to approximately 250 kb/d, and extend the period of production. In addition, appraisal work on the discoveries made on the eastern portion of the Block 17 license (Upper Miocène) continued in 2004.

The production licenses for Block 0 (TOTAL 10.0%) were extended until 2030. The production from Sanha–Bombocco on Block 0 started in December 2004. The exploration license for Block 14 (TOTAL 20.0%) was extended for three years.

In ultra-deep offshore, the Cola and Canela wells drilled on Block 32 (TOTAL- operated, 30.0%) and the Venus and Palas wells drilled on Block 31 (TOTAL 5.0%) confirmed the potential of these deep offshore areas.

TOTAL and its partners have also continued their analysis of, and discussions with the Angolan authorities regarding, the Angola LNG project (TOTAL 13.6%) with a view to commercializing the natural gas resources in Angola.

The Angolan government has decided not to renew the Block 3/80 contract, which came to an end. However, a government decree has extended the existing licenses until June 2005 in order to prepare for the transfer of operating responsibilities.

Cameroon

TOTAL's average production in 2004 was 13 kboe/d compared to 14 kboe/d in 2003.

TOTAL E&P Cameroun, 75.8% of which is owned by the Group, 20% by the Cameroon national oil company, Société Nationale d'Hydrocarbures (SNH), and 4.2% by minority shareholders, operates 65% of the overall production of the country and owns interests in the majority of the operating concessions granted by the Republic of Cameroon.

Congo: on the Sendji platforms, the low-pressure gas lines are cleaned out, or "pigged", every week.

Congo

TOTAL's average production in 2004 remained at the 2003 level of 90 kboe/d. The Group owns interests, ranging from 25.5% to 100%, in exploration and production offshore licenses, including in its principal producing fields, Nkossa (TOTAL-operated 51.0%) and Tchibouela (TOTAL-operated 65.0%).

The initial period of the MTPS (Mer Très Profonde Sud) exploration permit, which was to end in 2004, has been extended to May 2006. The Pegase exploration well on this permit has confirmed the potential of this ultra-deep offshore zone. TOTAL holds a 35.5% interest in a joint development area through its affiliates TOTAL E&P Congo and TOTAL E&P Angola. This joint development area 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 100%). The related production sharing contract was approved in 2004.

On the Moho-Bilondo permit (TOTAL-operated 51.0%), an appraisal well drilled in 2004 gave further support to the development project.

Gabon

TOTAL's average production in 2004 was 104 kboe/d, compared to 105 kboe/d in 2003. TOTAL Gabon operates 27 concessions and exploration and production licenses. The principal producing fields are Rabi- Kounga (TOTAL 47.5%), Anguille (TOTAL 100%), Gonelle (TOTAL 100%), Baudroie Nord (TOTAL-operated 50.0%), Atora (TOTAL-operated 40.0%) and Avocette (TOTAL-operated 57.5%).

TOTAL Gabon's shares, which are listed on Euronext Paris, are held by TOTAL (57.9%), the Republic of Gabon (25%) and the public (17.1%).

In 2004, TOTAL Gabon signed an exploration and production sharing contract for a new license designated Aloumbe, with a focus on natural gas exploration.

If natural gas is discovered, it would initially be used to enhance oil recovery on existing fields, although eventually it could be used to satisfy part of the country's future power generation requirements.

Libya

TOTAL's average production in 2004 was 62 kboe/d, up 48% compared to 42 kboe/d in 2003, coming mainly from the Mabruk (TOTAL-operated 75%) and El Sharara (TOTAL 7.5%) onshore fields and the Al Jurf offshore field (TOTAL-operated 37.5%). In 2004, the Al Jurf field reached its production plateau of 40 kboe/d. In 2004, the decision was made to launch a complementary development project on the Mabruk field which is designed to increase production at this field from 16 kboe/d to 30 kboe/d within the next two years. In addition, the development of several structures on Block NC186 (TOTAL 24%), which were discovered during past exploration, is underway. Structures A and D are in production, structure B is expected to begin production in 2005, and structures G and H are being appraised.

Morocco

After seismic studies, TOTAL relinquished the Dakhla Offshore block in November 2004.

Mauritania

In 2004, TOTAL carried out a geological survey of the Taoudeni basin within the framework of a preliminary survey contract signed with the Mauritanian government in 2003. As a result of these studies, in January 2005 TOTAL signed two production sharing contracts with the Mauritanian government for onshore Blocks Ta7 and Ta8.

Nigeria

TOTAL's average production was 271 kboe/d in 2004, compared to 196 kboe/d in 2003, an increase of 38%. TOTAL-operated fields, which include those operated in association with the Nigerian National Petroleum Corporation (NNPC 60.0%, TOTAL 40.0%) as well as the Amenam field (TOTAL 30.4%), accounted for around 60% of TOTAL's Nigerian production in 2004, compared to 40% in 2003.
The production of the Amenam offshore field reached its plateau of 125 kb/d during the summer of 2004. The remainder of TOTAL's production comes from various concessions operated by the SPDC joint-venture (TOTAL 10.0%).

TOTAL's successful appraisal of the Usan discovery on the OPL 222 area (TOTAL-operated 20%) in 2003 was followed by the discovery of an extension to the Usan West field in 2004 (through the Usan 5 and Usan 6 wells). Development studies for the Usan field are underway.

The exploration and appraisal campaign on deep offshore Block OPL 246 (which includes the Akpo field) (TOTAL-operated 24.0%) has continued with the discovery of Preowei and the successful appraisal (Egina 2 well) of the Egina discovery. The bidding process for the construction of the Akpo field development project is also underway.

Nigeria: the Bonny natural gas liquefaction plant

TOTAL is also a partner (12.5%), under a production sharing contract, for the deep offshore OML 118 permit on which the Bonga field is currently being developed. The start of production for this project has been postponed to 2005.

In addition, TOTAL owns a 15.0% interest in Nigeria LNG Company, which operates three natural gas liquefaction trains. In 2004, gross production was 10.1 Mt of LNG, 4.2 Mb of condensates and 0.28 Mt of LPG.
The construction of the fourth and fifth LNG trains is continuing, with these trains scheduled to be operational in 2005. In July 2004 the decision was made to construct a sixth train, which is scheduled to be operational in 2008.

Sudan

At the end of 2004, TOTAL (operator 32.5%) updated its production sharing agreement for Block B (118,000 square kilometers in southeastern Sudan). Operations may resume when security conditions improve.

Argentina: gas pipelines at the Aguada Pichana gas treatment plant

North America

TOTAL's average production in North America was 61 kboe/d in 2004, up 3% from 59 kboe/d in 2003, representing 2% of the Group's production in 2004.

Canada

TOTAL has been participating in an oil sands pilot project since 1999 on the Surmont permit (TOTAL 43.5%) in Athabasca, Alberta, to test steam assisted gravity drainage technology to produce bitumen from oil sands. In December 2003, the partners approved the first development phase, with production scheduled to begin in 2006 with a production plateau of 27 kb/d (in 100%). Engineering and construction activities are progressing according to schedule. In December 2004, TOTAL acquired 100% of the OSL 874 permit located about 40 kilometers west of Surmont.

In July 2004 TOTAL also acquired a 40% interest in three exploration permits located in the Akue area in north eastern British Columbia.

United States

TOTAL's average production in the United States was 61 kboe/d in 2004, compared to 59 kboe/d in 2003.

Offshore production at the Matterhorn (TOTAL 100%), Aconcagua (TOTAL-operated 50.0%), Virgo (TOTAL-operated 64.0%) and Camden Hills (TOTAL 16.7%) fields was affected by Hurricane Ivan in mid-September 2004, losing an average of 10 kboe/d on an annual basis. Production at these fields was still suspended at the end of 2004, and has resumed progressively between January and April 2005. In exploration, three wells drilled in 2004 were negative (Caribou East in Alaska, Sardinia and Sequoia in the Gulf of Mexico).

Also during 2004, TOTAL acquired an interest in 16 offshore blocks in the Gulf of Mexico, bringing its total number of offshore blocks in the Gulf of Mexico to 147, and continued rationalizing its portfolio, divesting 17 blocks in Alaska and some of its Gulf of Mexico properties.

Mexico

TOTAL is carrying out studies in cooperation with PEMEX under a technical cooperation agreement signed in December 2003.

South America

TOTAL's average production in South America was 213 kboe/d in 2004, up 9% from its 2003 level of 196 kboe/d, representing approximately 8% of the Group's production in 2004.

Argentina

TOTAL's average production in 2004 was 70 kboe/d, above the 64 kboe/d averaged in 2003. On the San Roque field (TOTAL-operated 24.7%), the medium-pressure compression project is progressing towards its start-up scheduled for mid-2006. On the Aguada Pichana field (TOTAL-operated 27.3%), the low-pressure compression project is expected to be launched in the first half of 2005. Both projects are intended to maintain natural gas production at their plateau rate on these fields.

In 2004, the development of the Carina-Aries fields (offshore Tierra del Fuego, TOTAL-operated 37.5%) continued, with the construction of onshore and offshore infrastructure, including two unmanned platforms approximately 80 kilometers offshore. Drilling of production wells for Carina began at the end of 2004 and production is scheduled to begin in the second quarter of 2005.

After the drilling of the Geminis well (offshore Tierra del Fuego), which was dry, the CAA-35 exploration license was relinquished in December 2004.

TOTAL has also entered into two new exploration blocks in the Neuquen basin, Ranquil Norte (TOTAL 50.0%) and Banduria (TOTAL 27.3%).

Barbados

In accordance with the operator's proposal, TOTAL (45%) relinquished the offshore Barbados exploration permit.

Bolivia

TOTAL holds six permits in Bolivia. These include two production permits, San Alberto and San Antonio (TOTAL 15.0% each), as well as four exploration permits, Blocks XX West (TOTAL-operated 41.0%), Aquio and Ipati (TOTAL-operated 80.0% each), and Rio Hondo (TOTAL 50.0%). The Bereti exploration permit (TOTAL 100%) was relinquished in 2004.

A successful exploration well, Incahuasi X1, was drilled on the Ipati block in 2004.

The San Alberto and San Antonio fields began production in 2001 and 2003, respectively. In 2004, TOTAL's average share of production from the San Alberto and San Antonio permits was 18 kboe/d, compared to 11 kboe/d in 2003.

Venezuela: well J 481 (17,000 feet) on the Jusepin field

As in 2003, the quantities taken by Petrobras did not match the entire contractual quantities it had committed to take in 2004 under the "take or pay" contract between Boliva and Brazil. A partial settlement was reached in 2004 regarding the balance accumulated at the end of 2003 and discussions are underway to come to a solution regarding the remaining quantities.

TOTAL is also a shareholder of Transierra (TOTAL 11.0%) which operates the Gasyrg pipeline which has been in service since 2003.

Brazil

TOTAL has kept the Curio license (TOTAL-operated 35.0%) on Block BC-2 and Block BMC-14.

Colombia

TOTAL's average production from the Cusiana and Cupiagua oil fields (TOTAL 19.0%) was 30 kboe/d in 2004, compared to 37 kboe/d in 2003. An exploration well is currently being drilled on the Tangara license (TOTAL 55.0%).

Trinidad and Tobago

The Grand Angostura development, launched in March 2003 in the shallow offshore Block 2c (TOTAL 30.0%), was practically complete at the end of 2004 and first oil was produced in January 2005. In the third round of permit attributions, TOTAL (50%) was selected to negotiate with the authorities the conditions for entering into two deep offshore blocks, 23a and 23b.

Venezuela

TOTAL's average production for 2004 reached 95 kboe/d compared to 84 kboe/d in 2003.

In 2004 Sincor (TOTAL 47.0%) produced on average 173 kb/d of extra heavy oil (8.5° API, EHO) despite the first major planned shutdown of Sincor, for a period of 49 days beginning in October 2004. This major operation (over three million man-hours) met its objectives according to schedule and without incident. It will improve the reliability of the installations and raise the average treatment capacity of the upgrader above 200 kb/d.

On the Jusepin oil field (TOTAL-operated 55.0%), oil production reached an average of 31 kb/d in 2004.

Production from the first development phase of Yucal Placer (TOTAL 69.5%) started in 2004 with an average rate of 75 Mcf/d during the period from May to December. The installation of a unit for carbon dioxide removal near the end of 2004 should lead to a substantial increase in the production plateau in 2005. Natural gas from this field is sold to PDVSA Gas (a wholly-owned subsidiary of the Venezuelan national company PDVSA) within the framework of a long-term agreement signed in 2004.

In January 2005, TOTAL acquired a 49.0% interest in Block 4 of Plataforma Deltana, an offshore natural gas region.

Middle East

TOTAL's average production in the Middle East (including its share through equity affiliates) was 412 kboe/d in 2004, down 7% from 441 kboe/d in 2003, representing 16% of the Group's 2004 production.

Saudi Arabia

TOTAL (30.0%) is a partner in a joint venture with Saudi Aramco, the Saudi national company, for natural gas exploration in a 200,000 square kilometer area in southern Rub Al-Khali. The first five-year period of exploration work began in January 2004. A 137,800 square kilometer gravimetric survey was performed in 2004. A seismic program on the same permit was also launched in 2004.

United Arab Emirates

TOTAL's activities in the Emirates are located in Abu Dhabi and Dubai. TOTAL's average production in 2004 remained at the 2003 level of 246 kboe/d. In Abu Dhabi, TOTAL holds a 75% interest in ABK (TOTAL-operated) which operates the Abu Al Bu Khoosh field.
TOTAL is also a 9.5% shareholder in Abu Dhabi Company for Onshore Oil Operations (ADCO), which operates the Asab, Bab, Bu Hasa, Sahil and Shah onshore fields, as well as a 13.3% shareholder in Abu Dhabi Marine (ADMA), which operates the Umm Shaif and Zakum offshore fields.

TOTAL also has a 15% interest in Abu Dhabi Gas Industries (GASCO), which produces butane, propane and condensates from the natural gas associated with production at onshore fields, as well as a 5.0% interest in Abu Dhabi Gas Liquefaction Company (ADGAS), which produces LNG, LPG and condensates from offshore natural gas fields (both associated and non-associated natural gas).

Iran: platform SPD3 on the South Pars field

In addition, TOTAL has a 30% interest in Ruwais Fertilizer Industries (FERTIL), which manufactures ammonia and urea from methane produced by the Abu Dhabi National Oil Company (ADNOC).
In Dubai, TOTAL holds 27.5% interests in the Fateh, Falah and Rashid fields through the combination of its 25% interest in Dubai Marine Areas Limited (DUMA) and its 2.5% direct interest held by TOTAL E&P Dubai.

TOTAL is a shareholder (24.5%) in Dolphin Energy Limited, which will market the natural gas produced by the Dolphin Project in Qatar in the United Arab Emirates. Natural gas sales contracts for the project were signed in October 2003 and the final development plan was approved by the Qatari authorities in December 2003. The related construction contracts were awarded and work on the project began early in 2004.

Iran

TOTAL has four buy-back contracts in Iran, with an average production of 26 kb/d in 2004 compared to 50 kb/d in 2003, due mainly to the impact of higher crude prices on buy-back contracts.

The Sirri A&E fields (TOTAL 60.0% interest in foreign consortium) are now operated by the state-owned National Iranian Oil Company (NIOC).

Production at the offshore South Pars phase 2 and 3 gas and condensate fields (TOTAL 40.0% interest in foreign consortium) continued at an average rate of over 2 Bcf/d and 90 kb/d of condensates. Following the completion of the development phase, NIOC has taken over the operation of the field.

The development of the Balal offshore oil field (TOTAL 46.8% interest in foreign consortium) has been completed and the facilities have been transferred to NIOC. The level of production, at 40 kb/d, is in line with expectations.

The development of the Dorood field (TOTAL-operated 55.0% interest in foreign consortium) is nearing completion and TOTAL is preparing for the start-up of the onshore facilities. The production of the first phase was steady at 14 kb/d in 2004.

In 2004, TOTAL signed several agreements creating a framework for the Pars LNG liquefied natural gas project and its principal commercial terms.
In particular, these agreements set out the relationship between the Pars LNG plant, which will carry out liquefaction activities, and Block 11 of South Pars (SP11) (TOTAL 60%), which will supply the LNG plant (TOTAL 30%). The project anticipates creating two liquefaction trains, each with an initial capacity of 5 Mt/y of LNG.

The Iranian authorities have given the preliminary approvals which will allow engineering studies for both the construction of the LNG plant and the development of Block 11 of South Pars to begin as early as 2005.

Kuwait
In August 2004, TOTAL renewed its technical service contract with Kuwait Oil Company (KOC). Under this agreement, TOTAL provides technical assistance and support for KOC's upstream operations.

TOTAL has a 20% share in a foreign consortium organized to participate in the bidding process for production activities at oil fields situated in northern Kuwait.

Oman
TOTAL owns a 4.0% interest in Petroleum Development Oman (PDO), the operator of Block 6. In 2004, TOTAL's average production from this Block was 26 kboe/d, slightly lower than the average of 28 kboe/d in 2003. New concession agreements were signed in 2004 for a 40-year period beginning on January 1, 2005.

The Oman LNG liquefaction plant (TOTAL 5.54%) produced 6.9 Mt of LNG in 2004, which was principally marketed through long-term contracts in Korea and Japan, supplemented by short-term contracts and spot sales. In 2003, a newly created company, Qalhat LNG, began construction of a third liquefaction train with a planned capacity of 3.6 Mt/y, scheduled to enter into operation in 2006. Oman LNG has a 36.8% interest in Qalhat LNG, corresponding to an effective interest of 2.04% for TOTAL.

A 2D seismic survey to better assess the hydrocarbon potential of exploration Block 34 (TOTAL 100%) is scheduled to take place in 2005.

Qatar
TOTAL (including its share through equity affiliates) produced an average of 57 kboe/d in Qatar in 2004, compared to 54 kboe/d in 2003. 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 LNG liquefaction facilities. The three LNG trains at this facility produced 9.1 Mt in 2004, compared to 8.2 Mt in 2003. A debottlenecking project is being implemented to increase plant capacity to 9.7 Mt/y by mid-2005.

In December 2001, an agreement was signed with Qatar Petroleum, the Qatari national company, to sell 2,000 Mcf/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 Qatari authorities approved the final development plan for the Dolphin Project. The related construction contracts were awarded in 2004.

Qatar: North Field is one of the largest gas accumulations in the world.

The third phase of the Al Khalij (TOTAL-operated 100%) development was completed in September 2004. As a result of the Al Khalij North development project, production from the field should progressively increase by 20 kb/d, with, eventually, a new peak production of 50 kb/d.

In February 2005, TOTAL, Qatar Petroleum and ExxonMobil signed heads of agreement for TOTAL's acquisition of a 16.7% interest in Train II of Qatargas 2 and for TOTAL to purchase LNG from the Qatargas 2 project in Qatar. Qatargas 2 is an integrated project for the construction of two new LNG trains, each with a capacity of 7.8 Mt/y, which is scheduled to begin operation near the end of 2008. TOTAL's acquisition of the interest in Train II is subject to the approval of the relevant authorities.

Syria
In 2004, TOTAL's average production was 36 kboe/d, coming principally from the Jafra and Qahar fields on the Deir Ez Zor permit (TOTAL 100%, operated by DEZPC which is 50% owned by TOTAL).

The Deir Ez Zor natural gas and condensates re-treatment plant (TOTAL 50.0%), which entered into operation at the end of 2001 under a contract that ends in December 2005, collects, processes and transports approximately 175 Mcf/d of natural gas associated with production under the Deir Ez Zor area permits. This plant has put an end to associated gas flaring and contributed to reducing greenhouse gas emissions in the region.

Yemen
In 2004, TOTAL's production from East Shabwah (TOTAL-operated 28.6%) averaged 4 kb/d. The drilling campaign in 2004 has revealed additional oil reserves in the lower reservoir which are under evaluation. TOTAL produced an average of 3 kb/d on the Jannah permit (TOTAL 15.0%) in 2004.

Yemen LNG (TOTAL-operated 42.9%) signed three heads of agreement in February 2005 for the sale of between 5.8 and 6.5 Mt of LNG over a 20-year period. Yemen LNG plans to construct two LNG trains with a combined capacity of 6.7 Mt/y.

Asia-Pacific

TOTAL's average production in the Asia-Pacific region was 245 kboe/d in 2004, up 6% from 232 kboe/d in 2003, representing 9% of the Group's 2004 production.

Australia
After negotiations in 2004, TOTAL signed two agreements at the beginning of 2005 to participate in the exploration of two blocks located offshore northwestern Australia. Exploration on each of these blocks is planned for 2005.

Brunei
On Block B (TOTAL-operated 37.5%), located offshore Brunei Darussalam, production from the Maharaja Lela Jamalulalam field averaged 14 kboe/d in 2004, unchanged from 2003. TOTAL pursued its exploration activities in Block B with a 3D seismic program carried out at the end of 2004. A preliminary study for a project to install an onshore compression unit was carried out in 2004. TOTAL is also the operator, with a 60.0% share, of the deep offshore Block J. While the production sharing agreement was signed in March 2003, exploration work on Block J (5,000 square kilometers) remains suspended due to a border dispute with Malaysia.

Indonesia
TOTAL's average production reached 177 kboe/d in 2004 compared to 168 kboe/d in 2003. On December 24, 2004, TOTAL set a record for operated production of 2,837 Mcf/d of natural gas produced, while the average natural gas production over 2004 was 2,400 Mcf/d. TOTAL's operations in Indonesia are principally on the Mahakam permit (TOTAL-operated 50.0%), which includes several fields, notably Peciko and Tunu which are the largest natural gas fields in the East Kalimantan area. TOTAL's natural gas production is delivered to PT Badak, the Indonesian company which operates the Bontang LNG plant, the largest LNG plant in the world [1]. This LNG is sold under long-term contracts with customers in Japan, Korea and Taiwan, primarily for use in power plants.

(1) Company data

The total capacity of the eight liquefaction trains at the Bontang plant is 22 Mt/y.
In 2004, 69% of the gas supplied to Bontang came from TOTAL-operated production on the Mahakam permit.

The development of the Peciko field is continuing, with the completion of Phase 3 (a third onshore treatment installation started up in January 2004) and the continuation of Phase 4 (two additional platforms entered into operation in 2004). The installation of onshore compression facilities began in early 2005. On the nearby Tunu field, Phase 9 of the development is nearing completion (three out of the five planned platforms completed in 2004), while Phase 10 (construction of four platforms) was also launched in 2004. The Tambora extension project (construction of three platforms) was launched in 2004, as well as Phase 1 of the new Sisi-Nubi offshore development, which includes three wellhead platforms, one intermediate treatment platform and the associated subsea lines. Natural gas production from Sisi-Nubi is scheduled to begin in 2007 through the use of existing onshore processing facilities.

TOTAL also holds a 50% share in the Saliki exploration block, which is adjacent to the Mahakam permit.

In addition, TOTAL acquired a 39.9% interest in the North Bali permit in 2004. The exploration well drilled in early 2005 was dry.

Malaysia
TOTAL acquired a 42.5% interest in the deep offshore Block SKF in 2001. The block is being evaluated after the drilling of an exploration well in 2004.

Indonesia: the drilling rig Raissa at work in East Kalimantan (Borneo)

Myanmar
Natural gas deliveries from the Yadana field (TOTAL-operated 31.2%), located on Blocks M5 and M6, to the Thai national company, PTT, which are destined for power plants in Thailand, increased to 620 Mcf/d in 2004. TOTAL also supplied 35 Mcf/d of natural gas to the domestic market. In 2004, TOTAL's average production was 14 kboe/d.

Pakistan
TOTAL operates, with a 40.0% share, two deep offshore (1,700-3,400 meters of water) exploration blocks of 7,500 square kilometers each in the Oman Sea. The exploration well drilled in 2004 was dry.

Thailand
In 2004, the average production from the Bongkot field (TOTAL 33.3%) reached 40 kboe/d, compared to 34 kboe/d in 2003. Long-term contracts provide for the sale of all natural gas production from the Bongkot field to the Thai national company, PTT. This natural gas is then sold to various local clients. The field's condensates production is also sold to PTT.

Phase 3C of the development of this field is underway. This project includes one wellhead platform (already in production), a desulfuration platform scheduled to begin operation in the second half of 2005, modifications on two existing platforms (completed) and the installation of additional subsea lines.

Commonwealth of Independent States (CIS)

TOTAL's average production in the Commonwealth of Independent States (CIS) was 9 kboe/d in 2004, compared with 8 kboe/d in 2003, representing 0.3% of the Group's production in 2004.

Azerbaijan
After the launch of Phase 1 of the development of the Shah Deniz (TOTAL 10.0%) gas field in 2003, the first three development wells were drilled in 2004 and the main elements of the TPG 500 platform were transported to Azerbaijan to be assembled at local yards.

The South Caucasus Pipeline Company (SCPC) (TOTAL 10.0%) continued laying the gas pipeline from Baku to the Turkish border that will transport natural gas from the Shah Deniz field. This pipeline uses 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 now at an advanced stage of completion. This pipeline, owned by the BTC Company (TOTAL 5.0%), will link Baku to the Mediterranean Sea.

Kazakhstan
In the North Caspian Sea permit, the Kazakh authorities approved the Kashagan field development plan in February 2004. This approval allowed the launch of the first steps of the development program, which will be implemented in phases. Production is expected to begin in 2008 with an initial level of 75 kb/d gradually building to 450 kb/d (in 100%). Infrastructure construction and engineering work intensified and most of the main contracts for fabrication and construction of the offshore and onshore installations have been awarded.
The development drilling campaign was also launched in 2004. The size of the Kashagan field may eventually allow production to be increased to over 1 Mb/d (in 100%).

In the other areas of the permit, the exploration drilling campaign came to an end with a positive result on the Kairan structure. The appraisal programs submitted to the Kazakh authorities for the Kairan and Aktote structures were approved in April 2004. The first appraisal well drilled on the Aktote structure has confirmed and given additional information about this discovery. The appraisal of the Kalamkas discovery continued in 2004 with the preparation of a drilling campaign scheduled for 2005.

Following the pre-emption process associated with the sale of the BG Group's stake in the North Caspian Sea Permit, TOTAL has signed an agreement to sell a 1.85% interest to KazMyunayGas, the national oil company of the Republic of Kazakhstan. When this sale is completed, TOTAL will have an 18.5% interest in the permit.

Russia
TOTAL's average production was 9 kboe/d in 2004. Phase two of the development of the Kharyaga field (TOTAL-operated 50%) is practically completed.
The contractual dispute between the Russian Federation and TOTAL concerning the production sharing contract is being discussed by the parties. On the Shatsky block in the Black Sea, the first technical results led the Group to withdraw from the license. Technical evaluations with Rosneft on the Tuapse area are underway.

In 2004, the Group entered into negotiations to acquire 25% of Novatek, the country's second largest gas producer. This project has been under review since September 2004 by the Russian anti-competition authorities.

Crude oil and natural gas pipelines

The table below set forth TOTAL's interests in crude oil and natural gas pipelines throughout the world.

As of December 31, 2004	Origin	Destination	% interest	TOTAL operator	Liquids	Gas
France						
CFM [1]	Network Center West		45.00			X
GSO [1]	Network South West		70.00	X		X
Italy						
SGM	Larino	Collefero	12.00			X
Norway						
Frostpipe (inhibited)	Lille-Frigg, Froy	Oseberg	36.25		X	
Gassled [2]			9.04			X
Heimdal to Brae Condensate Line	Heimdal	Brae	16.76		X	
Kvitebjorn pipeline	Kvitebjorn	Mongstad	5.00		X	
Norpipe Oil	Ekofisk Treatment center	Teeside (UK)	34.93		X	
Oseberg Transport System	Oseberg, Brage and Veslefrikk	Sture	8.65		X	
Sleipner East Condensate Pipe	Sleipner East	Karsto	10.00		X	
Troll Oil Pipeline I and II	Troll B and C	Vestprocess (Mongstad Refinery)	3.70		X	
Netherlands						
Nogat pipeline	F15A	Den Helder	23.19			X
Oldelamer pipeline	Oldelamer	Garijp Terminal	42.25			X
West Gas Transport	K13A-K4K5	Den Helder	4.66			X
WGT Extension	Markham	K13-K4K5	23.00			X
Zuidwal pipeline	Zuidwal	Harlingen Terminal	42.20			X
United Kingdom						
Bruce Liquid Export Line	Bruce	Forties (Unity)	43.25		X	
Central Area Transmission System (CATS)	Cats Riser Platform	Teeside	0.57			X
Central Graben Liquid Export Line (LEP)	Elgin Franklin	ETAP	46.17	X	X	
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
Shearwater Elgin Area Line (SEAL)	Elgin Franklin, Shearwater	Bacton	25.73			X
Gabon						
Rabi Pipe	Rabi	Cap Lopez Terminal	100.00	X	X	
United States						
Canyon Express	Aconcagua	Willams Plateform	25.80	X		X

(1) See page 78 for a description of the unwinding of certain agreements with Gaz de France
(2) 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 has a 14.4% interest in the joint-stock company Norsea Gas AS, which holds 3.018% in Gassled.

Crude oil and natural gas pipelines

The table below set forth TOTAL's interests in crude oil and natural gas pipelines throughout the world.

As of December 31, 2004	Origin	Destination	% interest	TOTAL operator	Liquids	Gas
Argentina						
Gas Andes	Neuquen Basin (Argentina)	Santiago (Chile)	56.50	X		X
TGN	Network (Northern Argentina)		19.21	X		X
TGM	TGN	Uruguyana (Brazil)	32.68	X		X
Bolivia						
Transierra	Yacuiba	Rio Grande	11.00			X
TBG	Bolivia-Brazil border	Porto-Alegre via Sao Paulo	9.67			X
TSB (project)	TGM (Uruguay)	TBG (Porto-Alegre)	25.00			X
Colombia						
Ocensa	Cusiana, Cupiagua	Terminal de Covenas	15.20		X	
Oleoducto de Alta Magdalena	Magdalena Media	Vasconia	1.00		X	
Oleoducto de Colombia	Vasconia	Covenas	9.50		X	
Myanmar						
Yadana	Yadana (Myanmar)	Ban-I Tong (Thai border)	31.20	X		X
Azerbaijan						
BTC (project)	Baku (Azerbaijan)	Ceyan (Turkey)	5.00		X	
SCP (project)	Baku (Azerbaijan)	Erzurum (Turkey)	10.00			X
Qatar						
Dolphin (project)	Ras Laffan (Qatar)	Taweelah (U.A.E.)	24.50			X

Gas & Power

TOTAL's Gas & Power sector encompasses marketing and trading of natural gas, liquefied natural gas (LNG) and power, trading of liquefied petroleum gas (LPG), natural gas transportation and storage, as well as LNG re-gasification. It also includes power generation from combined cycle gas plants and renewable energies, and production and sale of coal.

Over the past five years, TOTAL has developed a global presence in this sector.

France: pipelines carrying methane to the natural gas storage facilities at Lussagnet.

Natural Gas

TOTAL's strategy is to develop its natural gas activities downstream from production in order to optimize, or in some cases open, access for its present and future gas production and reserves to traditional as well as newly deregulated gas markets.

The majority of TOTAL's natural gas production is sold under long-term contracts. However, most of its North American production and part of its UK, Norwegian and Argentine production is sold on a spot basis. The long-term contracts under which TOTAL sells its natural gas 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 tends to fluctuate in line with crude oil prices, there tends to be a delay before changes in crude oil prices are reflected in long-term natural gas prices.

Because of the relationship between 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.

In general, natural gas markets worldwide are being deregulated and opened to increasing competition, allowing suppliers to access a broader range of customers more freely. In addition, markets are adopting new trading systems that are more flexible than traditional long-term contracts. In this context, TOTAL's strategy has been to develop its trading, marketing and logistics activities in order to offer its natural gas production to new customers, particularly in the industrial and commercial markets, who are looking for more supply flexibility.

Europe

TOTAL has been active in the downstream sector of the gas chain for 60 years. Natural gas transportation, marketing and storage were initially developed to facilitate the Group's domestic production in Lacq (France). Today, TOTAL's objective is to become a top-tier supplier of gas to industrial and commercial customers in Europe. In France, in January 2005, TOTAL and Gaz de France implemented the provisions of agreements signed in October 2004 to unwind their previous agreements and to separate the cross-shareholdings that connected the two companies in their jointly-owned transmission and supply subsidiaries, Gaz du Sud-Ouest (GSO) and Compagnie Française du Méthane (CFM). Pursuant to the agreements, TOTAL has taken control of GSO's transportation and supply activities and a portion of CFM's marketing activities.

These agreements reflect TOTAL's commitment to adapt to the structural changes in the French natural gas market which has been open to competition for industrial and non-residential customers since July 1, 2004. This deregulation, along with the agreements with Gaz de France, have given TOTAL complete independence to market its production and reserves to French customers.

As from January 2005, the Group's transmission and storage activities in southwest France have been consolidated under a wholly-owned subsidiary, TOTAL INFRASTRUCTURE GAZ FRANCE (TIGF), which operates a transportation network of 4,900 kilometers of pipelines and two storage units with a combined capacity of 85 Bcf, approximately 22% of the total natural gas storage capacity in France [(1)]. TIGF is subject to various regulations, including those for determining transportation tariffs. French law provides that natural gas transportation activities are regulated by an Energy Regulation Commission, which proposes prices which then must be approved by the Ministry of Economy, Finance and Industry. The Second European Directive on Gas has also been transposed into French law and provides for third party access to gas storage facilities through a process of transparent, non-discriminatory negotiations.

In 2004, in addition to its sales trough GSO and CFM, TOTAL sold 35 Bcf of natural gas to authorized French customers through its subsidiary TOTAL GAS & POWER NORTH EUROPE. Beginning in January 2005, a new subsidiary, TOTAL Énergie Gaz (TEGAZ), assumed the Group's natural gas marketing activities in France. These activities marketed approximately 260 Bcf of natural gas in 2004.

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 gas pipeline connecting Bacton in the United Kingdom to Zeebrugge in Belgium with a capacity of 700 Bcf/y. In 2004, TOTAL GAS & POWER LTD marketed 190 Bcf of natural gas to industrial and commercial customers. Electricity sales in 2004 amounted to 1.3 TWh.

In Spain, TOTAL has marketed gas in the industrial and commercial sectors since 2001 through its participation in CEPSA GAS COMERCIALIZADORA. In 2004, CEPSA GAS COMERCIALIZADORA sold 35 Bcf of natural gas. TOTAL and CEPSA each own a 35% stake in the company while the Algerian national company, Sonatrach, owns the remaining 30%.

The Group also has a 12% direct interest in the Medgas project while CEPSA has a 20% interest. This gas pipeline is intended to directly connect Algeria and Spain and is expected to enter into operation in 2009.

Chile: this 460-kilometer gas pipeline runs from Argentina's gas grid across the Andes divide to the Chilean capital, Santiago.

The Americas

In the United States, TOTAL sold approximately 530 Bcf of natural gas in 2004, supplied by its own production and external sources.

In South America, TOTAL owns interests in natural gas transportation companies in Argentina, Chile and Brazil. TOTAL's interests include 19.2% of Transportadora de Gas del Norte (TGN), which operates a gas transportation network covering the northern half of Argentina, 56.5% of the companies that own the GasAndes pipeline connecting the TGN network to the Santiago, Chile, region, 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 company Transportadora Brasileira Gazoducto Bolivia-Brasil (TBG), which owns the Brazilian section of the Bolivia-Brazil pipeline and 25% of Transportadora sul Brasileira de Gas (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.

(1) Natural Gas Information 2004

The actions taken by the Argentine government after the 2001 economic crisis resulted in an impairment of the assets of TOTAL's Argentine subsidiaries. In 2004, in a difficult context for Argentina's energy sector, TOTAL continued its efforts to preserve the value of these gas transportation and electricity generation assets. The arbitration procedure begun in 2003 before the International Centre for Settlement of Investment Disputes (ICSID) against the Argentine government under the mutual investment protection treaty between Argentina and France is continuing. This arbitration also concerns the power generation activities of TOTAL in Argentina conducted through its subsidiaries Central Puerto S.A. and Hydroneuquen S.A. (see "Electricity and cogeneration" below).

A liquefied natural gas (LNG) tanker

Asia

TOTAL sells natural gas transported through pipelines in Indonesia, Thailand and Myanmar and LNG in Japan, Korea and Taiwan from its LNG production in Indonesia and the Middle East. The Group is also examining the commercial possibilities for developing new LNG outlets in emerging markets, notably in China and India.

In DiMethyl Ether (DME, a new environmentally-friendly fuel obtained by converting natural gas into carbon monoxide and hydrogen and then chemically transforming this synthetic gas into DME), TOTAL has, in Japan, a 3% stake in DME-Development and a 6% stake in DME-International alongside nine Japanese companies. In 2004, TOTAL pursued this project with the first tests undertaken on a 100 tons per day pilot DME plant. More than 7.9 kt of DME have been produced in Kushiro on Hokkaido Island.

These encouraging results should lead to the finalization of the technical process for this new technology by DME-Development and, in 2005, the start of a feasibility study by DME-International for the construction of commercial production units in Qatar.

✱ Liquefied Natural Gas (LNG)

The liquefied natural gas (LNG) related activities of the Gas & Power sector include the shipping of LNG from liquefaction plants to re-gasification facilities as well as LNG storage and marketing.

TOTAL has entered into agreements to obtain long-term access to LNG re-gasification capacity on the three continents which are the largest consumers of natural gas, North America (United States and Mexico), Europe (France) and Asia (India). These agreements are intended to provide TOTAL with an outlet for its existing natural gas liquefaction projects and also to allow TOTAL to develop new natural gas liquefaction projects, especially in the Middle East.

Europe

TOTAL has entered into a partnership agreement with Gaz de France to provide TOTAL with a re-gasification capacity of 1.6 Mt/y in the Fos Cavaou terminal project in southern France. This terminal is currently under construction and should start its operations in 2007. It will have an initial capacity of 6.2 Mt/y. TOTAL has committed to purchase 0.7 Mt/y of LNG from the gas liquefaction plant of the Snøhvit field (TOTAL 18.4%) in Norway.

North America

TOTAL signed an agreement in November 2004 to reserve re-gasification capacity of 7.5 Mt/y for 20 years at the Sabine Pass LNG terminal to be built in Louisiana, beginning when the terminal enters into operation, which is anticipated for 2009. The FERC (Federal Energy Regulation Committee) approved the terminal on December 15, 2004. TOTAL anticipates, in particular, that it will use this capacity to process LNG from its projects in the Middle East and in West Africa. TOTAL also acquired a 25% stake in the re- gasification terminal in Altamira in eastern Mexico in 2003. This terminal, which will have a capacity to re-gasify 5Mt/y of LNG, is scheduled to begin operation in 2006.

Asia

In March 2004, TOTAL signed an agreement to acquire a 26% share in the Hazira re-gasification terminal in India on the west coast of the Gujarat state and the same share in the marketing company SHG which will sell the re-gasified LNG. TOTAL has agreed to provide 26% of the LNG that SHG will market. This terminal is scheduled to begin production in 2005 with an initial capacity of 2.5 Mt/y.

Middle East

In Qatar, negotiations undertaken in 2004 resulted in the signature of heads of agreement [(1)] in February 2005 providing for TOTAL's acquisition of a 16.7% interest in Train II of Qatargas 2, which has a capacity of 7.8 Mt/y. The heads of agreement also provides that TOTAL will purchase up to 5.2 Mt/y of LNG from Qatargas 2 over a 25-year period, which for the most part will be marketed in France, the United Kingdom and the United States.

In Yemen, TOTAL GAS & POWER LTD signed heads of agreement with Yemen LNG in February 2005 under which the Group will acquire 2 Mt/y of LNG over a 20-year period beginning in 2009. This LNG will be marketed in the United States. Yemen LNG, which is operated by TOTAL, plans to construct two LNG trains with a combined capacity of 6.7 Mt/y.

Africa

As a result of the decision taken by NIGERIA LNG LTD (in which TOTAL has a 15% interest) in July 2004 to launch a sixth liquefaction train at its Bonny liquefaction plant, TOTAL, through its wholly-owned subsidiary TOTAL GAS & POWER LTD, will be able to increase its LNG purchases from the plant by 0.9 Mt/y in addition to the 0.2 Mt/y to be purchased from the number four and five trains at the Bonny plant.

✱ Liquefied Petroleum Gas (LPG)

In 2004, TOTAL traded or sold 4.8 Mt of LPG (butane and propane) around the world; approximately 0.9 Mt in the Middle East and Asia, 1 Mt in Europe through coastal trading on small vessels and 2.9 Mt in the Atlantic and Mediterranean areas on large vessels. Approximately half of these quantities originated from the Company's production from either fields or refineries. In 2004, this LPG trading involved six full-time charter vessels and approximately 90 spot charters and represented about 10% of worldwide seaborne LPG trade [(2)].

In November 2003, TOTAL started construction on the 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. TOTAL has a 50% stake in this project which is planned to have a storage capacity of 60 kt and an offtake capacity of 1.2 Mt a year. The commercial start-up of the project is expected to occur in 2007.

✱ Electricity and cogeneration

TOTAL is participating in a number of natural gas-fired electricity generation projects in Europe, South America, Asia and the Middle East as part of its strategy of pursuing opportunities at all levels of the gas value chain. TOTAL currently operates facilities with the capacity to generate more than 5,000 MW of electricity.

TOTAL also participates in several projects for cogeneration, which is the process whereby steam produced by heat from 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 60% up to 85%.

In June 2004, the Group started up a gas-fired power plant at its refinery in Normandy in France. The Group owns and operates this plant, which has a 250 MW power generation capacity combined with a 380 T/h steam production capacity which are used to improve the energy efficiency and environmental impact of the refinery.

France: the cogeneration unit of the Gonfreville refinery

(1) Subject to the approval of the relevant authorities
(2) World Trade Poten&Partners Yearbook

South Africa: Total and France's power utility EDF are implementing rural electrification programs in Kwazulu Natal.

Since May 2003, the Group has been involved in the production of electricity in the United Arab Emirates through its participation in the Taweelah A1 cogeneration plant. 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 cubic meters per day, and is one of the largest gas-fired cogeneration plants in the world [1], representing approximately one quarter of the Emirate of Abu Dhabi's power generation and water desalination capacities.

In Thailand, TOTAL owns a 28% stake in the EPEC company which has been producing electricity since March 2003 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 S.A. and 70% of Hydroneuquen S.A. Central Puerto S.A. 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 Hydroneuquen S.A., 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 2004, the Group provided 40% of the natural gas used by the plant (24 Bcf) and sold 3.7 TWh of electricity.

Coal

TOTAL sold approximately 11.3 million tons of coal worldwide in 2004.

Of this amount, 6.2 Mt was South African steam coal, of which approximately 80% was sold to European utility companies. Approximately 4.1 Mt of this South African coal came from the Group's production and the remaining 1.8 Mt came from TOTAL's role as exclusive marketing agent for its partner Tavistock/Xstrata in its 50/50 TOTAL-Tavistock joint-venture in the ATC mines.

The remaining quantities were purchased locally. 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. The joint venture for the ATC mines is currently the subject of an arbitration brought by Tavistock/Xstrata against TOTAL Coal South Africa concerning the marketing of production. Under the South African Black Economic Empowerment law, TOTAL released in February 2004, 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. Similar agreements regarding the other mines operated by the Group in South Africa (ATC and Forzando) will be put into place in the future.

In addition to the coal produced and supplied by its South African operations, TOTAL is developing its coal trading business with a total of 2.5 Mt of coal sold in Asia and 0.5 Mt sold in Europe in 2004.

In France, TOTAL, through its subsidiary CDF Énergie, is the leading distributor of steam coal to the industrial sector (paper, cement, food, residential heating, etc.) [2] with 2004 sales of 2.2 Mt of coal, supplied by a combination of its own South African production and purchases from diverse suppliers outside of the Group.

(1) Cogeneration and On-Site Power Production, Volume 4, Number 4, July — August 2003
(2) Atic Services

✱ Renewable energy

TOTAL has been active in the renewable energy sector since 1983, starting with its photovoltaic activities, and intends to continue developing renewable energy as part of its sustainable development policy and in order to contribute to preparing the world energy supply for the future.

Currently, the major developments for implementing this policy are in its solar-photovoltaic and wind power activities.

Solar-photovoltaic power

TOTAL ÉNERGIE, a company of which TOTAL owned 35% as of December 31, 2004, specializes in the creation, marketing and exploitation of solar-photovoltaic power systems. TOTAL Énergie's sales increased by about 50% to 110 M€ in 2004, corresponding to an effective capacity of 25 MWp, and its main commercial markets are in network connections in Europe (mainly in Germany) and decentralized rural electrification and telecommunication systems in the French Overseas Territories. TOTAL Énergie owns a solar panel manufacturing plant in South Africa.
In 2004, TOTAL Énergie began construction of a solar panel manufacturing plant in Toulouse, with the start up of production anticipated during the first half of 2006. This unit is designed to have an initial annual production capacity of 15 MWp,
enough to equip the roofs of 7,500 homes.

Photovoltech, a company of which TOTAL owns 42.5%, is specialized in producing photovoltaic cells. Following encouraging results in 2004, its first full year of operation, with sales of approximately 15 M€, and taking into account the developing market, Photovoltech has decided to increase its production capacity from 13 MWp/y to 80 MWp/y by the end of 2006, with a partial increase in capacity scheduled to be put into service in 2005.

TOTAL has responded to invitations for bids launched by public authorities to develop decentralized rural electrification projects in developing countries such as Mali, Morocco and South Africa. In South Africa, administrative issues and safety problems have slowed down the project to equip 15,000 homes.
Almost 4,000 homes had been equipped at the end of 2004. In Morocco, TEMASOL, 32.2% of which is owned by TOTAL and 35.6% by TOTAL Énergie, continued its development of the project it was awarded in May 2002 to equip 16,000 homes. At the end of 2004, 10,000 of these homes had been equipped. In 2004, TEMASOL was also awarded a project to equip 37,000 homes and submitted a bid for another project, the results of which should be announced in 2005.

Wind power

TOTAL's first 12 MW capacity wind farm in Mardyck, France, which began operation in November 2003, had a first full year of production in line with expectations, producing approximately 27.5 GWh of electricity in 2004. This installation serves as a pilot program to compare different technologies on the same site in order to prepare for possible larger scale offshore or onshore projects in the future.

TOTAL also submitted a bid for a project organized by the French government to be located offshore Dunkirk. Results of the bidding process for this project are expected in first half 2005. If TOTAL's bid is accepted, implementation of the project would likely be delayed for some years, during which time the necessary authorizations would be obtained in an extensive consultation process.

TOTAL is studying other projects in France, the UK and Spain with the possibility of submitting bids in response to calls for offers in these countries.

France: the wind farm on the Flanders refinery site at Mardyck, near Dunkirk, has five turbines with a total installed capacity of 12 MW.

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

Nearly 17,000 service stations.

3.8 Mb/d of products sold in 2004

One of the leading worldwide traders in oil and oil products

2004 investments:
1.5 billion euros

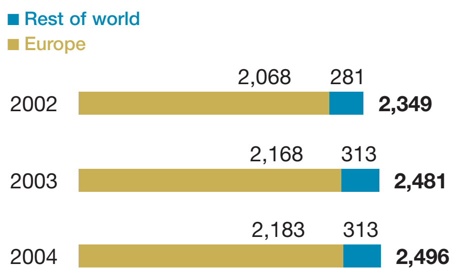
34,045 employees

(*) Company sources ; Oil and Gas Journal of December 20, 2004
(**) Company sources

Downstream segment financial data

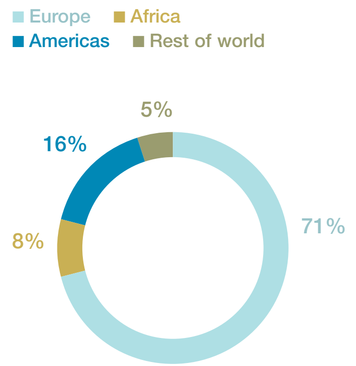
(in millions of euros)	2004	2003	2002
Non-Group sales	**80,640**	68,658	66,984
Operating income adjusted for special items	**3,217**	1,970	909

Refinery runs (kb/d) (*)



(*) In thousands of barrels per day, including the Group net-share in Cepsa

2004 refined products sales per region: 3 771 kb/d (*)



(*) In thousands of barrels per day, including Trading activities and the Group net-share in Cepsa

Refining & Marketing

In 2004, TOTAL's worldwide refining capacity was 2,692 kb/d and its average refined products sales were 3,771 kb/d (including trading and equity affiliates). TOTAL is the largest refiner-marketer in Europe based on refining capacity and refined product sales [1]. TOTAL operates a network of 16,857 retail stations worldwide, of which approximately 50% are owned by the Group. TOTAL's refineries also allow the Group to produce a broad range of high value-added specialty products, such as lubricants, LPG, jet fuel, petrochemical feedstock, special fluids, bitumens and paraffins.

In 2004, refining margins increased as fuel price in the Atlantic basin were subject to upward price pressure. This positive effect was slightly offset by the weaker dollar relative to the euro and a slight decrease in marketing margins due to higher prices for supplies that were only partially passed on in the prices paid by customers. In this overall favorable context, the Downstream segment benefited from a high capacity utilization rate at its refineries while completing the upgrade of its sites to meet the specifications for very low sulfur content fuels (50ppm) that came into effect in Europe on January 1, 2005, and while continuing to prepare to meet the even higher requirements (10ppm) that come into effect in Europe in January 2009.

(1) Company Sources

The Downstream segment pursued both the growth of its activities and the implementation of productivity programs that resulted in a recurring contribution of approximately 150 M€ to operating income in 2004. This performance illustrates the execution of TOTAL's strategy to consolidate and develop its marketing positions, adapt and optimize its refining operations, and apply strict capital discipline.

France: the Prime G unit at the Flandres refinery enables the facility to produce gasoline with a very low sulfur content.

✱ 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. TOTAL is the leading refiner-marketer in Europe on the basis of refining capacity and sales [*].

Geographic description of activities

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

TOTAL is further integrating its refining and base petrochemicals activities in order to capture synergies, notably from increased product exchanges and reduced capital expenditures, estimated to amount to approximately 100 M€ in 2004, most notably from the integration of the La Mède and Lavéra sites, which is underway. TOTAL is continuing to actively pursue a practice of exchanging and implementing best practices among and at its refineries and is also continuing to implement its refining-hub management concept (based on platforms that are designed to optimize supply, regional coverage and site specifications) in Europe.

During 2004, a relatively low number of TOTAL's refineries were affected by shutdowns. These shutdowns allowed TOTAL to adapt the refining units to meet new European requirements for low sulfur content fuels. TOTAL is progressively making further upgrades to its European refineries to prepare for regulations that will require refineries to produce 10 ppm sulfur content fuel by the beginning of 2009.

In 2004, TOTAL also started the construction of a distillate hydro-cracker at the Normandy refinery in France. This unit, which is planned to enter into operation in 2006, is expected to respond to the growing European demand for light distillates, in particular diesel and jet fuel, and to reduce its production of heavy fuel oil. The unit will also produce high quality bases for lubricants and specialty fluids as well as naphta. The project represents an investment of approximately 500 M€ over the period from 2003 to 2006, and also includes the construction of a hydrogen production unit.

In the United States, TOTAL operates the Port Arthur, Texas refinery on the Gulf of Mexico, which has a capacity of 176 kb/d. This refinery benefits from the increasing integration of refining and petrochemical operations.

Outside of the 12 principal refineries that TOTAL operates in Western Europe and its refinery in the United States, TOTAL has interests in 15 other refineries. The aggregate capacity of the Group's interests in these refineries is 413 kb/d.

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

Crude oil refining capacity

December 31, 2004	**(kb/d)** [1]
Refineries operated by the Company	
Normandy (France)	328
Provence (France)	155
Flandres (France)	160
Donges (France)	231
Feyzin (France)	119
Grandpuits (France)	99
Antwerp (Belgium)	352
Leuna (Germany)	227
Rome (Italy) [2]	52
Immingham (United Kingdom)	223
Milford Haven (United Kingdom) [3]	73
Vlissingen (Netherlands) [4]	84
Port Arthur (Texas, United States)	176
Subtotal	**2,279**
Other refineries in which the Company has an interest [5]	413
Total	**2,692**

(1) In thousands of barrels per day. 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% (seven in Africa, four in Spain, one in France, one in Germany, one in Martinique and one in China).

(*) Based on refining capacities and sales

Description of activities by product category

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 thousands of barrels per day (kb/d)	2004	2003	2002
Motor gasoline	580	584	570
Avgas and jet fuel	188	177	179
Kerosene and diesel fuel	712	724	629
Fuel oils and heating oils	552	535	513
Other products	419	419	416
Total [1]	**2,451**	**2,439**	**2,307**

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

Utilization rate

In %	2004	2003	2002
	93%	92%	88%

Specialties

TOTAL produces a wide range of refined petroleum products at its refineries and other facilities. In 2004, TOTAL increased both its production and volumes sold of specialty products (jet fuel, butane and propane, lubricants and greases, paraffins and waxes, bitumens and special fluids).

TOTAL is among the major participants in the European specialty products market. Worldwide, TOTAL markets lubricants in over 150 countries and distributes aviation fuel at 550 airports.

TOTAL is the second largest LPG marketer in France (on the basis of volumes sold) [2], and its LPG business has expanded beyond the traditional core European market into Asia and South America.

Renewable energy and alternative fuels

TOTAL plays an active part in the promotion of renewable energies and alternative fuels, and has continued its research and testing programs for fuel cell technologies and hydrogen fuels. In this area, TOTAL continues to work under cooperation agreements with Renault, Renault Trucks, Valeo and Delphi for automotive applications and with Electrabel and Idatech for stationary applications. TOTAL has installed a LPG fuel cell system, which generates heat and electricity, in its Rœulx station in Belgium.

(2) Company Data

It has also teamed up with Berlin BVG, the largest public transport company in Germany, to open a hydrogen center of excellence and the first hydrogen fueling station in Germany, which operates under the TOTAL brand. The hydrogen distribution capacity of this station was increased in early 2004, and it has been supplying an experimental bus since mid-2004. TOTAL is also an active participant in the Hydrogen Technology Platform Program launched by the European Commission at the end of 2003, which aims at promoting the development of this new technology across Europe.

Germany: a hydrogen-fuelled bus operated by Berlin's public transport company, BVG.

In 2004, TOTAL began a research and development program devoted to making biomass and BtL (Biomass to Liquids, process of transforming biomass into biofuels) technologies commercially viable. TOTAL also strengthened its position as a major participant among oil companies active in biofuels in Europe by continuing to operate three ETBE (ethyl-tertio-butyl-ether) units, one each in Feyzin, Dunkerque and Le Havre, with a combined total capacity of 194 kt and which account for 97% of French production of biofuels [1]. In the bio-diesel market, TOTAL incorporates vegetable-oil-methyl-esters (VOME) in diesel fuels produced at six French refineries.

(1) Company Data (Ministry of Economy, Finance and Industry, 2004)

France: the nearly 2,700 Total service stations on roads and highways across France form the core of the Group's retail network.

✱ Marketing

TOTAL markets refined products primarily in Europe and Africa.

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

Sales of refined products [1]

In thousands of barrels per day (kb/d)	2004	2003	2002
France	882	917	854
Rest of Europe [1]	1,505	1,509	1,477
United States	257	237	159
Africa	245	232	213
Rest of World	129	87	92
Total excluding Trading	**3,018**	**2,982**	**2,795**
Trading (Balancing and Export Sales)	753	670	585
Total including Trading	**3,771**	**3,652**	**3,380**

(1) Includes net share in Cepsa, in which the Group has a 45.3% interest

The table below sets forth by geographic area the number of retail stations in the TOTAL network as at the end of the year indicated.

Retail stations

	2004	2003	2002
France [1]	5,626	5,917	6,172
Rest of Europe (excluding Cepsa)	5,003	5,196	5,526
Cepsa [2]	1,697	1,710	1,603
Africa	3,249	3,324	3,383
Rest of world	1,282	1,137	1,071
Total	**16,857**	**17,284**	**17,755**

(1) Revised after integrating third-party networks. Retail stations under the TOTAL and Elf brands and, in 2004, approximately 2,000 retail stations under the Elan brand.
(2) Includes all the retail stations within Cepsa's network, in which the Group has a 45.3% interest

Western Europe

In 2004, the Group completed the implementation of its network unification strategy under the TOTAL brand. Coupled with the new corporate identity program, which should provide higher visibility for the TOTAL brand, this strategy is aimed at increasing customer loyalty.

In France, the TOTAL-branded network provides extensive national coverage and offers a broad range of quality retail station services and a diverse selection of other products, such as the "Bonjour" convenience shops, while benefiting from customer loyalty programs. In 2004, TOTAL and Casino Cafétéria signed a franchise agreement for the opening of cafeterias on the French motorway network. This agreement illustrates TOTAL's intention to combine the experience and know-how of its teams with a quality partner to upgrade the services it provides at its motorway retail stations.

Elf-branded retail stations, with an updated design, offer quality fuels at prices that are particularly competitive, as well as basic services. At the end of 2004, the TOTAL-branded network consisted of 3,000 retail stations in France, while the Elf-branded network included nearly 300 retail stations.

TOTAL also markets fuels at nearly 2,000 Elan-branded retail stations located in rural areas, as well as at 420 AS24-branded retail stations dedicated to professional transporters.

In 2004, TOTAL continued to implement its strategy for strengthening its position in areas where it has a significant market share. For example, in 2004 TOTAL completed a swap agreement signed with Shell concerning the acquisition of Shell-DEA retail stations in Germany in exchange for retail stations in France, the Czech Republic and Hungary. In Italy, TOTAL strengthened its position by obtaining seven new motorway concessions through a bidding process. In Spain, TOTAL is active through its 45.3% participation in Cepsa. In the United Kingdom, TOTAL launched a major restructuring program in 2003 which has improved the performance of TOTAL's network by rationalizing the network's portfolio, renovating high-throughput sites and developing non-fuel sales.

In 2004, customer loyalty strengthened due to TOTAL's continued efforts to improve the quality of the services its provides. TOTAL continued to develop its fuel card programs, notably with the announcement that it will launch a new "AS24/Renault Truck" card in 2005 for professional transporters in Europe. This offer, which will be marketed by AS24, is designed to provide access to a larger network of sites while facilitating fleet management by combining the advantages of the AS24 and Eurotrafic cards. This partnership between Renault Trucks and TOTAL illustrates TOTAL's intention to continue to develop innovative and economical solutions by anticipating customer needs.

France: 300 Elf stations on the outskirts of towns and cities supply quality motor fuels at competitive prices.

In addition, the Eurotrafic card network is being extended into Central and Eastern European countries (Hungary, the Czech Republic and Poland), as Eurotrafic cards are now accepted at AS24 retail stations in these regions. TOTAL has one of the most popular fuel cards in Europe with more than three million card holders.

In 2004, TOTAL began developing a program to be implemented in 2005, for the distribution of a special additive (urea) for heavyweight vehicles. This product is used to destroy nitrogen oxide in truck exhaust systems in order to meet current and future environmental standards (Euro IV and Euro V).

Africa

In 2004, TOTAL consolidated its position as one of the leading marketers on the African continent with a market share [2] of 11% and a presence in more than 40 countries in Africa. In 2004, TOTAL sold approximately 12 Mt of refined products.

TOTAL also undertook development and rationalization programs aimed at reducing its exposure to market risks and consolidating the profitability of its Downstream activities. TOTAL was also involved in programs to improve safety, both at its sites and related to the transportation of its products.

(2) Company data

Asia

In 2004, TOTAL continued to expand its network in the Philippines and Pakistan, with 89 retail stations at the end of 2004.

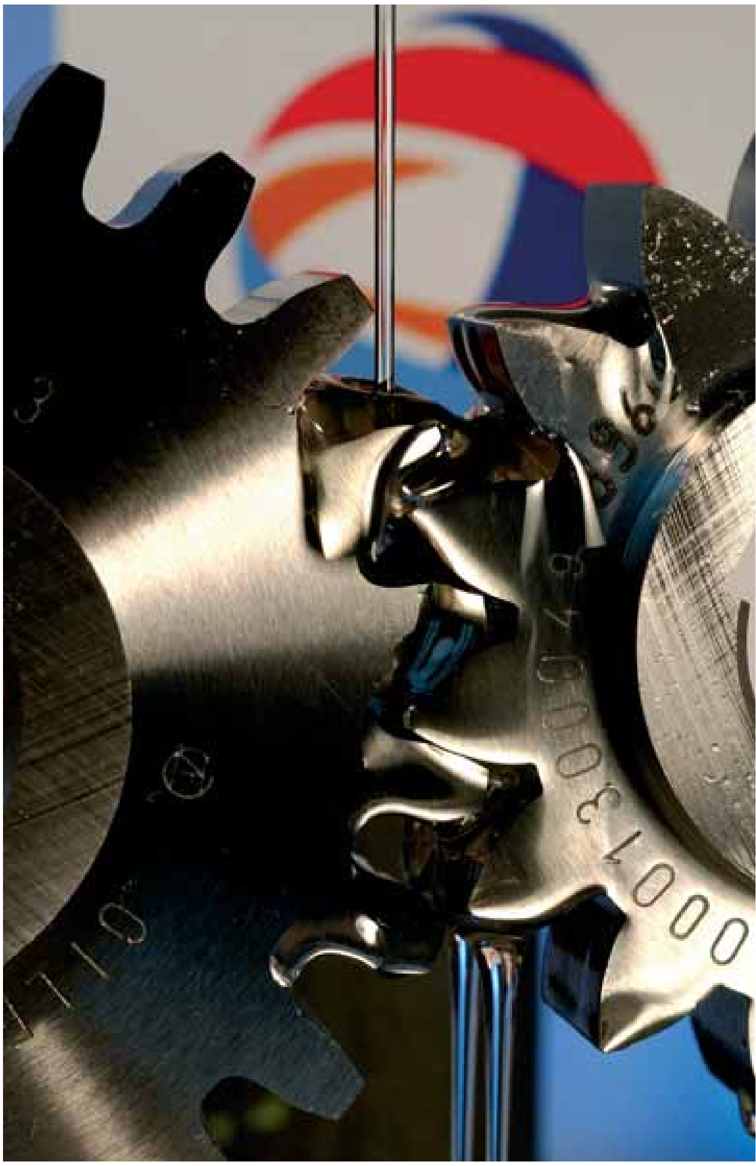
TOTAL also strengthened its position in China by signing a joint-venture project with Sinochem which envisions the creation of a network of 200 retail stations in Beijing and in the north of China. TOTAL and Sinochem are also partners in the WEPEC refinery in Dalian (TOTAL 22.4%), where processing capacity was increased from 8 to 10 Mt in 2004 and construction of a 1.5 Mt/y distillate hydro-cracker has been approved by the Board of WEPEC and the relevant authorities.

In specialty products, TOTAL strengthened its position in the lubricants sector, notably with its local partner ISU in Korea, as a result of the agreements it concluded in 2003, and also in Indonesia and China. In 2004, TOTAL signed a technical and operational cooperation agreement with Idemitsu, a Japanese company.
In the LPG sector, TOTAL consolidated its positions in India, China, Vietnam, Cambodia and Bangladesh. TOTAL also developed its specialty fluids activities in 2004, notably in drilling fluids, which are partly linked with Upstream activities in the area.

Rest of world

In 2004, two new subsidiaries were created in the Caribbean: TOTAL Jamaica, which has 22 retail stations and an 8.5% network market share and TOTAL Puerto Rico, which has 101 retail stations and a 5% network market share. These new subsidiaries complement TOTAL's existing activities in Haiti, the French West Indies, Cuba and Costa Rica.

In the eastern Mediterranean rim, TOTAL is continuing to develop its marketing, lubricants and LPG activities, notably in Turkey, where in 2003 TOTAL merged its two wholly-owned distribution subsidiaries, TOTAL Oil Turkiye and Tüpgas.



The qualities of Total and Elf lubricants are recognized in more than 150 countries.

Trading-Shipping

The Trading-Shipping sector:
- sells and markets the Group's crude oil production,
- provides a supply of crude oil for the Group's refineries,
- imports and exports the appropriate petroleum products for the Group's refineries to be able to adjust their production to the needs of local markets,
- charters suitable ships for these activities, and
- undertakes trading on various derivatives markets.

Although Trading-Shipping's main focus is serving the Group, its know-how and expertise also allow Trading-Shipping to extend the scope of its activities beyond meeting the strict needs of the Group.

Trading

TOTAL is one of the world's major traders of crude oil and refined products on the basis of volumes traded.

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

Sales & supply of crude oil

For the Year Ended December 31,

(kb/d, except %)	2004	2003	2002
Sales of crude oil			
Total Sales	4,720	4,713	4,630
Sales to Downstream segment (1)	2,281	2,165	2,043
Sales to external customers	2,439	2,548	2,587
Sales to external customers as a percentage of total sales	**52%**	**54%**	**56%**
Supply of crude oil			
Total supply	4,720	4,713	4,630
Produced by the Group (2) (3)	1,686	1,608	1,571
Purchased from external suppliers	3,034	3,105	3,059
Production by the Group as a percentage of total supply	**36%**	**34%**	**34%**

(1) Excludes share of Cepsa, in which TOTAL has a 45.3% interest.
(2) Includes condensates and natural gas liquids.
(3) Includes TOTAL's proportionate share of the production of equity affiliates.

The Trading business unit operates extensively on physical and derivatives markets, both organized and over the counter. In connection with its trading activities, TOTAL, like most other oil companies, uses derivative energy instruments to adjust its exposure to fluctuations in the price of crude oil and refined products.

The Trading business unit undertakes certain physical transactions on a spot basis, but also enters into term and exchange arrangements and uses derivative instruments such as futures, forwards, swaps and options. These operations are entered into with various counterparties.

All of TOTAL's trading activities are subject to strict internal controls and trading limits.

Switzerland: the Geneva trading office one of the nine of the Group, allows traders to follow market developments.

Demand for oil is growing particularly fast in Asia.

According to data from the International Energy Agency [1], world oil demand was exceptionally high in 2004 (an increase of 2.65 Mbd, or 3.3%, compared to 2003) after also having increased in 2003 (1.85 Mbd, or 2.4%, compared to 2002). The increase in 2004 was largely due, as in 2003, to a rise in consumption in North America (up 2.3%) and China (up 15.4%). In OECD countries, demand increased by 1.4%, with gasoline demand increasing by 0.9%, diesel by 4.5% and jet fuel by 1.7%, while heavy fuel oil demand declined by 2.7%.

Further data from the same report by the International Energy Agency [1] indicates that, faced with this unprecedented increase in demand, non-OPEC [2] producers were able to increase their oil output by only approximately 1 Mb/d, with 870 kb/d of this amount attributable to increased production in countries that were formerly in the Soviet Union. Members of OPEC, endeavoring to accommodate Iraq's return to oil production and fearing a price downturn in the spring of 2004, maintained a level of production at approximately 28 Mb/d in the first half of 2004.
Strong demand, the lack of an increase in oil stocks and in oil exports from Iraq and sharp price increases caused OPEC to increase the organization's production to 29.4 Mb/d on average over the latter half of the year, the highest level of production ever achieved.
Overall, OPEC increased its crude oil production in 2004 by 1.9 Mb/d compared to that in 2003.

Low levels of oil stocks and events in the Middle East and Iraq fuelled fears that Saudi Arabia's excess capacity would be insufficient to meet demand. Although Saudi Arabia did supply additional volumes of oil, this additional supply was principally composed of heavy, sour crude while, due to limited capacities for conversion and hydrotreatment, refiners were in need of light, sweet crude to meet growing light-product demand. In addition, the strong surge in crude exports from the Persian Gulf, combined with the long distances to refining centers, led to upward pressure on freight rates in the tanker market, causing rates to rise to exceptionally high levels.

(1) Source: Oil Market Report, January 2005
(2) OPEC is made up of Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, The United Arab Emirates and Venezuela.

The combination of these factors drove the oil industry near to the limit of its capacity in 2004, propelling market components to exceptionally high levels:

		2004	**2003**	**min 2004**		**max 2004**	
Brent IPE – 1st Line	$/b	38.04	28.48	28.83	(Feb.)	51.56	(Oct.)
Gasoil IPE – 1st Line	$/t	348	250	247	(Feb.)	493	(Oct.)
VLCC Ras Tanura Chiba – BITR	$/t	20.0	12.1	9.8	(March)	45.0	(Nov.)

IPE: International Petroleum Exchange
1st line: Quotation for first month nearby delivery on the International Petroleum Exchange
VLCC: Very Large Crude Carrier, BITR: Baltic International Tanker Routes

During the first quarter of 2005, the build-up of oil stocks which began in the fourth quarter of 2004 levelled off due to an increase in demand linked with cold weather in the northern hemisphere in February and March 2005. As a result, the downward trend in oil prices observed in November and December 2004 has reversed since January 2005. The effect of relatively high oil prices does not appear to have limited global economic growth and the demand for oil could remain at relatively high levels, although lower than those recorded in 2004. Other factors that may affect oil prices in 2005 include whether OPEC will increase its production in 2005, with a corresponding decrease in its excess production capacity. Upward pressure on light product prices, in particular middle-distillates, and the downturn in heavy fuel oil prices will probably continue in 2005 due to the lack of an increase in the conversion capacity of refineries that would be necessary to stabilize the market.

Throughout 2004, the Trading business unit maintained activity and results at high levels, comparable to those in 2003, trading physical volumes of crude oil and refined products amounting to approximately 5.4 Mb/d.

✱ Shipping

The principal activity of the Shipping business unit is to arrange the transportation of crude oil and refined products necessary for Group activities. The Shipping business unit provides the wide range of shipping services required by the Group to develop its activities and maintains a rigorous safety policy. Like a certain number of other oil companies and shipowners, the Group uses freight-rate derivative contracts in its shipping activity in order to adjust its exposure to freight-rate fluctuations.

In 2004, the Group chartered 2,959 voyages to transport approximately 125 million tons of oil. The Group employs a fleet made up of 51 vessels chartered under long-term or medium-term agreements (including six LPG tankers). The fleet is modern, with an average age of approximately eight years for crude carriers and less than six years for product carriers, and is predominately comprised of double-hulled vessels.

In 2004, the global crude-oil tanker fleet capacity increased by 4.9%, marking the second consecutive high-growth year in terms of available tonnage, after an increase of 5.8% in 2003. World tanker demand was high, boosted both by the level of oil demand and by increased OPEC exports. Transport supply and demand were almost balanced in 2004, resulting in upward pressure on the spot chartering market. Freight rates were thus more volatile in 2004 than in 2003. Rates were also significantly higher for all vessel segments and geographical areas as a result of several factors, including:

- higher than expected global economic growth,
- market uncertainty due to events in Iraq, Nigeria and Venezuela,
- the increase in consumption in North America and China,
- extraordinary climatic events in the Gulf of Mexico, and
- increased efforts to secure the use of high quality tonnage (modern double-hulled vessels), especially in Europe.

In 2004, new regulations by the International Maritime Organization and the European Union governing the safety of maritime transport of crude oil and oil products came into force. In addition to introducing new rules for the shipping of heavy oil products, these regulations mandate a phase-out of single-hulled ships by 2010 (with the possibility of obtaining extensions until 2015 subject to certain conditions).

The VLCC “La Famenne” is under time charter to Total.

The number of vessels decommissioned in 2004 was relatively low, due to high spot-chartering rates. The number of new vessels expected to enter into service in 2005 and 2006 should result in lower freight rates and an increase in the number of single-hulled ships that are decommissioned.

Chemicals

TOTAL is one of the world's largest integrated chemical producers (*).

The Chemicals segment is organized into the Base Chemicals & Polymers sector, whose activities are related to the Group's refining operations, the Intermediates & Performance Polymers sector, and the Specialties sector, which includes the Group's rubber processing, resins, adhesives and electroplating activities.

(*) In term of sales - Company sources

2004 non-Group sales:
20.04 billion euros

2004 investments :
0.9 billion euros

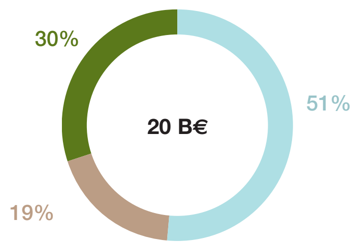
61,570 employees

Chemicals segment financial data

(in millions of euros)	2004	2003	2002
Non-Group sales	**20,042**	17,260	19,317
Operating income adjusted for special items	**1,086**	558	777

2004 sales per activity

- Base Chemicals & Polymers 10.30 B€ (51%)
- Intermediates & Performance Polymers 3.71 B€ (19%)
- Specialties 6.02 B€ (30%)



Year 2004

In 2004, the Chemicals segment had combined sales of 20.04 B€. By region, Europe accounted for 58% of sales, the United States for 25%, and remaining sales were generated predominantly in Asia and Latin America. Results in 2004 benefited from an improved global economic environment and increased demand. The margins for petrochemicals and chlorochemicals increased markedly in the latter half of 2004, but the margins for the Group's other activities remained under pressure due to the strong euro and the relatively high cost of raw materials.

In February 2004, TOTAL announced a reorganization of its Chemicals segment to streamline its organization and create a separate entity (alongside its petrochemicals and specialties activities) which should be able to adapt to market trends with more flexibility and be more responsive to its customers.

This new entity, named Arkema, was formally organized on October 1, 2004. It regroups the activities of the Intermediates & Performance Polymers sector, as well as those of the Chlorochemicals business unit.

Arkema's activities have been organized under three divisions: Vinyl Products, Industrial Chemicals and Performance Products, which contain a total of fourteen business units, which are among the European and world leaders in their sectors.

With a global presence, a balanced, coherent industrial base and activities which are well-distributed, both in terms of product lines and regional sites, Arkema should rapidly develop its businesses. Arkema is expected to become a stand alone entity in 2006 [1].

(1) Subject to market conditions and the completion of the notification and information process with labor representatives

For 2004, business and financial information for the Chemicals segment has been presented on the basis of the internal organization before the creation of Arkema. From January 1, 2005, this information will be presented according to the new internal organization resulting from the creation of Arkema.

Concerning industrial safety, in 2004 the Chemicals segment continued to focus on three key areas: on-the-job safety, safety management systems and risk prevention.

Arkema was launched at the Paris Palais des Congrès (Convention Center) on 4 October 2004.

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

Main product groups	Major applications
Base Chemicals & Polymers	
Base petrochemicals	
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 phtalic anhydride, terephtalic 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
Fertilizers	Nitrogen and complex fertilizers, urea, industrial products
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
Intermediates & Performance Polymers	
Acrylics	Resins, emulsion resins for adhesives, paints and coatings, superabsorbents, methylmethacrylate (MMA) monomers for PMMA (polymethylmethacrylate)
PMMA	Acrylic glass used in construction, the automotive industry, advertising signs, and the decoration and manufacture of sanitary sheets
Thiochemicals	Agrochemical and pharmaceutical intermediates, polymerization agents and additives, gas odorants
Fluorinated industrial gases	Refrigeration, air conditioning, foam blowing agents, intermediates
Oxygenated products	Hydrogen peroxide (pulp and paper bleaching, textile, electronics and water treatment), chlorate, hydrazine hydrates and derivatives
Engineering polymers	Engineering polymers including 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
Plastic additives	Stabilizers and impact modifiers used in polymer conversion
Specialty 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
Specialties	
Rubber processing	Rubber parts for the automobile, transportation and aviation industries (transmission systems, antivibration systems, fluid transfer parts, body sealings, precisions sealings, consumer products) (***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-woven fabrics (***Bostik***)
Electroplating	Decoration and protection of metal and plastic parts, plating in the electronic industry (PCBs, chip carriers, etc.) (***Atotech***)

Base Chemicals & Polymers

TOTAL's Base Chemicals & Polymers activities encompass petrochemicals, including base petrochemicals (the production of olefins and aromatics), polyethylene, polypropylene and styrenics, as well as fertilizers and various chlorochemicals products (chlorinated solvents and chloromethanes, caustic soda, vinyl chloride monomer, polyvinyl chloride (PVC) and PVC compounds, pipes and profiles).

Sales reached 10.30 B€ in 2004, compared to 7.91 B€ in 2003, with demand increasing in all regions and margins increasing in spite of a significant increase in the price of raw materials.

The following table sets forth the production capacities for TOTAL's Base Chemicals & Polymers main product groups in Europe, North America, Asia and the Middle East as at the date indicated.

Capacities as at December 31, 2004

(in thousands of tons per year)	Europe	North America	Asia and the Middle East (1)	Worldwide
Olefins	5,265	1,125	665	7,055
Aromatics	2,550	925	565	4,040
Polyethylene	1,440	410	280	2,130
Polypropylene	1,160	1,000	145	2,305
Styrenics (2)	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-Total Petrochemicals capacities in Daesan (South Korea)
(2) Styrene, polystyrene and elastomers

Petrochemicals

TOTAL's petrochemicals activities include olefins and aromatics (base petrochemicals) as well as polyethylene, polypropylene and styrenics. On October 1, 2004, the TOTAL Petrochemicals business unit was created to regroup these activities.

TOTAL's main petrochemicals sites are located in Belgium (Antwerp, Feluy), in France (Gonfreville, Carling, Feyzin, Lavéra), in the United States (Port Arthur, Houston and Bayport in Texas and Carville in Louisiana), as well as in Singapore and China (Sanshui). These sites are either connected by pipe to Group refineries or located to sites nearby. TOTAL's petrochemicals activites benefit from a strong integration with refining on most of the sites. The Samsung-Total Petrochemicals joint venture, in which TOTAL has a 50% stake, also has an integrated site in Daesan, South Korea.

TOTAL's objective is to reinforce its position among petrochemicals leaders by combining targeted growth with enhanced productivity at its existing large sites. To respond to the increasing growth of the Asian markets, TOTAL's strategy is to improve the competitiveness of its existing large sites and to grow through the development of new platforms to serve these expanding markets. These new platforms may either be located near sources of feedstock, and thereby benefit from geographic integration, or be developed at sites close to more dynamic demand markets.

United States: the styrene plant in Carville (Louisiana).

2004 was the first full year of operation for the Samsung-Total Petrochemicals joint venture which continued to develop its position on the Chinese market from its site at Daesan, South Korea. The encouraging results of the joint venture have led TOTAL to study projects for the significant expansion of the production lines at the site.

Throughout petrochemicals, investments are carried out in accordance with the Group's sustainable development policy. In 2004, safety at the Group's sites improved in line with targets for the year.

Base petrochemicals

The year was characterized by a significant increase in the price of naphtha and sustained high demand for steamcracker derivatives.

For aromatics, 2004 was a record year in terms of margins, due to the high levels of gasoline demand in the United States and of polyester demand in Asia.

For olefins, production increased in 2004 by approximately 12% compared to 2003, and the Group continued to develop its marketing in Asia. In the United States, in order to increase its propylene production, TOTAL started-up a new metathesis production unit downstream from the Sabina butadiene extraction plant and the Port Arthur, Texas steamcracker.

Belgium: the Feluy site produces more than a million metric tons of polymers every year.

Polyethylene

In 2004, the relative economic environment in all regions improved compared with that of 2003, with particularly high levels of demand in Asia leading to a decrease in exports from the Middle East to Europe. In this context, sales volumes increased approximately 5% and prices significantly increased in the second half of the year due to the rising cost of ethylene.
With its presence in the Middle East through Qapco and in the Far East through Samsung-Total Petrochemicals, TOTAL benefited from the favorable conditions in the Asian markets. In industrial developments, the business unit continued to pursue its strategy of adjusting production at its sites towards higher value-added grades by increasing the production of bi-modal resins (mainly for pipe applications) and metallocenes at the Antwerp plant.

Also, the production lines at Mont and Balan in France were shutdown.

Polypropylene

Prices increased significantly in 2004 due to the combined effect of higher monomer prices and the higher levels of worldwide demand, although the European market environment remained less favorable. The business unit's capacity utilization rate continued to increase and rose above 90%.
In this context, sales volumes increased by 3.2% in 2004, backed by continued improvement of production levels, notably due to the debottlenecking of the line at Feluy (Belgium), which had started production in 2002, and to the debottlenecking of the Laporte, Texas (United States) site. At the end of 2004, the global polypropylene production capacity of the Group had increased by more than 140 kt/y.

Styrenics

Results for 2004 in this segment were affected by the sharp increase in the price of benzene, the principal feedstock. Throughout the world, prices for styrene and polystyrene reached record levels which reduced the level of demand in the latter part of the year. The levels of demand in Europe and North America remained moderate, but were sustained in Asia, in particular in China. TOTAL continued to make improvements to its plants and production processes.
In the United States the capacity of the styrene plant at Cosmar, Louisiana (a joint venture with GE Petrochemicals) was expanded by 290 kt/y, leading to an associated decrease of more than 20% in the energy consumption of one of the production units.
In Europe, the program for increasing the reliability as well as the quality of production is continuing with the shutdown of the outdated polystyrene plant at Stalybridge (UK). In China, the polystyrene plant at Sanshui, acquired in 2003, reached its design capacity and the quality of its products was also improved in 2004.

Fertilizers

In the Fertilizers business unit, TOTAL's subsidiary Grande Paroisse continued to deal with the consequences of the explosion that struck its Toulouse plant on September 21, 2001. Grande Paroisse continued to make payments as a result of its presumed civil responsibility under French law over and above the compensation paid by insurance companies, reaching a cumulative amount of 1,065 M€ as of December 31, 2004. In 2004, Grande Paroisse benefited from higher levels of demand for fertilizers in France, but was negatively affected by higher prices for its raw materials, which were not completely passed on to customers.
Sales increased by 12% compared with 2003.

During the summer of 2004, the Group acquired the remaining shares of Grande Paroisse that were held by minority investors in a squeeze-out tender offer. Grande Paroisse was delisted from the Premier Marché of the Euronext Paris stock exchange on August 12, 2004.

Chlorochemicals

TOTAL's Chlorochemicals business unit's activities are related to the various products that are produced in electrolysis, notably caustic soda, chlorinated solvents and chloromethanes, vinyl chloride monomer as well as polyvinylchloride (PVC) and certain derivative products (PVC compounds, pipes and profiles).

This business unit was included within Arkema when Arkema was formally organized in October 2004.

In the first half of 2004, Chlorochemicals suffered from a depressed caustic soda market. However, from June to the end of 2004, the markets for caustic soda and PVC began to improve in spite of the increase in the price of raw materials, most notably ethylene. Restructuring efforts for this business in recent years include the withdrawal from Mexico near the end of 2003, and the shutdown of the PVC plant at Brignoud (France).

In January 2005, Arkema announced a consolidation plan [1] aimed at restoring the Vinyl Products business unit's long-term competitiveness and its ability to withstand less favorable market conditions.
This program includes an investment program of approximately 300 M€ over a five-year period which is focused on developing the most efficient plants, shutting down persistently loss-making plants, continuing efforts to improve safety and environmental concerns and continuing productivity programs already underway. Specifically, the program is aimed at prolonging the life of the Saint-Auban (France) complex, with a total investment of approximately 35 M€ budgeted to restructure the site to focus on PVC specialty resins, copolymers and trichloroethane 1.1.1.

Belgium: the Group's Antwerp plant.

Demand for PVC compounds in Europe was flat in 2004 and exports from Europe were negatively impacted by the stronger euro, while margins decreased due to higher prices for raw materials that were not entirely passed on to customers.

In 2004, the pipes and profiles activities operated in a mixed environment. While there was significant growth in construction activity during the first half of the year, in the second half of the year this trend did not continue and the business struggled to pass higher prices for raw materials on to its customers.
In the pipes business, sales of pressured bimodal tubes increased. Restructuring efforts continued with resulting reductions in fixed and variable costs. In the profiles business, sales volumes remained steady, after the growth that had been recorded over the three previous years, and the focus was on providing services to clients.

(1) Subject to a notification and consultation process with labor representatives

France: the Arkema thiochemicals unit at Lacq

Intermediates & Performance Polymers

The Group's Intermediates & Performance Polymers sector includes industrial chemicals, with intermediate products such as acrylics, PMMA (polymethylethacrylate), thiochemicals, fluorinated industrial gases, oxygenated products (where the principal product is hydrogen peroxide) as well as performance products used for technical applications, such as engineering polymers, plastic additives, specialty products, organic peroxides, agrochemicals and formaldehyde resins.

These activities share many of the same requirements of technical 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, Forane® fluorinated gas and Norsocryl® acrylic monomers.

In 2004, sales in this sector reached 3.71 B€, a 3.1% increase compared to 3.60 B€ in 2003.

Acrylics
The market was particulary tight in 2004 due to the upturn in worldwide demand fueled by growth in the Chinese market, while supply was constrained due to technical production problems at various producers' sites as well as occasional shortages of raw materials.

PMMA (Polymethacrylate)
Despite high demand in 2004, margins were down due to the higher prices of the raw material methylmethacrylate (MMA) and energy, which were not passed on to customers. Also in 2004, a restructuring plan was launched in Europe to group the production of extruded sheets at Bernouville (France) and that of cast sheets at Saint-Avold (France).

In another development, the capacity of the plant at Jinhae (Korea) was doubled.

Thiochemicals
Demand increased in 2004, although the sales of methylmercaptan were negatively affected as a result of the presence of bird flu in Asia.

Margins were lower due to the weaker dollar and to higher raw material and energy prices.

A program to reduce fixed costs continued with the shutdown in March 2004, of the acroleine plant at Pierre-Bénite (France) and the restructuring of the Rotterdam (Netherlands) site.

Also, the construction of new acroleine and MMP (methylthiopropionaldehyde) units in Beaumont, Texas continued. These units are scheduled to begin operations in May 2005. This investment, part of a joint project with Novus International, has been undertaken to strengthen the Group's position in this growing market.

Fluorinated industrial gases
Sales volumes increased in 2004 due to the demand for HFC products, most notably blends, and from a one-time sale of HCFC-141b stocks in the United States.

Also in 2004, the performance of the production units for HFC 134a was improved, a production line at the Zaramillo (Spain) site was dedicated to the production of HFC-32, a key component of blends, and the capacity of the HCFC-22 plant at Changshu (China) was doubled.

Oxygenated products
Demand in 2004 was at high levels in all regions and for all products: hydrogen peroxide, chlorate, hydrazine and derivatives.

The capacity of the plant at Shanghaï (China) was increased and the plant successfully restarted in the spring of 2004.

Engineering polymers
In 2004, engineering polymers benefited from higher levels of demand than in 2003, but margins were negatively affected by the stronger euro.

The construction of a new High Content EVA production line started at Balan (France), and near the end of the year the Group decided to increase the capacity of the Grafted Orevac(R) plant at Mont (France).

Plastics additives
Demand was strong in 2004, but results were negatively affected by increases in prices for raw materials, most notably tin and methylmethacrylate, and in energy prices.

Specialty products
In 2004 specialty products suffered from weak demand, the depreciation of the dollar and increases in prices for raw materials. In spite of this unfavorable environment, certain products, such as asphalt and oil additives and molecular sleeves, developed their activities. Productivity efforts continued with the launch of a restructuring program for the Parentis (France) plant which manufactures activated carbons. In another development, the Phenolic resins business was sold to Schenectady in May 2004.

Organic peroxides
Sales volumes increased slightly in 2004 in Europe and North America and benefited from growth in Asia.

Activities were negatively affected by increases in the prices of raw materials and energy.

A new plant in Guangzhou (China) is expected to enter into operation during the first half of 2005.

Agrochemicals
Sales in 2004 remained near the same level as in 2003, after the increase recorded in 2003. The business unit continued its investments to improve productivity.

Formaldehyde resins
In 2004, in spite of higher levels of demand for particle board resins, activities suffered from a production overcapacity due to the start of operations of two plants in Belgium operated by competitors and the resulting negative effect on margins in France and the Benelux countries. This particularly affected the profitability of the Villers-Saint-Paul (France) plant, but had a lesser effect on the prices in Germany, where the Group's plant at Leuna is located.

Specialties

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

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

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

In 2004, sales for the Specialties sector reached 6.02 B€, a 4.9% increase compared with 2003.

Rubber processing
Hutchinson manufactures and markets products obtained from rubber processing for the automotive and aerospace industries and for consumer markets.

Sales increased by around 3% in 2004. At constant dollar/euro exchange rates, the increase would have been approximately 5%.

Automotive activity benefited from growth in the European market, while the industrial activity benefited from the rising military demand in the United States. Sales of the combined automotive and industry activities grew 4.5% compared with 2003.

France: steeping virucide gloves at Mapa's Liancourt plant.

The consumer goods activities operated in a difficult environment in 2004, and its sales decreased by 3% compared with 2003.

In 2004, Hutchinson continued to expand in countries where it believes there is high potential for growth, mainly in Eastern Europe, South America and China.

Resins

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

In 2004, the resins activities grew at a good pace, notably in North America and in Asia. Sales increased by 7% compared to 2003.

Cray Valley completed the restructuring of its European production of resins for coatings with the closing of its Machen (UK) site in May 2004 and the related transfer of production to its other European sites.

Cray Valley also started-up a new monomer production line at Villers-Saint-Paul (France) as well as a new oligomer production unit in Korea.

In addition, Cray Valley acquired the UV curing business of Akzo in September 2004.

Adhesives

TOTAL's adhesives subsidiary, Bostik, is one of the worldwide leaders in its sector on the basis of sales, with leading positions in the industrial, hygiene, construction and consumer and professional distribution sectors.

In 2004, sales increased 2.6% compared with 2003. At constant dollar/euro exchange rates, they grew by 5%. The business grew significantly in the Asia-Pacific region and in North America, and began to recover in Europe. Worldwide, the construction and distribution sectors segments were the most dynamic.

The restructuring program introduced after the Bostik/Ato-Findley merger continued in 2004.

Bostik acquired the silicones activities of Rhodia in Australia.

Electroplating

Atotech, which groups TOTAL's electroplating activities, grew in 2004 in spite of the appreciation of the euro which adversely affected its performance. Its sales increased by more than 6% compared with 2003.

At a constant dollar/euro exchange rate, sales grew by 11%. Atotech continued its development in Asia through the expansion of its production sites and technical centers in Guangzhou (China), Koda (Japan), Singapore, Taiwan, and Korea.

Brazil: the Taboaa da Serra plant in Sao Paolo produces synthetic resins.

Other matters

E-Commerce

TOTAL has actively pursued e-commerce initiatives and, for those services having demonstrated real added value, intends to move from a "pilot" phase to industrial deployment. The primary focus is on e-purchasing (e-calls for tender, e-auctions and e-procurement), where the Group's Purchase Coordination department is organizing a progressive, group-wide program for implementation. Under this program, approximately 80,000 transactions (orders) have been electronically processed in 2004 and the total yearly sales made through online tenders or auctions amounts to more than one billion euros. Trade Ranger, the petroleum and chemical industry marketplace, continues to be TOTAL's principal service provider in this field.

In newly developing services and applications, TOTAL has strengthened its evaluation process through pilot programs focused on e-Invoicing (electronic billing) and e-Transit (cooperative online management of international transportation). If these pilot programs confirm TOTAL's expected added value from these applications, these applications could be progressively implemented group-wide, beginning as early as 2005.

Financial and legal information

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2004

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. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, 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 and auditing matters. These assessments were considered for the purpose of issuing an audit 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. This report together with the statutory auditors' report addressing financial and accounting information in the Presidents' report on internal control, should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by Annual General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of the company TOTAL S.A. for the year ended 31 December 2004.

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.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with 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 our opinion.

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.

II. 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, we bring to your attention the following matters:

Certain accounting principles applied by TOTAL S.A. involve a significant amount of judgement and estimates. The use of judgement and estimates principally relates 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 an environmental costs, the evaluation of retirement obligations and the determination of the 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.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris La Défense, February 17, 2005

KPMG Audit	ERNST & YOUNG	
René Amirkhanian	Gabriel Galet	Philippe Diu

Consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, (amounts in millions of euros) (1)	2004	2003	2002
Sales (Notes 3 & 4)	122,700	104,652	102,540
Operating expenses (Note 18)	(101,141)	(86,905)	(86,622)
Depreciation, depletion and amortization of tangible assets	(5,498)	(4,977)	(5,792)
Operating income (Note 3)			
Corporate	(215)	(209)	(210)
Business Segments (*)	16,276	12,979	10,336
Total operating income	**16,061**	**12,770**	**10,126**
Interest expense, net (Note 19)	(234)	(232)	(195)
Dividend income on non-consolidated companies	164	152	170
Dividends on subsidiaries' redeemable preferred shares (Note 13)	(6)	(5)	(10)
Other income (expense), net (Note 20)	2,174	(1,060)	243
Provision for income taxes (Note 21)	(8,316)	(5,353)	(5,034)
Equity in income (loss) of affiliates (Note 7)	337	1,086	866
Income before amortization of acquisition goodwill	**10,180**	**7,358**	**6,166**
Amortization of acquisition goodwill	(308)	(139)	(212)
Consolidated net income	**9,872**	**7,219**	**5,954**
Of which minority interests	260	194	13
Net income (**)	**9,612**	**7,025**	**5,941**
Earnings per share (euros) (Note 1-Q) (***)	**15.61**	**11.06**	**8.92**

(*) Operating income from business segments, adjusted for special items (Note 1-R)	17,123	13,004	10,995
Net operating income from business segments, adjusted for special items (Note 1-R)	8,792	6,973	5,868
(**) Net income, adjusted for special items (Note 1-R)	8,886	7,344	6,260
(***) Earnings per share, adjusted for special items (euros) (Notes 1-Q & 1-R)	14.43	11.56	9.40

(**) Adjusted net income (2)	9,039	7,344	6,260
(***) Adjusted earnings per share (euros) (2)	14.68	11.56	9.40

(1) Except for earnings per share

(2) Net income adjusted for special items and adjusted for TOTAL's equity share in amortization of goodwill and intangible assets related to the Sanofi-Aventis merger

CONSOLIDATED BALANCE SHEET

As of December 31, (in millions of euros)	2004	2003	2002
Assets			
Non-current assets			
Intangible assets, net (Note 5)	1,908	2,017	2,752
Property, plant and equipment, net (Note 6)	36,422	36,286	38,592
Equity affiliates: investments and loans (Note 7)	9,874	7,833	7,710
Other investments (Note 8)	1,090	1,162	1,221
Other non-current assets (Note 9)	3,239	3,152	3,735
Total non-current assets	52,533	50,450	54,010
Current assets			
Inventories, net (Note 10)	7,053	6,137	6,515
Accounts receivable, net (Note 11)	14,025	12,357	13,087
Prepaid expenses and other current assets (Note 11)	5,363	4,779	5,243
Short-term investments	1,350	1,404	1,508
Cash and cash equivalents	3,837	4,836	4,966
Total current assets	31,628	29,513	31,319
TOTAL ASSETS	84,161	79,963	85,329

Liabilities and shareholders' equity			
Shareholders' equity (Note 12):			
Common shares	6,350	6,491	6,872
Paid-in surplus and retained earnings	33,266	30,408	30,514
Cumulative translation adjustment	(4,653)	(3,268)	(830)
Treasury shares	(3,703)	(3,225)	(4,410)
Total shareholders' equity	31,260	30,406	32,146
Subsidiaries' redeemable preferred shares (Note 13)	147	396	477
Minority interest (Note 13)	629	664	724
Long-term liabilities			
Deferred income taxes (Note 21)	6,063	5,443	6,390
Employee benefits (Note 14)	3,600	3,818	4,103
Other long-term liabilities (Note 15)	6,449	6,344	6,150
Total long-term liabilities	16,112	15,605	16,643
Long-term debt (Note 16)	9,734	9,783	10,157
Current liabilities			
Accounts payable	11,672	10,304	10,236
Other creditors and accrued liabilities (Note 17)	11,084	8,970	9,850
Short-term borrowings and bank overdrafts (Note 16)	3,523	3,835	5,096
Total current liabilities	26,279	23,109	25,182
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	84,161	79,963	85,329

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, (in millions of euros)	2004	2003	2002
Cash flow from operating activities			
Consolidated net income	9,872	7,219	5,954
Depreciation, depletion, and amortization	6,090	5,305	6,241
Long-term liabilities, valuation allowances, and deferred taxes	466	(208)	(264)
Impact of coverage of pension benefit plans	(181)	(170)	-
Unsuccessful exploration costs	414	359	487
(Gains)/losses on sales of assets	(3,078)	182	(862)
Undistributed affiliates equity earnings	216	(603)	(479)
Other changes, net	158	21	(7)
Cash flow from operating activities before changes in working capital	**13,957**	**12,105**	**11,070**
(Increase)/decrease in operating assets and liabilities (Note 27)	472	382	(64)
Cash flow from operating activities (1)	**14,429**	**12,487**	**11,006**
Cash flow used in investing activities			
Intangible assets and property, plant, and equipment additions	(7,167)	(6,365)	(6,942)
Exploration costs directly charged to expenses	(374)	(343)	(432)
Acquisitions of subsidiaries, net of cash acquired	(131)	(421)	(127)
Investments in equity affiliates and other securities	(209)	(123)	(298)
Increase in long-term loans	(787)	(476)	(858)
Total expenditures	**(8,668)**	**(7,728)**	**(8,657)**
Proceeds from sale of intangible assets and property, plant, and equipment	225	315	290
Proceeds from sale of subsidiaries, net of cash sold	1	820	5
Proceeds from sale of non-current investments	408	218	1,346
Repayment of long-term loans	558	525	672
Total divestitures	**1,192**	**1,878**	**2,313**
(Increase)/Decrease in short-term investments	55	116	(505)
Cash flow used in investing activities	**(7,421)**	**(5,734)**	**(6,849)**
Cash flow used in financing activities			
Issuance (repayment) of shares:			
Parent company's shareholders	371	69	461
Purchase of treasury shares	(3,554)	(3,994)	(2,945)
Minority shareholders	162	76	32
Other equity	(241)	-	-
Cash dividends paid:			
Parent company's shareholders	(4,293)	(2,571)	(2,514)
Minority shareholders	(207)	(124)	(100)
Net issuance/(repayment) of long-term debt (Note 27)	2,249	2,108	1,642
Increase (decrease) in short-term borrowings and bank overdrafts	(2,195)	(2,153)	746
Other changes, net	(6)	(5)	(10)
Cash flow used in financing activities	**(7,714)**	**(6,594)**	**(2,688)**
Net increase/(decrease) in cash and cash equivalents	(706)	159	1,469
Effect of exchange rates and changes in reporting entity	(293)	(289)	(77)
Cash and cash equivalents at the beginning of the year	4,836	4,966	3,574
Cash and cash equivalents at year-end	**3,837**	**4,836**	**4,966**

(1) Including payments relating to the Toulouse - AZF plant explosion, offset by a long-term liability write-back of 316 million euros for the year ended December 31, 2004 and 719 million euros for the year ended December 31, 2003.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Common shares issued		Paid-in surplus and retained	Cumulative translation	Treasury shares		Shareholders'
(in millions of euros)	Number	Amount	earnings	adjustments	Number	Amount	Equity
As of January 1, 2002	**705,934,959**	**7,059**	**30,544**	**1,252**	**(37,349,899)**	**(4,923)**	**33,932**
Cash dividend	-	-	(2,514)	-	-	-	(2,514)
Net income	-	-	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	-	-	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 (2)	-	-	106	-	-	-	106
As of December 31, 2003	**649,118,236**	**6,491**	**30,408**	**(3,268)**	**(26,256,899)**	**(3,225)**	**30,406**
Cash dividend	-	-	(4,293)	-	-	-	(4,293)
Net income	-	-	9,612	-	-	-	9,612
Issuance of common shares (Note 12)	5,770,804	58	478	-	-	-	536
Purchase of treasury shares	-	-	-	-	(22,550,000)	(3,554)	(3,554)
Cancellation of purchased treasury shares (Note 12)	(19,873,932)	(199)	(2,877)	-	19,873,932	3,076	-
Translation adjustments	-	-	-	(1,385)	-	-	(1,385)
Other changes, net (1)	-	-	(62)	-	-	-	(62)
As of December 31, 2004	**635,015,108**	**6,350**	**33,266**	**(4,653)**	**(28,932,967)**	**(3,703)**	**31,260**

(1) Mainly due to adjustments in employee benefit obligations.
(2) Mainly due to adjustments in employee benefit obligations 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 S.A. 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, in particular 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 20F).

A) PRINCIPLES OF CONSOLIDATION

The financial statements of the significant subsidiaries over which the Group directly or indirectly has exclusive control are 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. Companies in which ownership interest is more than 50%, but over which the Company has no ability to exercise exclusive control, 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. Furthermore, the Group uses freight-rate derivative contracts in its shipping activity in order to adjust its exposure to freight-rate fluctuations.

All derivative energy-trading and freight-rate derivative 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 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 production properties and assets as follows:

Exploration costs

Geological and geophysical costs, including seismic surveys for exploration purposes are expensed as incurred.
Exploration leasehold acquisition costs are capitalized when acquired, impairment is determined regularly, property by property, on the basis of the results of the exploratory activity and management’s evaluation.
In the event of a discovery, the unproved leasehold rights are transferred to proved leasehold rights at their net book value as soon as proved reserves are booked.
Exploratory wells are accounted for as follows:
- Costs of exploratory wells that have found proved reserves are capitalized.
Capitalized successful exploration wells are then depreciated using the unit-of-production method based on proved developed reserves.
- Costs of dry exploratory wells and wells that have not found proved reserves, are charged to expense.
- Costs of exploratory wells are temporarily capitalized until a determination is made as to whether the well has found proved reserves if both of the following conditions are met:
• The well has found a sufficient quantity of reserves to justify its completion as a producing well, if appropriate, assuming that the required capital expenditure is made;
• The Company is making sufficient progress assessing the reserves and the economic and operating viability of the project.
This progress is evaluated on the basis of indicators such as whether additional exploratory works are under way or firmly planned (wells, seismic or significant studies), whether costs are being incurred for development studies and whether the Company is waiting for governmental or other third-party authorization of a proposed project, or availability of capacity on an existing transport or processing facility.
Costs of exploratory wells not meeting these conditions are charged to expense.

Oil and Gas producing assets

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

With respect to production sharing contracts, this computation is based on the portion of production and reserves assigned to the Company taking into account estimations based on the contractual clauses regarding the reimbursement of exploration and development costs (cost oil) as well as the sharing of hydrocarbon rights (profit oil).
Transportation assets are depreciated using the unit–of-production method based on throughput or by using the straight-line method whichever best reflects the economic life of the asset.

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

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.

The Group has not adopted the option offered by the French Accounting Regulations Committee to apply by anticipation the component approach for property, plant and equipment.

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 for non listed participations.

H) INVENTORIES

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

Revenues from services are recognized when the services have been performed. 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 – ADVERTISING EXPENSES

Research and development costs, as well as advertising costs, are charged to expense as incurred.

L) ASSET RETIREMENT OBLIGATION

The Company applies 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 discounted and 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 is required to measure changes in the liability for an asset retirement obligation due to passage of time (accretion) by applying a credit adjusted risk-free rate to the amount of the liability at the beginning of the period. The 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 was 52 million euros, accounted for in the Group's shareholders' equity at January 1, 2003.

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 which have been recorded as long-term investments by the parent company or its subsidiairies in their individual accounts have been deducted from consolidated shareholders' equity. Other treasury shares, allocated to 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 financial information for each business segment is reported on the same basis that is used internally by the chief operating decision maker in assessing segment performance and the allocation of segment resources. 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, net income adjusted for special items and adjusted net income (from 2004), are meant to facilitate the analysis of the financial performance and the comparison of income between periods.

Operating income (measure used to evaluate operating performance):
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 (measure used to evaluate 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.

Adjusted net income:
Net income adjusted for special items and excluding TOTAL's equity share of amortization of goodwill and intangible assets related to the Sanofi-Aventis merger.

Capital employed:
Non-current assets and working capital requirements net of deferred taxes and long-term liabilities.
or:
Net debt and shareholders' equity.

ROACE (Return on Average Capital Employed):
Ratio of net operating income adjusted for special items to average capital employed between the beginning and the end of the period.

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

2. Changes in the structure of the Company and main acquisitions and divestitures for the years 2004 and 2003

YEAR 2004

Following the outcome of a combined offer by Sanofi-Synthélabo on the Aventis shares in 2004, the merger via takeover of Aventis, thereby creating the entity Sanofi-Aventis, was approved by the Sanofi-Aventis extraordinary shareholders' meeting on December 23, 2004 and took effect on December 31, 2004.
The acquisition of Aventis by Sanofi-Synthélabo results in a dilution of the Group's equity in the company. After deduction of Sanofi-Aventis' own shares, the Group owns 13.25% of the capital of Sanofi-Aventis as of December 31, 2004 instead of 25.63% of the capital of Sanofi-Synthélabo as of December 31, 2003.
Sanofi-Aventis is consolidated in the the Group accounts according to the equity method.

YEAR 2003

On February 28, 2003, the Company finalized the sale of its Paints business, run by SigmaKalon, 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.

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 and 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 & Polymers, Intermediates & Performance Polymers and Specialties.

The Corporate category includes the operating and financial activities of the holding companies as well as healthcare activities (Sanofi-Aventis).

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)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
For the year ended December 31, 2004 (adjusted for special items)						
• Non-Group sales	21,995	80,640	20,042	23	-	122,700
• Intersegment sales	14,208	2,836	699	183	(17,926)	-
Total sales	**36,203**	**83,476**	**20,741**	**206**	**(17,926)**	**122,700**
Depreciation, depletion, and amortization of tangible assets	(3,196)	(884)	(760)	(31)	-	(4,871)
Operating income adjusted for special items	**12,820**	**3,217**	**1,086**	**(215)**	**-**	**16,908**
Amortization of intangible assets	(21)	(112)	(129)	(33)	-	(295)
Equity in income (loss) of affiliates and other items in net operating income	332	195	28	491	-	1,046
Tax on net operating income	(7,297)	(998)	(329)	231	-	(8,393)
Net operating income adjusted for special items	**5,834**	**2,302**	**656**	**474**	**-**	**9,266**
Net cost of net debt						(121)
Minority interests and dividends on subsidiaries' redeemable preferred shares						(259)
Net income adjusted for special items						**8,886**
Accounting adjustments related to the Sanofi-Aventis merger						
Equity share of amortization of goodwill and intangible assets						153
Adjusted net income (1)						**9,039**
Gross expenditures	6,170	1,516	905	77		8,668
Divestitures at sale price	637	200	122	233		1,192
Cash flow from operating activities	10,316	3,111	556	446		14,429
ROACE as a percentage	**35%**	**25%**	**9%** (2)			**24%** (2)
Balance sheet as of December 31, 2004						
Property, plant, and equipment, net	24,143	6,904	5,188	187		36,422
Intangible assets, net	263	566	1,020	59		1,908
Investments in equity affiliates	1,430	1,241	554	5,772		8,997
Total non-current assets	27,715	10,046	7,744	7,028		52,533
Capital employed	16,442	9,623	8,338 (3)	5,703		40,106

(1) Net income adjusted for special items and excluding TOTAL's equity share of amortization of goodwill and intangible assets related to the Sanofi-Aventis merger
(2) Excluding amortization of goodwill in the Chemicals segment for an amount of 85 million euros
(3) After taking into account a pre-tax contingency reserve (civil liability) of 110 million euros related to the Toulouse - AZF plant explosion

(in millions of euros)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
For the year ended December 31, 2003 (adjusted for special items)						
• 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)
Gross expenditures	5,302	1,235	1,115	76		7,728
Divestitures at sale 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 the Toulouse - AZF plant explosion

(in millions of euros)	Upstream	Downstream	Chemicals	Corporate	Intercompany	Total
For the year ended December 31, 2002 (adjusted for special items)						
• 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)
Gross expenditures	6,122	1,112	1,237	186	-	8,657
Divestitures at sale 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 (2)	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 the Toulouse - AZF plant explosion

The impact of special items on the consolidated statement of income is set forth below:

For the year ended December 31, 2004 (in millions of euros)	Adjusted for special items	Special items	Consolidated statement of income
Sales	122,700	-	122,700
Operating expenses	(100,921)	(220)	(101,141)
Depreciation, depletion and amortization of tangible assets	(4,871)	(627)	(5,498)
Operating income			
Corporate	(215)	-	(215)
Business Segments	17,123	(847)	16,276
Total operating income	**16,908**	**(847)**	**16,061**
Interest expense, net	(234)	-	(234)
Dividend income on non-consolidated companies	164	-	164
Dividends on subsidiaries' redeemable preferred shares	(6)	-	(6)
Other income (expense), net	(403)	2,577	2,174
Provision for income taxes	(8,341)	25	(8,316)
Equity in income (loss) of affiliates	1,164	(827)	337
Income before amortization of acquisition goodwill	**9,252**	**928**	**10,180**
Amortization of acquisition goodwill	(113)	(195)	(308)
Consolidated net income	**9,139**	**733**	**9,872**
Of which minority interests	253	7	260
Net income	**8,886**	**726**	**9,612**

The table below reconciles the information presented above with the Consolidated financial statements:

For the year ended December 31, 2004 (in millions of euros)	Analysis by segment	Special items	Consolidated financial statements
Depreciation, depletion and amortization of tangible assets	(4,871)	(627)	(5,498)
Provisions for depreciation of tangible assets (included in operating expenses)	(70)	(4)	(74)
Amortization of intangible assets	(182)	(28)	(210)
Amortization of acquisition goodwill	(113)	(195)	(308)
Depreciation, depletion, and amortization (cash flow statement)	**(5,236)**	**(854)**	**(6,090)**
Tax on net operating income	(8,393)	25	N/A
Tax resulting from net debt	52	-	N/A
Provision for income tax	**(8,341)**	**25**	**(8,316)**

The impact of special items on the consolidated statement of income is set forth below:

For the year ended December 31, 2003

(in millions of euros)	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 companies	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 interests	194	-	194
Net income	**7,344**	**(319)**	**7,025**

The table below reconciles the information presented above with the Consolidated financial statements:

For the year ended December 31, 2003

(in millions of euros)	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 the consolidated statement of income is set forth below:

For the year ended December 31, 2002

(in millions of euros)	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 companies	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 interests	172	(159)	13
Net income	**6,260**	**(319)**	**5,941**

The table below reconciles the information presented above with the Consolidated financial statements:

For the year ended December 31, 2002

(in millions of euros)	Analysis by segment	Special items	Consolidated financial statements
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, depletionn 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)**

Special items of the income statement, as defined in Note 1-R, are as follows:

SPECIAL ITEMS OF OPERATING INCOME:

(in millions of euros)	Upstream	Downstream	Chemicals	Corporate	Total
Year 2004					
Restructuring charges	-	(50)	(69)	-	(119)
Asset impairment charges	-	(34)	(597)	-	(631)
Other items	-	-	(97)	-	(97)
Total	**-**	**(84)**	**(763)**	**-**	**(847)**
Year 2003					
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)**

SPECIAL ITEMS OF NET INCOME:

(in millions of euros)	Upstream	Downstream	Chemicals	Corporate	Total
Year 2004					
Impact of the Sanofi-Aventis merger [(1)]	-	-	-	1,690	1,690
Restructuring charges	-	(31)	(112)	-	(143)
Asset impairment charges	(114)	(21)	(553)	-	(688)
Gains (losses) on sales of assets	-	-	-	53	53
Toulouse - AZF plant explosion	-	-	(98)	-	(98)
Other items	(34)	(25)	(93)	64	(88)
Total	**(148)**	**(77)**	**(856)**	**1,807**	**726**
Year 2003					
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)**

(1) Gain on dilution from the Sanofi-Aventis merger, net of TOTAL's share of special items related to purchase accounting.

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, 2004						
Non-Group sales	23,427	41,853	17,984	5,527	33,909	122,700
Intangible assets and property, plant, and equipment, net	5,322	14,069	3,264	7,441	8,234	38,330
Gross expenditures	1,989	1,998	755	2,004	1,922	8,668
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
Gross 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
Gross expenditures	1,251	2,118	921	2,086	2,281	8,657

5. Intangible assets

As of December 31,	2004			2003
(in millions of euros)	Cost	Accumulated amortization	Net	Net
Goodwill	2,353	(1,248)	1,105	1,348
Other Intangibles	2,670	(1,867)	803	669
Total intangible assets [1]	**5,023**	**(3,115)**	**1,908**	**2,017**

(1) As of December 31, 2003, aggregate cost and accumulated amortization amounted to 4,840 million euros and 2,823 million euros respectively.

6. Property, plant and equipment

As of December 31,	2004			2003
(in millions of euros)	Cost	Accumulated amortization	Net	Net
Upstream properties				
• Proved properties	54,355	(35,419)	18,936	19,759
• Unproved properties	617	(403)	214	284
• Work in-progress	4,307	(26)	4,281	2,885
Total upstream properties	**59,279**	**(35,848)**	**23,431**	**22,928**
Other property, plant, and equipment				
• Land and preparation cost	1,556	(288)	1,268	1,271
• Machinery, plant, and equipment (including transportation equipment)	20,880	(15,239)	5,641	5,980
• Buildings	6,062	(3,745)	2,317	2,455
• Construction in progress	1,278	(14)	1,264	1,401
• Other	7,789	(5,288)	2,501	2,251
Total other property, plant, and equipment	**37,565**	**(24,574)**	**12,991**	**13,358**
Total property, plant, and equipment [1]	**96,844**	**(60,422)**	**36,422**	**36,286**

(1) As of December 31, 2003, aggregate cost and accumulated depreciation, depletion, and amortization amounted to 93,819 million euros and 57,533 million euros, respectively.

Property, plant, and equipment presented below include the following amounts for facilities and equipment leases that have been capitalized:

As of December 31,	2004			2003
(in millions of euros)	Cost	Accumulated amortization	Net	Net
Machinery, plant, and equipment	570	(199)	371	378
Buildings	32	(23)	9	14
Construction in progress	-	-	-	-
Total	**602**	**(222)**	**380**	**392**

Amortization expense of capital lease assets amounted to 37 million euros in 2004, 40 million euros in 2003 and 29 million euros in 2002.

VARIATION OF PROPERTY, PLANT AND EQUIPMENT

(in millions of euros)

As of December 31, 2003	Acquisitions	Disposals	Amortization of intangible assets	Translation adjustement	Other	As of December 31, 2004
36,286	6,903	(129)	(5,572)	(1,210)	144	36,422

7. Equity affiliates: investments and loans

The Company's share in the equity and income or loss of equity affiliates is summarized below:

	As of December 31,				Year ended December 31,		
	2004	2003	2004	2003	2004	2003	2002
(in millions of euros)	% owned	% owned	Equity value	Equity value	Equity in income/ (loss)	Equity in income/ (loss)	Equity in income/ (loss)
Sanofi-Aventis [1]	13.25%	25.63%	5,772	3,703	(323)	478	412
Cepsa	45.28%	45.28%	1,633	1,462	289	269	200
NLNG	15.00%	15.00%	468	417	158	146	59
Qatargas	10.00%	10.00%	127	121	42	42	45
Qatar Petrochemical Company Ltd.	20.00%	20.00%	111	104	32	22	-
Gasoducto Gasandes Argentina	56.50%	56.50%	110	117	6	-	7
Ocensa	15.20%	15.20%	62	67	-	-	-
Total Tractebel Emirates Power Company	50.00%	50.00%	62	61	4	4	2
Hidroneuquen Piedra dela Aguila	41.30%	41.30%	49	13	41	(33)	(20)
Abu Dhabi Gas Ind, Ltd.	15.00%	15.00%	46	50	-	-	-
Gas Invest S.A.	27.23%	27.23%	43	105	(61)	-	(2)
Gasoducto Gasandes S.A. (Chili)	56.50%	56.50%	33	34	2	-	(1)
Humber Power Ltd.	40.00%	40.00%	23	20	24	13	18
Gisco	10.00%	10.00%	12	25	5	5	25
CFMH [2]	0.00%	45.00%	-	128	32	33	37
Other	N/A	N/A	446	442	86	107	84
Total investments			**8,997**	**6,869**	**337**	**1,086**	**866**
Loans to equity affiliates			**877**	**964**			
Total investments and loans			**9,874**	**7,833**			

(1) Sanofi-Synthélabo for the years ended December 31, 2003 and 2002
(2) The investment in CFMH was disposed as of 31 December 2004.

The Group's share in Cepsa's and Sanofi-Aventis market value amounted to 3,639 million euros and 10,303 million euros as of December 31, 2004, respectively.

CEPSA CONDENSED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004

(in millions of euros)

Fixed assets	4,109	Shareholders' equity	3,292
Current assets	2,799	Long-term debt and other long-term liabilities	1,554
		Current debt and other short-term liabilities	2,062
Total	**6,908**	**Total**	**6,908**

SANOFI-AVENTIS CONDENSED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004

(in millions of euros)

Fixed assets	62,143	Shareholders' equity	35,715
Current assets	16,070	Minority interest	196
		Long-term debt and other long-term liabilities	14,371
		Current debt and other short-term liabilities	27,931
Total	**78,213**	**Total**	**78,213**

The Group's ownership interest in Sanofi-Aventis, held through its subsidiaries Elf Aquitaine and VGF, amounts to 13.25% as of December 31, 2004 (see Note 2).

8. Other investments

As of December 31, (in millions of euros)	2004 Cost	2004 Valuation allowance	2004 Net	2003 Net
Publicly traded equity securities				
BNP Paribas	-	-	-	65
Santander Central Hispano (SCH)	93	-	93	93
Areva	69	-	69	69
Other	7	-	7	79
Total publicly traded equity securities	**169**	**-**	**169**	**306**
Market value of publicly traded equity securities			**270**	**406**
Other equity securities				
BBPP	77	-	77	83
Wepec	52	-	52	52
Oman LNG LLC	6	-	6	6
BTC Limited	108	-	108	61
Other	1,487	(809)	678	654
Total other equity securities [(1)]	**1,730**	**(809)**	**921**	**856**
Total other investments [(2)]	**1,899**	**(809)**	**1,090**	**1,162**

(1) Investments in subsidiaries excluded from consolidation after considering their materiality to the Company's operations accounted for 408 million euros and for 471 million euros as of December 31, 2004 and 2003, respectively. The consolidation of those subsidiaries would have no significant effect on the total assets and net income.
(2) As of December 31, 2003, the aggregate cost of other investments and valuation allowances amounted to 1,996 million euros and 834 million euros, respectively.

9. Other non-current assets

As of December 31, (in millions of euros)	2004 Cost	2004 Valuation allowance	2004 Net	2003 Net
Deferred income tax assets	1,534		1,534	1,504
Loans and advances [(1)]	1,519	(607)	912	826
Other	793		793	822
Total [(2)]	**3,846**	**(607)**	**3,239**	**3,152**

(1) Excluding loans to equity affiliates (Note 7)
(2) As of December 31, 2003, the aggregate cost and valuation allowances of other non-current assets amounted to 3,652 and 500 million euros, respectively.

10. Inventories, net

As of December 31, (in millions of euros)	2004	2003
Crude oil and natural gas	2,641	1,916
Refined products and products in process	3,737	3,049
Chemical products	2,385	2,193
Supplies and other inventories	540	535
Total under FIFO (First in First out) method	**9,303**	**7,693**
Reserve for crude oil price changes and for LIFO adjustment	(2,250)	(1,556)
Inventories, net	**7,053**	**6,137**

11. Accounts receivable, prepaid expenses, and other current assets

As of December 31, (in millions of euros)	2004 Cost	2004 Valuation allowance	2004 Net	2003 Net
Accounts receivable [1]	**14,512**	**487**	**14,025**	**12,357**
Other receivables	1,350	-	1,350	1,164
Recoverable taxes	1,886	-	1,886	1,515
Deferred tax assets, short-term	232	-	232	216
Prepaid expenses	475	-	475	453
Other current assets	1,458	(38)	1,420	1,431
Prepaid expenses and other current assets	**5,401**	**(38)**	**5,363**	**4,779**

(1) As of December 31, 2003, the aggregate cost and valuation allowances of accounts receivable amounted to 12,875 million euros and 518 million euros, respectively.

12. Shareholders' equity

Share capital transactions are detailed as follows:

NUMBER OF TOTAL SHARES

As of January 1, 2002		**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
	Conversion of US warrants	901,930
Cancellation of shares [1]		(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
	Conversion of US warrants	835,644
Cancellation of shares [2]		(40,000,000)
As of December 31, 2003		**649,118,236**
Shares issued in connection with:	Capital increase reserved for employees	3,434,830
	Exercise of share subscription options	950
	Exchange guarantee offered to the beneficiaries of Elf Aquitaine share subscription options	2,335,024
Cancellation of shares [3]		(19,873,932)
As of December 31, 2004 [4]		**635,015,108**

(1) Decided by the Board of Directors on November 19, 2002
(2) Decided by the Boards of Directors on July 16, 2003 and November 6, 2003
(3) Decided by the Board of Directors on November 9, 2004
(4) Including 28,932,967 treasury shares deducted from consolidated shareholders' equity

The variation of the weighted-average number of diluted shares used in the calculation of earnings per share is detailed as follows:

	2004	2003	2002
Number of shares as of January 1	**649,118,236**	**687,190,510**	**705,934,959**
Number of shares issued during the year (pro rated)			
• Capital increase reserved for employees	2,289,887	-	1,392,607
• Exercise of share subscription options	475	-	223,591
• Exchange guarantee offered to the beneficiaries of Elf Aquitaine	1,167,512	546,041	282,236
• Conversion of US warrants	-	417,822	450,965
• TOTAL shares held by subsidiaries and deducted from shareholders' equity	(37,987,555)	(55,256,066)	(45,083,376)
Weighted-average,number of shares	**614,588,555**	**632,898,307**	**663,200,982**
Dilutive effect			
• Share subscription options	528,916	282,777	-
• Shares issued per exercise of exchange guarantee offered to Elf Aquitaine share subscription options holders	763,985	1,945,801	2,564,295
• US warrants	-	-	302,705
Weighted-average number of diluted shares	**615,881,456**	**635,126,885**	**666,067,982**

The earnings per share of the Group before and after the dilutive effect is detailed as follows:

Earnings on weighted-average number of shares	**15.64**	**11.10**	**8.96**
Earnings on weighted-average number of diluted shares	**15.61**	**11.06**	**8.92**

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 were entitled to the dividends paid for the 2003 fiscal year. The subscription period ran from March 22 to April 9, 2004 : 3,434,830 shares were subscribed.

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 November 9, 2004 to cancel 19,873,932 shares at an average price of 154.73 euros per share, with effect on November 20, 2004.

SHARES HELD BY THE PARENT COMPANY, TOTAL S.A.

As of December 31, 2004, TOTAL S.A. held 13,989,670 of its own shares, representing 2.20% of its share capital, detailed as follows:

- 9,633,602 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;

- 4,356,068 shares purchased for cancellation on November and December 2004 pursuant to the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting held on May 14, 2004 and that are deducted from the consolidated shareholders' equity.

SHARES HELD BY THE SUBSIDIARIES

As of December 31, 2004, TOTAL S.A. held indirectly through its subsidiaries 25,082,817 of its own shares, representing 3.95% 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 are 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 until August 5, 2003 date on which the 97,643 unexercised warrants became null and void.

13. Minority interests and subsidiaries' redeemable preferred shares

A) CHANGE TO MINORITY INTERESTS

(in millions of euros)	2004	2003
Balance at beginning of year	664	724
Net Income	260	194
Cash Dividend	(207)	(124)
Translation adjustments	(19)	(68)
Other changes, net [1]	(69)	(62)
Balance at year-end	**629**	**664**

(1) Mainly due to the purchase of minority interests of Atofina and Gaz du Sud-Ouest (GSO) in 2004 and to the sale of the Paints business in 2003.

B) SUBSIDIARIES' REDEEMABLE PREFERRED SHARES

(in millions of euros)

As of January 1, 2003	**477**
Repayment	-
Translation adjustment	(81)
As of December 31, 2003	**396**
Repayment	(241)
Translation adjustment	(8)
As of December 31, 2004	**147**

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 (10 million euros in 2002, 5 million euros in 2003, and 6 million euros in 2004).

14. Employee benefits obligations

Provisions for employee benefits obligations consist of the following as of December 31:

(in millions of euros)	2004	2003
Pension benefits liability	2,765	2,864
Other benefits liability	548	557
Restructuring reserves	287	397
Total	**3,600**	**3,818**

The funded status of defined benefit pension plans and plans for post-retirement benefits other than pensions is as follows as of December 31:

	Pension benefits		Other benefits	
(in millions of euros)	2004	2003	2004	2003
Change in benefit obligation				
- Benefit obligation at beginning of year	7,797	7,947	582	678
- Service cost	141	143	10	12
- Interest cost	414	404	31	36
- Curtailments	(1)	(18)	-	(3)
- Settlements	(133)	(68)	-	(3)
- Special termination benefits	10	21	-	-
- Plan participants' contributions	15	12	-	-
- Benefits paid	(407)	(392)	(42)	(31)
- Plan Amendments	76	7	65	(100)
- Actuarial loss (gain)	260	151	33	58
- Translation adjustement and other	(55)	(410) [3]	(4)	(65)
Benefit obligation at end of year	**8,117**	**7,797**	**675**	**582**
Change in fair value of Plan Assets				
- Fair value of plan assets at beginning of year	(5,026)	(4,786)	-	-
- Actual return on plan assets	(455)	(469)	-	-
- Settlements	165	35	-	-
- Plan participants' contributions	(15)	(12)	-	-
- Employer contributions	(414) [2]	(337) [2]	-	-
- Benefits paid	319	289	-	-
- Foreign currency translation and other	64	254 [3]	-	-
Fair value of plan assets at end of year	**(5,362)**	**(5,026)**	**-**	**-**
Unfunded status	**2,755**	**2,771**	**675**	**582**
- Unrecognized transition (obligation) asset	10	10	(8)	(7)
- Unrecognized prior service cost	(134)	(68)	19	93
- Unrecognized actuarial (losses) gains	(1,892)	(1,897)	(138)	(111)
- Minimum Liability Adjustment (MLA) [1]	1,316	1,316	-	-
Net amount recognized	**2,055**	**2,132**	**548**	**557**
- Accrued benefit cost	2,765	2,864	548	557
- Prepaid benefit cost	(710)	(732)	-	-

(1) Adjustment according to US GAAP, equal to the excess of the Accumulated Benefit Obligation over the fair value of plan assets.
(2) The Group covered certain employee pension benefit plans through insurance companies for an amount of 272 million euros at the end of 2004 and 239 million euros at the end of 2003.
(3) 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.

The Accumulated Benefit Obligation for all benefit plans was 7,435 million euros as of December 31, 2004 and 7,169 million euros as of December 31, 2003.

The Group expects to contribute 152 million euros to its pension plans in 2005.

Estimates future payments (in millions of euros)	Pension benefits	Other benefits
2005	411	42
2006	417	43
2007	439	43
2008	445	43
2009	459	43
2010-2014	2,493	217

	Pension benefit	
Asset allocation as of December 31,	**2004**	**2003**
Equities	44%	47%
Debt securities	50%	49%
Real Estate	3%	2%
Other	3%	2%

Assumption used to determine benefit obligations as of December 31,	Pension benefits		Other benefits	
	2004	**2003**	**2004**	**2003**
Discount rate	5.12%	5.41%	5.28%	5.83%
Average expected rate of salary increase	3.66%	3.74%	-	-
Expected rate of healthcare inflation:				
- Initial	-	-	5.70%	6.37%
- Ultimate	-	-	4.15%	3.83%

Assumptions used to determine net periodic benefit charge (income) as of December 31,	Pension benefits		Other benefits	
	2004	**2003**	**2004**	**2003**
Discount rate	5.41%	5.64%	5.83%	6.07%
Average expected rate of salary increase	3.74%	3.81%	-	-
Expected return on plan assets	6.96%	6.99%	-	-
Expected rate of healthcare inflation:				
- Initial	-	-	6.37%	7.85%
- Ultimate	-	-	3.83%	4.17%

Components of net periodic benefit cost (income): (in millions of euros)	Pension benefits 2004	Pension benefits 2003	Other benefits 2004	Other benefits 2003
Service cost	141	143	10	12
Interest cost	414	404	31	36
Expected return on plan assets	(348)	(307)	-	-
Amortization of transition obligation (asset)	-	(5)	1	1
Amortization of prior service cost	39	34	(1)	(5)
Amortization of actuarial losses (gains)	121	105	5	6
Curtailments	(1)	(7)	-	(7)
Settlements	46	(9)	-	(2)
Special termination benefits	10	21	-	-
Net periodic benefit charge (income)	**422**	**379**	**46**	**41**

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)	1% point increase	1% point decrease
Effect on the benefit obligation at December 31	66	(54)
Effect on the total of service and interest cost components	9	(5)

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)	2004	2003
Accumulated Benefit Obligation	5,978	5,368
Projected Benefit Obligation	6,399	5,699
Fair value of plan assets	(3,634)	(2,988)

RESTRUCTURING RESERVES:

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

As of December 31, (in millions of euros)	2004	2003
Litigation and accrued penalty claims	521	489
Major refinery turnarounds	298	341
Environmental contingencies	627	500
Asset retirement obligations	3,334	3,112
Other long-term liabilities	1,384	1,622
Deposits received	285	280
Total	**6,449**	**6,344**

The other long-term liabilities include namely:
- the contingency reserve related to the Toulouse - AZF plant explosion (civil liability) for an amount of 110 millions euros as of December 31, 2004.
- Provisions related to restructuring of activities in the Chemicals segment for an amount of 159 million euros as of December 31, 2004.

VARIATION IN OTHER LONG-TERM LIABILITIES

(in millions of euros)

As of January 1, 2004	Allowances	Reversals	Translation adjustment	Other	**As of December 31, 2004**
6,344	1,134	(1,315)	(138)	424	6,449

Allowance for the period include:
- an additional allowance of the contingency reserve related to the Toulouse - AZF plant explosion (civil liability), for an amount of 150 million euros,
- major refinery turnarounds for 210 million euros,
- environmental contingencies in the Chemicals segment for 104 million euros.

The principal reversals of the period are related to the incurred expenses and included notably:
- the contingency reserve related to the Toulouse - AZF plant explosion (civil liability), written back for an amount of (316) million euros,
- major refinery turnarounds for (251) million euros,
- provisions for restructuring and social plans for (136) million euros.

The “Other” heading principally includes the effect of the increase of the retirement obligations in application of FAS No. 143 for 317 million euros, and the recording in 2004 of provisions for jubilee for 99 million euros.

VARIATION OF THE ASSET RETIREMENT OBLIGATION

(in millions of euros)

As of January 1, 2004	Accretion	Revision in estimates	New obligations	Spending on existing obligations	Translation adjustment	**As of December 31, 2004**
3,112	143	187	130	(161)	(77)	3,334

16. Debt

A) LONG-TERM DEBT

As of December 31, (in millions of euros)	2004 Secured	2004 Unsecured	2004 Total	2003 Secured	2003 Unsecured	2003 Total
Debenture loans	-	8,208	8,208	-	7,763	7,763
Capital lease obligations	325	-	325	360	-	360
Banks and other :						
• Fixed rate	4	284	288	7	236	243
• Floating rate	137	776	913	93	1,324	1,417
Total	**466**	**9,268**	**9,734**	**460**	**9,323**	**9,783**

Debenture loans after taking into account hedged currency and interest rates swaps can be detailed as follows:

As of December 31, (in millions of euros)	2004	2003
Parent company (1)		
6.875% Bonds 1997-2004 (USD 300 million)	-	237
4% Bonds 2000-2004 (CHF 200 million)	-	94
4% Bonds 2000-2004 (CHF 100 million)	-	48
4% Bonds 2000-2004 (CHF 150 million)	-	73
5.625% Bonds 2000-2004 (EUR 100 million)	-	71
8 1/5% Bonds 1995-2005 (FRF 500 million)	71	77
7.62% Single Coupon Bonds 1995-2005 (FRF 950 million)	136	146
7 1/2% Bonds 1995-2005 (FRF 400 million)	57	61
6.90% Bonds 1996-2006 (FRF 990 million)	144	155
6.75% Bonds 1996-2008 (FRF 950 million)	134	145
6.75% Bonds 1996-2008 (FRF 800 million)	116	125
6.75% Bonds 1996-2008 (FRF 700 million)	98	106
5.03% Bonds 1997-2007 (FRF 620 million)	72	78
6.80% Bonds 1997-2007 (ESP 12 billion)	61	66
6.20% Bonds 1997-2009 (FRF 900 million)	127	137
Pibor 3-month +0.38% Bonds 1998-2008 (FRF 230 million)	27	30
5.125% Bonds 1998-2009 (FRF 1 billion)	122	131
5% Bonds 1998-2013 (FRF 1 billion)	123	132
3.875% Bonds 1999-2006 (EUR 300 million)	237	257
3.25% Bonds 1999-2005 (CHF 200 million)	96	104
3.5% Bonds 2000-2006 (CHF 200 million)	93	100
6.875% Bonds 2000-2005 (GBP 150 million)	176	190
5.375% Bonds 2000-2005 (EUR 250 million)	167	180
3.25% Bonds 2000-2005 (CHF 100 million)	45	48
5.75% Bonds 2000-2005 (EUR 500 million)	318	343
5.65% Bonds 2000-2010 (EUR 100 million)	65	70
7% Bonds 2000-2005 (USD 500 million)	367	396
Short-term portion (less than one year)	(1,433)	(524)
Total parent company	**1,419**	**3,076**
Elf Aquitaine		
7% Bonds 1994-2004 (FRF 1.5 billion)	-	218
4.5% Bonds 1999-2009 (EUR 1 billion)	1,000	1,000
2.25% Bonds 1999-2004 (CHF 250 million)	-	133
Short-term portion (less than one year)	-	(351)
Total Elf Aquitaine	**1,000**	**1,000**

(1) These loans are converted into US dollar floating rate debt by issuance of individual hedging currency swaps.

As of December 31, (in millions of euros)	2004	2003
TOTAL CAPITAL [1]		
3% Bonds 2002-2007 (CHF 600 million)	267	288
4.74% Bonds 2002-2007 (USD 75 million)	55	60
5.125% Bonds 2002-2007 (USD 300 million)	220	237
5.89% Bonds 2002-2012 (USD 20 million)	15	16
3% Bonds 2002-2007 (CHF 400 million)	176	190
4.75% Bonds 2002-2007 (USD 250 million)	183	198
LIBOR USD 3 months + 0.06% Bonds 2002-2007 (USD 50 million)	37	40
LIBOR USD 3 months + 0.065% Bonds 2002-2007 (USD 50 million)	37	40
5% Bonds 2002-2007 (GBP 150 million)	169	182
2.5% Bonds 2002-2007 (CHF 200 million)	97	105
5% Bonds 2002-2007 (GBP 75 million)	87	94
5% Bonds 2003-2007 (GBP 50 million)	58	63
5% Bonds 2003-2008 (AUD 100 million)	42	45
3.5% Bonds 2003-2008 (EUR 500 million)	389	419
4.25% Bonds 2003-2008 (CAD 100 million)	48	52
4.50% Bonds 2003-2013 (USD 30 million)	22	24
3.25% Bonds 2003-2008 (USD 250 milllion)	184	198
5% Bonds 2003-2008 (AUD 100 million)	45	48
3.50% Bonds 2003-2008 (EUR 100 million)	78	84
3.50% Bonds 2003-2008 (EUR 150 million)	122	132
2% Bonds 2003-2008 (CHF 300 million)	159	172
2.375% Bonds 2003-2009 (CHF 300 million)	157	169
2% Bonds 2003-2008 (CHF 200 million)	107	115
6.25% Bonds 2003-2009 (AUD 100 million)	53	57
3.50% Bonds 2003-2009 (USD 500 million)	367	396
2.375% Bonds 2003-2010 (CHF 300 million)	170	183
4.875% Bonds 2004-2010 (GBP 250 million)	341	
2.375% Bonds 2004-2010 (CHF 200 million)	119	
3.75% Bonds 2004-2010 (EUR 500 million)	463	
6% Bonds 2004-2009 (AUD 100 million)	58	
6% Bonds 2004-2009 (AUD 50 million)	28	
4.875% Bonds 2004-2010 (GBP 100 million)	135	
5.75% Bonds 2004-2011 (AUD 100 million)	56	
4% Bonds 2004-2010 (CAD 100 million)	56	
4.875% Bonds 2004-2010 (GBP 150 million)	195	
3.25% Bonds 2004-2008 (USD 50 million)	37	
3.25% Bonds 2004-2008 (USD 50 million)	37	
5% Bonds 2004-2007 (GBP 75 million)	100	
3.25% Bonds 2004-2008 Bonds (USD 100 million)	73	
4.875% Bonds 2004-2011 (CAD 200 million)	114	
4.125% Bonds 2004-2011 (USD 300 million)	220	
6.75% Bonds 2004-2010 (NZD 100 million)	50	
4.125% Bonds 2004-2011 (USD 100 million)	73	
2.385% Bonds 2004-2010 (CHF 200 million)	122	
3.5% Bonds 2004-2009 (USD 50 million)	37	
Total TOTAL CAPITAL	**5,658**	**3,607**
Other consolidated subsidiaries	131	80
Total GROUP	**8,208**	**7,763**

(1) These loans are converted into US dollar floating rate debt by issuance of individual hedging currency swaps.

Loan repayment schedule (excluding short-term portion)

As of December 31, (in millions of euros)	2004	%	2003	%
2005			2,020	21%
2006	697	7%	894	9%
2007	1,939	20%	1,856	19%
2008	1,837	19%	1,853	19%
2009	2,139	22%	3,160 (1)	32%
2010 and after	3,122	32%		
Total	**9,734**	**100%**	**9,783**	**100%**

(1) 2009 and after

Analysis by currency and interest rate

These analyses take into account interest rate and foreign currency swaps to hedge long-term debts.

As of December 31, (in millions of euros)	2004	%	2003	%
US dollar	7,858	81%	7,592	78%
Pound sterling	3	0%	434	4%
Euro	1,548	16%	1,529	16%
Other currencies	325	3%	228	2%
Total	**9,734**	**100%**	**9,783**	**100%**

As of December 31, (in millions of euros)	2004	%	2003	%
Fixed rates	694	7%	627	6%
Floating rates	9,040	93%	9,156	94%
Total	**9,734**	**100%**	**9,783**	**100%**

As of December 31, 2004, the Group had an amount of USD 7,841 million of long-term confirmed lines of credit, of which USD 7,233 million were not used.

These facilities are primarily contracted with international banks for periods initially extending up to 14 years (with an average maturity of approximately 5.2 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

As of December 31, (in millions of euros)	2004	2003
Current portion of long-term loans	1,795	1,657
Short-term financial debt and bank overdrafts	1,728	2,178
Total	**3,523**	**3,835**

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

As of December 31, (in millions of euros)	2004	2003
Advances from customers (including advances from related parties)	881	798
Accruals and deferred income	319	315
Payables to states (including taxes and duties)	6,392	4,990
Payroll	940	925
Other	2,552	1,942
Total	**11,084**	**8,970**

18. Operating expenses

Year ended December 31, (in millions of euros)	2004	2003	2002
Crude oil and product purchases [1]	(81,496)	(67,837)	(67,013)
Unsuccessful exploration costs	(414)	(359)	(487)
Other operating expenses [2]	(19,885)	(19,997)	(19,330)
Long-term operating liabilities allowances/(reversals)	679	1,277	292
Short-term operating liabilities allowances/(reversals)	(25)	11	(84)
Operating expenses	**(101,141)**	**(86,905)**	**(86,622)**

(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

Year ended December 31, (in millions of euros)	2004	2003	2002
Financial interest charge on debt	(756)	(629)	(686)
Financial income on cash and cash equivalents and equity securities	588	408	356
Cost of net debt	**(168)**	**(221)**	**(330)**
Financial interest capitalized	35	46	89
Other financial gains/(losses)	(101)	(57)	46
Financial (charge)/income of operational nature	**(66)**	**(11)**	**135**
Interest expense, net	**(234)**	**(232)**	**(195)**

20. Other income (expense), net

Year ended December 31, (in millions of euros)	2004	2003	2002
Foreign exchange gains/(losses)	(72)	(59)	(50)
Gains/(losses) on sales of assets	3,078	(182)	862
Amortization of intangible assets	(210)	(153)	(184)
Contingency reserve for Toulouse - AZF plant explosion	(150)	-	(95)
Other	(472)	(666)	(290)
Total	**2,174**	**(1,060)**	**243**

For the 2004 accounting period, the "other" heading includes notably early retirement plans and restructuring costs for 165 million euros and other allowances for various litigation reserves for 82 million euros.
For the 2003 accounting period, 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 Arkema or its subsidiaries, and other allowances for various litigation reserves for 90 million euros.
For the 2002 accounting period, the "other" heading includes restructuring costs in the Chemicals segment for 215 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. The renewal of the agreement has been granted to the Group for the period 2002-2004 and requested for the period 2005-2007.

Income tax is detailed as follows:

Year ended December 31, (in millions of euros)	**2004**	**2003**	**2002**
Current income taxes	(7,666)	(5,098)	(5,446)
Deferred income taxes	(650)	(255)	412
Provision for income taxes	**(8,316)**	**(5,353)**	**(5,034)**

Before netting deferred tax assets and liabilities by fiscal entity, the components of deferred tax balances as of December 31, 2004 and 2003 are as follows:

As of December 31, (in millions of euros)	**2004**	**2003**
Net operating losses and tax credit carryforwards	933	728
Employee benefits	841	976
Other temporarily non-deductible provisions	3,006	2,930
Gross deferred tax assets	**4,780**	**4,634**
Valuation allowance	(342)	(280)
Net deferred tax assets	**4,438**	**4,354**
Excess tax over book depreciation	(6,821)	(6,363)
Other temporary tax deductions	(1,953)	(1,750)
Gross deferred tax liability	**(8,774)**	**8,113**
Net deferred tax liabilities	**(4,336)**	**(3,759)**

After netting deferred tax assets and liabilities by fiscal entity, deferred taxes are presented on the balance sheet as follows:

As of December 31, (in millions of euros)	**2004**	**2003**
Deferred tax assets, long-term (Note 9)	1,534	1,504
Deferred tax assets, short-term (Note 11)	232	216
Dererred tax liabilities, long-term	(6,063)	(5,443)
Deferred tax liabilities, short-term (Note 17)	(39)	(36)
Net amount	**(4,336)**	**(3,759)**

RECONCILIATION BETWEEN PROVISION FOR INCOME TAXES AND PRE-TAX INCOME

Year ended December 31, (in millions of euros)	**2004**	**2003**
Net income	9,612	7,025
Minority interests	260	194
Provision for income taxes	8,316	5,353
Pre-tax income	**18,188**	**12,572**
French statutory tax rate	35,43%	35,43%
Theoretical tax charge	**(6,444)**	**(4,454)**
Difference between French and foreign income tax rates	(2,758)	(1,973)
Tax effect of equity in income (loss) of affiliates	119	385
Permanent differences	846	781
Change in valuation allowance	(71)	(88)
Other	(8)	(4)
Net provision for income taxes	**(8,316)**	**(5,353)**

French statutory tax rate includes standard corporate tax rate (33.33%) and additional taxes applicable in 2004 and 2003 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:

As of December 31,	**2004**		**2003**	
(in millions of euros)	Basis	Tax	Basis	Tax
2004			181	82
2005	291	122	248	100
2006	368	143	273	104
2007	180	76	61	30
2008 [(1)]	603	214	1,121	226
2009 and after	65	29		
Unlimited	1,605	349	563	186
Total	**3,112**	**933**	**2,447**	**728**

(1) Net operating losses and tax credit carryforwards in 2008 and after for 2003

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, 2004 are shown as follows:

(in millions of euros)	Operating Leases	Capital Lease Obligations
2005	203	52
2006	169	47
2007	116	44
2008	105	46
2009	68	39
2010 and after	327	231
Future lease payments	**988**	**459**
Less amount representing interest		(104)
Present value of net minimum lease payments		355
Less current portion of capital leases		(30)
Total		**325**

Net rental expense incurred under operating leases for the years ended December 31, 2004, 2003, and 2002, was 244 million euros, 197 million euros, and 204 million euros, respectively.

23. Commitments and contingencies

As of December 31, 2004 (in millions of euros)	Total	Maturity and instalments of payments Less than 1 year	Between 1 and 5 years	More than 5 years
Excise taxes payment given	2,892	2,668	48	176
Collateral given against borrowings	454	5	150	299
Other commitments given	2,462	1,165	568	729
Total commitments given	**5,808**	**3,838**	**766**	**1,204**
Mortgages and liens received	196	9	124	63
Other commitments received	1,169	588	310	271
Total commitments received	**1,365**	**597**	**434**	**334**

As of December 31, 2003 (in millions of euros)	Total	Maturity and instalments of payments 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**

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 2,892 million euros as of December 31, 2004 mainly consist of guarantees given to other 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 454 million euros as of December 31, 2004 for debt guarantees with maturities up to 2019.

OTHER COMMITMENTS GIVEN

Non-consolidated subsidiaries

The Group also guarantees the current liabilities of some of its non-consolidated affiliates. Performance under these guarantees would be triggered by a financial default of the entity. At year-end 2004, the total amount of these guarantees is estimated to be 80 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 296 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 accepted and recognized industry practice, the Group enters into numerous agreements with other parties. These commitments are often entered into for commercial purposes or for regulatory purposes and for other operating agreements. As of December 31, 2004, these other commitments include guarantees given to customers or suppliers for 618 million euros, guarantees on documentary letters of credit for 816 million euros and other operating commitments for 652 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 (see “Commodity contracts”, page 145).

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.

As of December 31, 2004 (in millions of euros)	**Total**		**2005**	**2006**	**2007**	**2008**	**2009**	**2010 and after**
Management of interest rate exposure								
Issue swaps and swaps hedging debenture issues								
Notional amount	9,490		1,433	474	1,599	1,698	1,948	2,338
Received rate (as of 12.31.2004)		4.40%						
Paid rate (as of 12.31.2004)		2.68%						
Long-term currency and interest rate swaps hedging bank loans								
Notional amount	105		37	2	66	-	-	-
Received rate (as of 12.31.2004)		3.58%						
Paid rate (as of 12.31.2004)		3.36%						
Long-term interest rate swaps								
Receive-fixed swaps								
Notional amount	37		34	1	-	-	-	2
Received rate (as of 12.31.2004)		5.45%						
Paid rate (as of 12.31.2004)		2.55%						
Pay-fixed swaps								
Notional amount	3		-	-	-	-	-	3
Received rate (as of 12.31.2004)		2.30%						
Paid rate (as of 12.31.2004)		5.56%						
Short-term interest rate swaps								
Notional amount	16,997		16,997	-	-	-	-	-
FRA								
Notional amount	-							
Buying	-		-	-	-	-	-	-
Sale	-		-	-	-	-	-	-
Management of currency exposure								
Currency swaps								
Notional amount	10,531		10,160	111	28	16	16	200
Forward exchange contracts								
Notional amount	116		116	-	-	-	-	-
Currency options								
Notional amount	-		-	-	-	-	-	-
Buying	-		-	-	-	-	-	-
Sale	-		-	-	-	-	-	-

As of December 31, 2003 (in millions of euros)	**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 hedging bank loans								
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	-	-	-	-	-

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 U.S. 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 an expense, amounting to 26 million euros, for the year ended December 31, 2004, a profit, amounting to 3 million euros, for the year ended December 31, 2003, and an expense, amounting to 4 million euros, for the year ended December 31, 2002, 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, freight rates and natural gas and power derivatives 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.

	Notional value 2004		Notional value 2003	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities
Crude oil and petroleum products and freight rates:				
• Petroleum products and crude oil swaps (1)	3,454	3,778	2,546	2,724
• Forward freight agreements	29	71	-	-
• Forwards	233	882	262	1,050
• Options (2)	2,712	2,162	1,742	1,409
• Futures (3)	536	914	660	912
• Options on futures (2)	199	228	92	139
Natural gas and power:				
• Swaps (1)	140	240	272	166
• Forwards	4,568	5,227	6,106	7,116
• Options (2)	35	22	227	239
• Futures (3)	17	8	3	17

(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, "Forwards" include instruments that may result in physical delivery, such as BFO contracts.

All other spot or term contracts with physical delivery and price established on the basis of quotations of published market indexes are not included.

For natural gas and power activity, "forwards" include 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 2004 and 2003.

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 (except the short term interest rate swaps).

Forward exchange contracts and currency swaps are valued on the basis of a comparison of the forward rates negociated with the rates in effect on the financial markets at year-end for similar maturities.

Exchange options are valued based on Garman-Kohlhagen model including market quotations as of December 31, 2004.

As of December 31,	2004		2003	
(in millions of euros)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Balance sheet				
Other investments:				
• Publicly traded	169	270	306	406
• Non-publicly traded (subsidiaries excluded from consolidation and other)	921	921	856	856
Short-term investments:				
• Publicly traded	1,327	1,632	1,389	1,544
• Non-publicly traded	23	23	15	15
Loans and advances to subsidiaries excluded from consolidation and others	**912**	**912**	**826**	**826**
Debenture loans (before swaps and excluding current portion) [a]	**8,208**	**9,481**	**7,763**	**9,182**
Issue swaps [a]	**-**	**(1,297)**	**-**	**(1,414)**
Bank loans (excluding capital lease obligations) [b]**:**				
• Fixed-rate	288	274	243	252
• Floating-rate	913	926	1,417	1,417
Current portion of long-term debt (excluding current portion of capital lease obligations)	**1,762**	**1,803**	**1,626**	**1,694**

Off-balance sheet				
Treasury management instruments				
Bank guarantees	-	(2)	-	(2)
Swaps hedging debenture issues [a]	-	-	-	-
Long-term interest rate and currency swaps hedging bank loans	-	32	-	25
Long-term interest rate swaps	-	1	(2) [f]	(9)
Short-term interest rate swaps [c]	-	1	-	1
Short-term and long-term currency swaps [d]	-	(313)	-	(174)
Forward exchange contracts	-	(4)	-	3
Currency options	-	-	-	(1)
Commodities instruments (comparable to financial instruments) [e]				
Petroleum products and crude oil swaps	36	36	(16)	(16)
Petroleum products and crude oil options	9	9	15	15
Natural gas and power swaps	(1)	(1)	12	12
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 market 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 instrument.

25. Employee share subscription and share purchase plans

TOTAL SHARE SUBSCRIPTION PLANS

	1996 Plan (1)	2003 Plan (2)	2004 Plan (3)	Total
Exercise price (in euros)	59.76	133.20	159.40	
Expiration date	12/11/02	07/16/2011	07/20/2012	
Options				
Outstanding as of January 1, 2002	449,881			449,881
Granted	-			-
Cancelled	(2,700)			(2,700)
Exercised	(447,181)			(447,181)
Outstanding as of December 31, 2002	-	-		-
Granted	-	2,935,306		2,935,306
Cancelled	-	-		-
Exercised	-	-		-
Outstanding as of December 31, 2003	-	2,935,306	-	2,935,306
Granted	-	-	3,365,630	3,365,630
Cancelled	-	(2,100)	(12,000)	(14,100)
Exercised	-	(950)	-	(950)
Outstanding as of December 31, 2004	-	2 932,256	3,353,630	6,285,886

(1) 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.
(2) 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.
(3) Grants decided by the Board of Directors on July 20, 2004 pursuant to the authorization given by the Extraordinary Shareholders' Meeting held on May 14, 2004. 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						
Outstanding 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)
Outstanding 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)
Outstanding as of January 1, 2004	722,538	1,406,617	2,409,045	2,683,625	2,863,200	10,085,025
Granted	-	-	-	-	-	-
Cancelled	-	-	(1,300)	(2,700)	(800)	(4,800)
Exercised	(333,526)	(380,088)	(1,300)	-	(772)	(715,686)
Outstanding as of December 31, 2004	389,012	1,026,529	2,406,445	2,680,925	2,861,628	9,364,539

(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 a 3.5-year period from the date the option is granted to the individual employee 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 bis 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, 2004, a maximum of 987,066 Elf Aquitaine shares, either outstanding or to be created, were covered by this guarantee, as follows:

Elf Aquitaine share subscription plans	1998 Plan	1999 Plan n°1	1999 Plan n°2	MTI Plan (1)	Total
Exercise price (in euros)	**105.95**	**115.60**	**171.60**	**105.95**	
Expiration date	03/31/2005	03/30/2009	09/12/09	03/31/2005	
Options outstanding as of December 31, 2004	237,105	436,965	57,600	222,185	953,855
Outstanding Elf Aquitaine shares covered by the exchange guarantee as of December 31, 2004	11,051	5, 765	-	16,395	33,211
Total of Elf Aquitaine shares, either outstanding or to be created, covered by the exchange guarantee for TOTAL shares as of December 31, 2004	**248,156**	**442,730**	**57,600**	**238,580**	**987,066**

(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, 2004, a total of 1,442,634 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,	2004	2003	2002
Personnel expense			
Wages and salaries (including social charges) (in millions of euros)	6,107	6,153	6,429
Average number of employees			
France			
• Management	11,338	11,194	11,736
• Other	37,836	38,443	41,179
International			
• Management	14,891	14,326	14,650
• Other	47,336	46,820	53,904
Total	**111,401**	**110,783**	**121,469**

Average number of employees includes only the employees of consolidated subsidiaries.
The total amount of compensation paid to Directors is detailed in the "Corporate governance" chapter of this document.

27. Consolidated statement of cash flows

A) DISCLOSURE OF ACCOUNTING POLICIES APPLIED

The consolidated statement of cash flows in foreign currency has been translated into euros using average exchange rates for all years considered. It excludes 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 statement 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:

For the year ended December 31, (in millions of euros)	**2004**	**2003**
Issuance of long-term debt	2,801	2,657
Repayment of long-term debt	(552)	(549)
Net issuance of long-term debt	**2,249**	**2,108**

B) CHANGES IN WORKING CAPITAL

For the year ended December 31, (in millions of euros)	**2004**	**2003**
Inventories	(899)	(19)
Accounts receivable	(1,929)	(393)
Prepaid expenses and other current assets	(955)	(60)
Accounts payable	1,775	941
Other creditors and accrued liabilities	2,480	(87)
Net (increase) decrease in working capital	**472**	**382**

C) SUPPLEMENTAL DISCLOSURES

For the year ended December 31, (in millions of euros)	**2004**	**2003**
Cash paid during the year for:		
• Interest expense (net of amount capitalized)	847	505
• Income taxes	4,376	3,908

C) NON CASH INVESTING ACTIVITES

Cash flow used in investing activities includes an amount of 276 million euros related to the termination of cross-shareholdings agreements with Gaz de France in Gaz du Sud-Ouest (GSO) and Compagnie Française du Méthane (CFM), cashed out on January 3, 2005.

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, Arkema and certain other chemical subsidiaries are involved in several civil lawsuits in the United States for violations of antitrust laws. The litigation reserves for these lawsuits amount to 14 million euros.

The investigations, commenced by the European Commission in 2000, 2003 and 2004, into alleged anti-competitive practices involving certain products sold by Arkema or its subsidiaries have resulted in a decision regarding one product line by the Commission, delivered on January 19, 2005, which ordered Arkema to pay a 13.5 million euro fine and also ordered Elf Aquitaine and Arkema to jointly pay a 45 million euro fine.

On January 28, 2005, the European Commission addressed a statement of objections to Arkema, TOTAL S.A. and Elf Aquitaine regarding alleged anti-competitive practices concerning a new product line. No facts have been alleged that would implicate TOTAL S.A. or Elf Aquitaine in these practices. The Group believes that the provisions recorded in the accounts of certain of its chemicals subsidiaries, for an aggregate amount of 176 million euros, should be adequate in light of the investigations commenced by the Commission.

Moreover, as a result of investigations commenced in October 2002 by the European Commission concerning certain Refining & Marketing subsidiaries of the Group, Total Nederland N.V. received a statement of objections in October 2004. A statement of objections regarding these practices has also been addressed to TOTAL S.A., although no facts have been alleged that would implicate TOTAL S.A. in these practices.

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 a significant adverse effect on the Company's financial position, cash flows or earnings.

29. Other information

A) CUSTOMS DUTIES AND EXCISE TAXES

They amounted to 21,517 million euros in 2004, 21,049 million euros in 2003, and 22,639 million euros in 2002.

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, 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-vibration systems, new coatings) as well as nano-technology.

Research and development costs incurred by the Company during the 2004 accounting period amounted to 635 million euros, corresponding to 0.5% of the turnover as compared to 667 million euros in 2003 and 662 million euros in 2002.

The staff dedicated to these research and development activities are estimated at 5,257 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 1,487 million euros in 2004, 1,315 million euros in 2003, and 1,210 millions euros in 2002.

30. Scope of consolidation as of December 31, 2004

As of December 31, 2004, 777 subisidiaries are consolidated of which 673 are fully consolidated, 11 are proportionately consolidated, (identified with the letter P), and 93 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.

Treasury shares: 6.2%

TOTAL S.A.

60.1% / 39.9% → **TOTAL FRANCE (99.8%)**

65.8% / 34.2% → **TOTAL E & P HOLDINGS (99.8%)**

TOTAL subsidiaries 100%

- Total E&P Kazakhstan (100%)
- Total E&P Nigeria (100%)
- Total E&P USA, Inc. (100%)
- Total Coal South Africa Ltd. (100%)
- Total Gasandes S.A. (100%)
- Total Venezuela (100%)
- Total Portugal Petroleos S.A. (100%)
- Total Outre-Mer (100%)
- Total Maroc (100%)
- Total (China) Investments (100%)
- Air Total International (100%)
- Chartering & Shipping Services S.A. (100%)
- Total International Ltd. (100%)
- Cray Valley S.A. (100%)
- Total Chimie (100%)
  - Hutchinson S.A. (100%)
  - Total Petrochemicals Iberica (100%)
  - PetroFina S.A. (100%)
    - Total Belgium (100%)
    - PetroFina International Group (100%)
- Total Finance S.A. (100%)
- Omnium Insurance and Reinsurance Cy (100%)
- Omnium des Participations S.A. (100%)
- Total Holdings USA, Inc. (100%)
  - Atlantic Trading & Marketing (100%)
  - Total Petrochemicals USA, Inc. (100%)
    - Total Gas & Power North America (100%)
  - Hutchinson Corporation (100%)
- Total Capital (100%)
- Total Treasury (100%)

TOTAL FRANCE (99.8%)

- AS24 (99.8%)
- Egedis (99.8%)
- Stela (99.8%)
- TotalGaz (99.8%)
- Total Lubrifiants S.A. (99.8%)
- Total Fluides (99.8%)
- Urbaine des Pétroles (99.8%)
- TotalGaz Argentina (99.8%)
- Total (Philippines) Corp. (99.8%)
- Total South East Asia (99.8%)

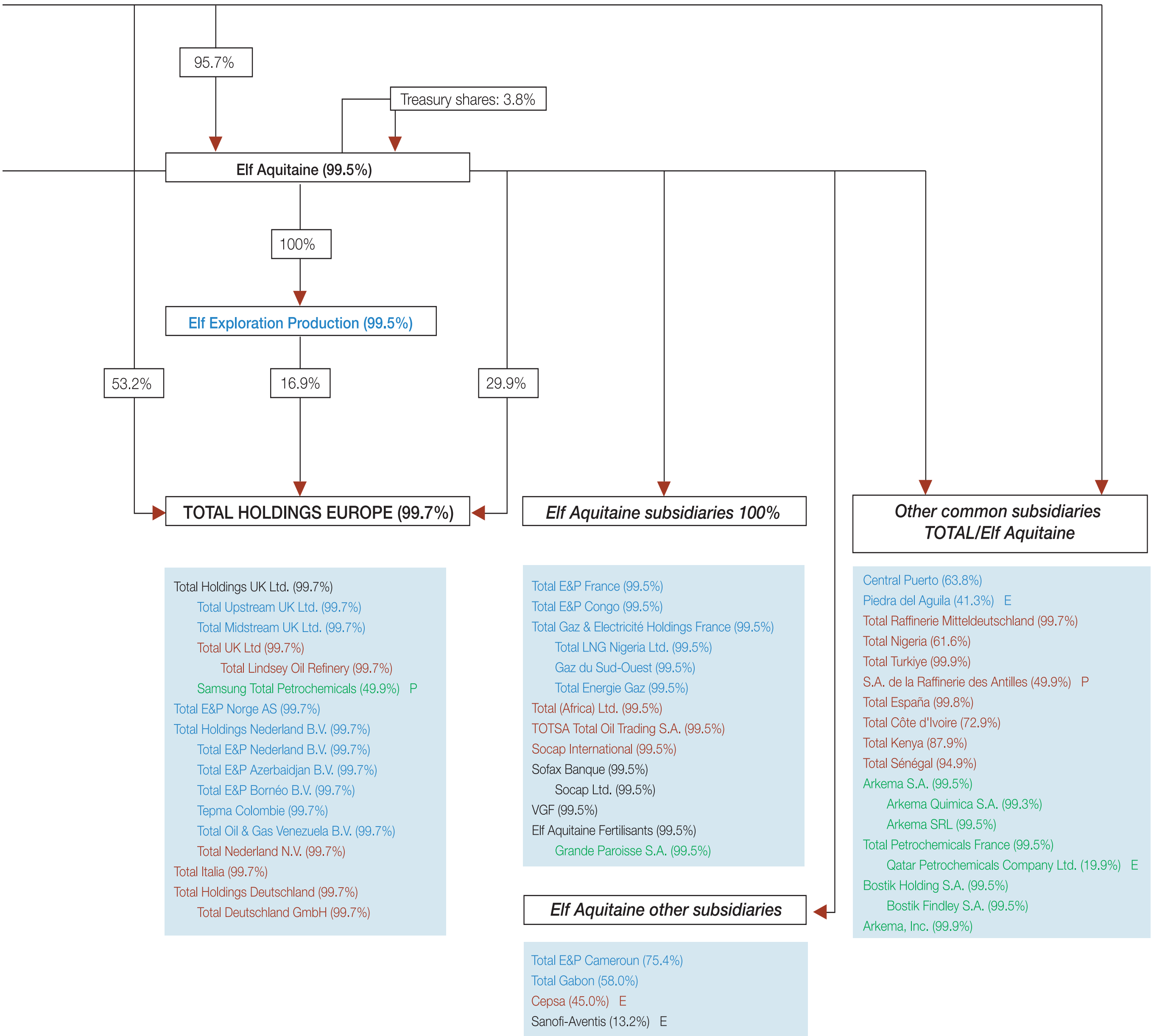
TOTAL E & P HOLDINGS (99.8%)

- Total E&P Russie (99.8%)
- Total (BTC) Ltd. (99.8%)
- Total E&P Algérie (99.8%)
- Total E&P Angola (99.8%)
- Total E&P Libye (99.8%)
- Elf Petroleum Nigeria Ltd. (99.8%)
- Total Abu Al Bu Khoosh (99.8%)
- Total South Pars (99.8%)
- Elf Petroleum Iran (99.8%)
- Total Sirri (99.8%)
- Total E&P Oman (99.8%)
- Total Qatar Oil & Gas (99.8%)
- Total E&P Qatar (99.8%)
- Total E&P Syrie (99.8%)
- Total E&P Yémen (99.8%)
- Total E&P Indonésie (99.8%)
- Total E&P Myanmar (99.8%)
- Total Profils Pétroliers (99.8%)
- Total E&P Thailand (99.8%)
- Total Austral (99.8%)
- Total E & P Bolivie (99.8%)

TOTAL other subsidiaries

- Total South Africa (66.8%)
- Total Raffinaderij Nederland (55.0%) P

The business segments are identified with the following colors:
Upstream
Downstream
Chemicals
Holding



FIVE-YEAR SUMMARIZED CONSOLIDATED BALANCE SHEETS

December 31, (in millions of euros)	2004	2003	2002	2001	2000
Assets					
Non-current assets	**52,533**	**50,450**	**54,010**	**56,640**	**53,860**
Intangible assets	1,908	2,017	2,752	3,196	2,914
Property, plant and equipment	36,422	36,286	38,592	41,274	37,699
Investments and other non-current assets	14,203	12,147	12,666	12,170	13,247
Current assets	**31,628**	**29,513**	**31,319**	**31,960**	**31,314**
Inventories	7,053	6,137	6,515	6,622	6,811
Other current assets	24,575	23,376	24,804	25,338	24,503
Total assets	**84,161**	**79,963**	**85,329**	**88,600**	**85,174**

(in millions of euros)	2004	2003	2002	2001	2000
Liabilities and shareholder's equity					
Long-term liabilities and shareholders' equity	**57,882**	**56,854**	**60,147**	**62,531**	**60,025**
Shareholders' equity	31,260	30,406	32,146	33,932	32,401
Redeemable preferred shares	147	396	477	567	537
Minority interests	629	664	724	898	755
Long-term liabilities	16,112	15,605	16,643	15,969	14,823
Long-term debt	9,734	9,783	10,157	11,165	11,509
Current liabilities	**26,279**	**23,109**	**25,182**	**26,069**	**25,149**
Total liabilities and shaheholders' equity	**84,161**	**79,963**	**85,329**	**88,600**	**85,174**

FIVE-YEAR CONSOLIDATED STATEMENTS OF INCOME

For the year ended December 31, (in millions of euros)	2004	2003	2002	2001	2000
Sales	122,700	104,652	102,540	105,318	114,557
Operating expenses	(101,141)	(86,905)	(86,622)	(87,760)	(95,485)
Depreciation, depletion, and amortization	(5,498)	(4,977)	(5,792)	(4,781)	(4,859)
Operating income	**16,061**	**12,770**	**10,126**	**12,777**	**14,213**
Interest expense, net	(234)	(232)	(195)	(184)	(440)
Dividend income on non-consolidated subsidiaries	164	152	170	159	152
Dividends on redeemable preferred shares	(6)	(5)	(10)	(19)	(28)
Other income (expense)	(2,174)	(1,060)	243	283	(740)
Income taxes	(8,316)	(5,353)	(5,034)	(5,874)	(6,322)
Equity in income (loss) of affiliates	337	1,086	866	1,001	676
Income before amortization of acquisition goodwill	**10,180**	**7,358**	**6,166**	**8,143**	**7,511**
Amortization of acquisition goodwill	(308)	(139)	(212)	(319)	(303)
Consolidated net income	**9,872**	**7,219**	**5,954**	**7,824**	**7,208**
Minority interests	260	194	13	166	304
Net income	**9,612**	**7,025**	**5,941**	**7,658**	**6,904**

Supplemental oil and gas information (unaudited)

Oil and gas reserves

The following tables present (for crude oil, condensate and natural gas liquids and for natural gas reserves) an estimate of the Group's oil and gas reserves by geographical areas at December 31, 2004, 2003 and 2002.

Quantities shown concern:
- proved developed and undeveloped reserves, together with changes in quantities for 2004, 2003 and 2002.
- 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 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.

The estimation of proved reserves is controlled by the Group through established validation guidelines. Reserves evaluations are established annually by senior level geosciences and engineering professionals (assisted by a central reserves group with significant technical experience) including reviews with and validation by senior management.

Significant features of the reserves estimation process include:
- internal peer reviews of technical evaluations also ensuring that the SEC definitions and guidance are followed, and;
- a requirement that management make significant funding commitments toward the development of the reserves prior to booking.

All references in the following tables to reserves or production are to the entire Group's consolidated 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.

Rule 4-10 of Regulation S-X requires the use of the year-end price, as well as existing operating conditions, to determine reserve quantities. Reserves at year-end 2004 have been determined on the Brent marker on December 31, 2004 (40.47 $/b).

Proved reserves are the estimated quantities of TOTAL's entitlement under concession contracts, production sharing or buy back agreements. These estimated quantities may vary depending on oil and gas prices.

An increase in year-end price has the effect of reducing proved reserves associated with production sharing or buy-back agreements (which represent approximately 30% of TOTAL's reserves). Under such contracts, TOTAL is entitled to receive a portion of the production, calculated so that its sale should cover expenses incurred by the Company.
With higher oil prices, the level of entitlement necessary to cover the same amount of expenses is lower.

This reduction is partially offset by an extension of the duration over which fields can be produced economically. However, the increase in reserves due to extensions is smaller than the decrease in reserves under production sharing agreements. For this reason, a higher year-end price translates into a decrease in TOTAL's reserves.

Considering the relatively high Brent price on December 31, 2004 (Brent 40.47 $/b), an estimate of reserves is provided hereinafter for a Brent price of 25 $/b, which corresponds to the environment retained by TOTAL for the definition of its medium-term performance targets. These estimates are for reserves that would have been calculated in accordance with Rule 4-10 of Regulation S-X if the Brent price had been 25 $/b on December 31, 2004.

The percentage of proved developed reserves has remained relatively stable over the past five years, indicating that proved reserves are consistently moved from undeveloped to developed status. Over time, undeveloped reserves will be reclassified to the developed category as new wells are drilled, existing wells are recompleted and/or facilities to produce from existing and future wells are installed. Major development projects typically take two to four years from the time of recording proved reserves to the start of production from these reserves.

CHANGES IN LIQUIDS RESERVES

(in millions of barrels)	Consolidated subsidiaries Europe	Africa	North America	Asia	Rest of world	Total	Equity affiliates and non-consolidated affiliates	Total Group
Proved developed and undeveloped reserves								
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**
Revisions of previous estimates	93	(26)	(13)	11	(119)	(54)	(15)	(69)
Extensions, discoveries and other	43	46	-	-	227	316	61	377
Acquisitions of reserves in place	12	-	-	-	-	12	-	12
Sales of reserves in place	(1)	(18)	-	-	-	(19)	-	(19)
Production for the year	(154)	(255)	(6)	(11)	(91)	(517)	(104)	(621)
Balance as of December 31, 2004	**1,066**	**2,695**	**80**	**79**	**1,969**	**5,889**	**1,114**	**7,003**
Minority interest in proved developed and undeveloped reserves								
As of December 31, 2001	33	75	-	-	-	108	-	108
As of December 31, 2002	28	74	-	-	-	102	-	102
As of December 31, 2003	23	85	-	-	-	108	-	108
As of December 31, 2004	**22**	**80**	**-**	**-**	**-**	**102**	**-**	**102**
Proved developed and undeveloped reserves of equity and non-consolidated affiliates								
As of December 31, 2001	-	94	-	-	1,321	1,415		
As of December 31, 2002	-	107	-	-	1,188	1,295		
As of December 31, 2003	-	97	-	-	1,075	1,172		
As of December 31, 2004	**-**	**73**	**-**	**-**	**1,041**	**1,114**		
Proved developed reserves								
As of December 31, 2001	870	1,128	6	53	530	2,587	858	3,445
As of December 31, 2002	855	1,199	5	52	579	2,690	886	3,576
As of December 31, 2003	769	1,354	28	50	574	2,775	788	3,563
As of December 31, 2004	**734**	**1,351**	**15**	**48**	**477**	**2,625**	**772**	**3,397**
Proved developed reserves of equity and non-consolidated affiliates								
As of December 31, 2001	-	25	-	-	833	858		
As of December 31, 2002	-	81	-	-	805	886		
As of December 31, 2003	-	77	-	-	711	788		
As of December 31, 2004	**-**	**67**	**-**	**-**	**705**	**772**		

Estimate of reserves as of December 31, 2004 calculated at 25 USD/b	Europe	Africa	North America	Asia	Rest of world	Total	Equity affiliates and non-consolidated affiliates	Total Group
Proved developed and undeveloped reserves	1,050	2,826	78	93	2,061	6,108	1,130	7,238

CHANGES IN GAS RESERVES

(in billions of cubic feet)	Consolidated subsidiaries: Europe	Africa	North America	Asia	Rest of world	Total	Equity affiliates and non-consolidated affiliates	Total Group
Proved developed and undeveloped reserves								
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**
Revisions of previous estimates	84	609	(91)	(137)	355	820	65	885
Extensions, discoveries and other	148	728	-	18	450	1,344	63	1,407
Acquisitions of reserves in place	68	-	-	-	-	68	-	68
Sales of reserves in place	(44)	-	(7)	-	-	(51)	-	(51)
Production for the year	(812)	(161)	(88)	(448)	(188)	(1,697)	(94)	(1,791)
Balance as of December 31, 2004	**6,015**	**4,779**	**280**	**4,742**	**5,343**	**21,159**	**1,626**	**22,785**
Minority interest in proved developed and undeveloped reserves								
As of December 31, 2001	141	30	-	-	-	171	-	171
As of December 31, 2002	120	28	-	-	-	148	-	148
As of December 31, 2003	102	29	-	-	-	131	-	131
As of December 31, 2004	**111**	**84**	**-**	**-**	**-**	**195**	**-**	**195**
Proved developed and undeveloped reserves of equity and non-consolidated affiliates								
As of December 31, 2001	-	-	-	-	1,691	1,691		
As of December 31, 2002	-	-	-	-	1,616	1,616		
As of December 31, 2003	-	-	-	-	1,592	1,592		
As of December 31, 2004	**-**	**18**	**-**	**-**	**1,608**	**1,626**		
Proved developed reserves								
As of December 31, 2001	5,185	1,287	294	3,800	934	11,500	1,660	13,160
As of December 31, 2002	5,362	1,785	385	3,563	965	12,060	1,586	13,646
As of December 31, 2003	4,862	1,775	348	3,214	1,367	11,566	1,568	13,134
As of December 31, 2004	**4,300**	**2,071**	**232**	**2,862**	**1,548**	**11,013**	**1,562**	**12,575**
Proved developed reserves of equity and non-consolidated affiliates								
As of December 31, 2001	-	-	-	-	1,660	1,660		
As of December 31, 2002	-	-	-	-	1,586	1,586		
As of December 31, 2003	-	-	-	-	1,568	1,568		
As of December 31, 2004	**-**	**18**	**-**	**-**	**1,544**	**1,562**		

	Europe	Africa	North America	Asia	Rest of world	Total	Equity affiliates and non-consolidated affiliates	Total Group
Estimate of reserves as of December 31, 2004 calculated at 25 USD/b								
Proved developed and undeveloped reserves	5,893	4,867	269	4,881	5,465	21 375	1,626	23,001

CHANGES IN LIQUIDS AND GAS RESERVES

(in millions of barrels of oil equivalent)	Consolidated subsidiaries: Europe	Africa	North America	Asia	Rest of world	Total	Equity affiliates and non-consolidated affiliates	Total Group
Proved developed and undeveloped reserves								
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**
Revisions of previous estimates	110	87	(29)	(46)	(59)	63	(3)	60
Extensions, discoveries and other	71	189	-	3	300	563	73	636
Acquisitions of reserves in place	25	-	-	-	-	25	-	25
Sales of reserves in place	(8)	(18)	(2)	-	-	(28)	-	(28)
Production for the year	(305)	(284)	(22)	(89)	(124)	(824)	(122)	(946)
Balance as of December 31, 2004	**2,179**	**3,625**	**134**	**890**	**2,901**	**9,729**	**1,419**	**11,148**
Minority interest in proved developed and undeveloped reserves								
As of December 31, 2001	58	80	-	-	-	138	-	138
As of December 31, 2002	51	79	-	-	-	130	-	130
As of December 31, 2003	42	91	-	-	-	133	-	133
As of December 31, 2004	**43**	**95**	**-**	**-**	**-**	**138**	**-**	**138**
Proved developed and undeveloped reserves of equity and non-consolidated affiliates								
As of December 31, 2001	-	94	-	-	1,640	1,734		
As of December 31, 2002	-	107	-	-	1,494	1,601		
As of December 31, 2003	-	97	-	-	1,374	1,471		
As of December 31, 2004	**-**	**76**	**-**	**-**	**1,343**	**1,419**		
Proved developed reserves								
As of December 31, 2001	1,822	1,372	62	698	698	4,652	1,171	5,823
As of December 31, 2002	1,844	1,541	76	666	754	4,881	1,187	6,068
As of December 31, 2003	1,667	1,694	94	609	823	4,887	1,082	5,969
As of December 31, 2004	**1,531**	**1,740**	**60**	**530**	**755**	**4,616**	**1,065**	**5,681**
Proved developed reserves of equity and non-consolidated affiliates								
As of December 31, 2001	-	25	-	-	1,146	1,171		
As of December 31, 2002	-	81	-	-	1,106	1,187		
As of December 31, 2003	-	77	-	-	1,005	1,082		
As of December 31, 2004	**-**	**70**	**-**	**-**	**995**	**1,065**		

	Europe	Africa	North America	Asia	Rest of world	Total	Equity affiliates and non-consolidated affiliates	Total Group
Estimate of reserves as of December 31, 2004 calculated at 25 USD/b								
Proved developed and undeveloped reserves	**2,141**	**3,774**	**130**	**929**	**3,011**	**9,985**	**1,436**	**11,421**

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 Europe	Africa	North America	Asia	Rest of world	Total
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**
Year ended December 31, 2004							
Revenues	Sales to unaffiliated parties	2,027	1,163	40	1,446	1,820	6,496
	Transfers to affiliated parties	4,917	6,081	548	250	645	12,441
Total revenues		**6,944**	**7,244**	**588**	**1,696**	**2,465**	**18,937**
Production costs		(787)	(578)	(49)	(162)	(247)	(1,823)
Exploration expenses		(40)	(146)	(90)	(31)	(107)	(414)
Depreciation, depletion and amortization and valuation allowances		(1,197)	(839)	(245)	(252)	(507)	(3,040)
Other expenses (1)		(176)	(764)	(5)	(15)	(288)	(1,248)
Pretax income from producing activities		**4,744**	**4,917**	**199**	**1,236**	**1,316**	**12,412**
Income tax		(2,697)	(3,224)	(87)	(591)	(247)	(6,846)
Results of oil and gas producing activities		**2,047**	**1,693**	**112**	**645**	**1,069**	**5,566**
Company's share of equity affiliates' results of oil and gas producing activities							
Year ended December 31, 2002		-	7	-	-	175	182
Year ended December 31, 2003		-	118	-	-	176	294
Year ended December 31, 2004		**-**	**80**	**-**	**-**	**200**	**280**

(1) Including production taxes and, from 2003, FAS 143 accretion expense (121 million euros in 2003, 137 million euros in 2004)
(2) Including a write-down of 21 million euros in 2002 following the application of FAS 144

COSTS INCURRED IN OIL AND GAS PROPERTY ACQUISITION, EXPLORATION AND DEVELOPMENT ACTIVITIES

The costs incurred in the Company's oil and gas property acquisition, exploration and development include both capitalized and expensed amounts.

	Consolidated subsidiaries					
(in millions of euros)	Europe	Africa	North America	Asia	Rest of world	Total
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**
As of December 31, 2004						
Proved property acquisition	-	2	-	-	29	31
Unproved property acquisition	-	-	5	3	-	8
Exploration costs	99	279	94	29	142	643
Development costs (1)	1,084	1,588	203	379	874	4,128
Total cost incurred	**1,183**	**1,869**	**302**	**411**	**1,045**	**4,810**

Company's share of equity affiliates' costs of property acquisition, exploration and development:

Year ended December 31, 2002	-	2	-	-	128	130
Year ended December 31, 2003	-	64	-	-	171	235
Year ended December 31, 2004	**-**	**56**	**-**	**-**	**184**	**240**

(1) Including asset retirement costs capitalized during the year and any gains or losses recognized upon settlement of asset retirement obligation during the exercise

COSTS TO DEVELOP PROVED UNDEVELOPED RESERVES

The following table presents the amounts spent to develop the proved undeveloped reserves in 2002, 2003 and 2004, 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	2007
Costs to develop Proved Undeveloped Reserves (PUD) (in millions of euros)	3,870	3,480	3,567	4,034 (1)	3,333 (1)	2,677 (1)

(1) Estimates

CAPITALIZED COST 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.

	Consolidated subsidiaries					
(in millions of euros)	Europe	Africa	North America	Asia	Rest of world	Total
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**
As of December 31, 2004						
Proved properties	25,036	16,285	1,551	2,605	7,540	53,017
Unproved properties	51	544	113	17	104	829
Total capitalized costs	**25,087**	**16,829**	**1,664**	**2,622**	**7,644**	**53,846**
Accumulated depreciation, depletion and amortization	(17,518)	(10,338)	(881)	(1,012)	(3,457)	(33,206)
Net capitalized costs	**7,569**	**6,491**	**783**	**1,610**	**4,187**	**20,640**

Company's share of equity affiliates' net capitalized costs

Year ended December 31, 2002	-	23	-	-	659	682
Year ended December 31, 2003	-	277	-	-	525	802
Year ended December 31, 2004	**-**	**214**	**-**	**-**	**501**	**715**

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOW (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 dicsount rate of 10 percent.

The principles applied are those required by FAS 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. An estimate of the fair value of reserves would also take into account, among other things, the recovery of reserves not presently classified as proved, anticipated futures changes in prices and costs and a discount factor more representative of the time value of money and the risks inherent in reserves estimates.

	Consolidated subsidiaries					
(in millions of euros)	Europe	Africa	North America	Asia	Rest of world	Total
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**
As of December 31, 2004						
Future cash inflows	49,233	76,576	2,695	13,737	42,437	184,678
Future production costs	(7,389)	(13,170)	(792)	(2,077)	(10,561)	(33,989)
Future development costs	(6,448)	(10,001)	(356)	(2,316)	(4,436)	(23,557)
Future net cash flows, before income taxes	35,396	53,405	1,547	9,344	27,440	127,132
Future income taxes	(23,711)	(33,859)	(304)	(4,091)	(8,613)	(70,578)
Future net cash flows, after income taxes	11,685	19,546	1,243	5,253	18,827	56,554
Discount at 10%	(4,085)	(8,919)	(455)	(2,167)	(12,091)	(27,717)
Net cash flows	**7,600**	**10,627**	**788**	**3,086**	**6,736**	**28,837**
Minority interests in future net cash flows:						
Year ended December 31, 2002	364	337	-	-	-	701
Year ended December 31, 2003	351	304	-	-	-	655
Year ended December 31, 2004	**297**	**287**	**-**	**-**	**-**	**584**
Company's share of equity affiliates' future net cash flows as of						
Year ended December 31, 2002	-	63	-	-	1,194	1,257
Year ended December 31, 2003	-	666	-	-	1,139	1,805
Year ended December 31, 2004	**-**	**494**	**-**	**-**	**1,101**	**1,595**

CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

For the year ended December 31, (in millions of euros)	2004	2003	2002
Beginning of the year	**29,118**	**37,230**	**27,794**
Sales and transfers, net of production costs and other expenses	(12,791)	(14,870)	(11,792)
Net change in sales and transfer prices, net of production costs and other expenses	12,919	(13,453)	17,687
Extensions, discoveries and improved recovery, net of future production and development costs	974	1,997	2,394
Changes in estimated future development costs	(1,215)	832	1,544
Previously estimated development costs incurred during the year	3,790	3,987	4,168
Revisions of previous quantity estimates	(2,684)	(1,109)	(428)
Accretion of discount at 10%	2,912	3,723	2,779
Net change in income taxes	(4,255)	10,778	(7,633)
Purchases of reserves in place	292	190	716
Sales of reserves in place	(223)	(187)	1
End of year	**28,837**	**29,118**	**37,230**

Up to the year ended December 31, 2002, the line “Previously estimated development costs incurred during the year” carried the exact amount as the line “Development Costs” of the “Cost Incurred” table. As of year ended December 31, 2003, presentation of this table has been changed to indicate the amounts in the future net cash flows as they had been 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 have been modified accordingly.

Other information

ACCOUNTING FOR SUSPENDED WELL COSTS

When a discovery is made, exploratory drilling costs continue to be capitalized pending determination of whether potentially economic oil and gas reserves have been discovered by the drilling effort. The length of time necessary for this determination depends on the specific technical or economic difficulties in assessing the recoverability of the reserves. If a determination is made that the well did not encounter oil and gas in economically viable quantities, the well costs are expensed and are reported in exploration expense.

Exploratory drilling costs are temporarily capitalized pending determination of whether the well has found proved reserves if both of the following conditions are met:

- The well has found a sufficient quantity of reserves to justify, if appropriate, its completion as a producing well, assuming that the required capital expenditure is made; and
- Satisfactory progress toward ultimate development of the reserves is being achieved, with the Company making sufficient progress assessing the reserves and the economic and operating viability of the project.

The Company evaluates the progress made on the basis of regular project reviews which take into account the following factors:

- First, if additional exploratory drilling or other exploratory activities (such as seismic work or other significant studies) are either underway or firmly planned, the Company deems there to be satisfactory progress. For these purposes, exploratory activities are considered firmly planned only if they are included in the Company's three-year exploration plan/budget. At December 31, 2004, the Company had capitalized 172 M€ of exploratory drilling costs on this basis, as further set forth below.
- In cases where exploratory activity has been completed, the evaluation of satisfactory progress takes into account indicators such as the fact that costs for development studies are incurred in the current period, or that governmental or other third-party authorizations are pending or that the availability of capacity on an existing transport or processing facility awaits confirmation. At December 31, 2004, exploratory drilling costs capitalized on this basis amounted to 41 M€ and mainly related to two projects, as further described below.

In February 2005, the FASB issued a proposed FASB Staff Position (FSP) to amend FAS No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies". The proposed FSP provides for continued capitalization of exploratory drilling costs past one year if a company is making sufficient progress on assessing the reserves and the economic and operating viability of the project. The proposed FSP also provides certain disclosure requirements with respect to capitalized exploratory drilling costs.

The Company will monitor the continuing deliberations of the FASB on this matter and the possible implications, if any, of the proposed FSP on the Company's accounting policy with respect to the capitalization of exploratory drilling costs. The Company estimates that if the proposed FSP were adopted, no material change would be required to such accounting policy.

The Company also estimates that, if the proposed FSP were applied retroactively to January 1, 2002, net income would not change in 2004, 2003, or 2002. The Company believes wether or not FSP is adopted as proposed would not result in the write-off of any exploratory drilling costs capitalized at December 31, 2004.

CAPITALIZED EXPLORATORY COSTS

The following table sets forth the net changes in capitalized exploratory costs for 2004, 2003 and 2002:

(in millions of euros)	2004	2003	2002
Beginning balance	**422**	**579**	**722**
Additions pending determination of proved reserves [1]	269	263	276
Amounts previously capitalized and expensed during the year	(40)	(16)	(55)
Amounts transferred to Development	(196)	(333)	(266)
Foreign exchange changes	(25)	(71)	(98)
Ending balance	**430**	**422**	**579**

(1) "Additions pending determination of proved reserves" consists of exploration costs less exploration costs directly charged to expenses.

The following table sets forth a breakdown of capitalized exploratory costs at year end 2004, 2003 and 2002 by category of exploratory activity:

As of December 31 (in millions of euros)	2004	2003	2002
Projects with recent or planned exploratory activity	**389**	**317**	**306**
• Wells for which drilling is not completed	91	39	141
• Wells with drilling in past 12 months	126	223	96
• Wells with future exploratory activity firmly planned (1)	172	55	69
Future exploratory drilling planned	*148*	*55*	*69*
Other exploratory activity planned (2)	*24*	*0*	*0*
Projects with completed exploratory activity	**41**	**105**	**273**
• Projects not requiring major capital expenditures	0	0	0
• Projects requiring major capital expenditures	41	105	273
Total	430	422	579
Number of wells at end of year	**56**	**62**	**68**

(1) All projects included in this line require major capital expenditures.
(2) At the end of 2004, this relates to a single well whose continuing capitalization is justified by firmly planned seismic activity.

At the end of 2004, there was no amount of capitalized exploratory drilling costs that was associated with areas not requiring major capital expenditures before production could begin, where more than one year had elapsed since the completion of drilling.

At the end of 2004, an amount of 41 M€ was associated with suspended wells in areas where major capital expenditures will be required and no future exploratory activity is firmly planned. This amount corresponds to four projects (8 wells) and is mainly associated to two projects. First, the Itau project relates to a gas discovery in Bolivia over which 2 wells drilled between 1999 and 2001 were capitalised for an amount of 20 M€ as at December 31, 2004. The Company is actively pursuing commercialization of gas from the Itau discoveries on Brazilian and Argentinean markets. Booking of proved reserves is currently anticipated in 2007-2009. Second, the Bonga SW project relates to development of a deepwater oil discovery in Nigeria for which 4 wells were drilled between 2001 and 2003 and for which 11 M€ were capitalized as at December 31, 2004. The Company is working on the development concept with operator and co-venturers; the development will involve in particular the construction of a Floating Production, Storage and Offloading (FPSO) facility. Booking of proved reserves is currently anticipated in 2006-2008.

The following table provides an aging of capitalized exploratory costs and the number of wells to which such costs relate.

As of December 31	2004		2003		2002	
(in millions of euros and number of wells)	Amount	Wells	Amount	Wells	Amount	Wells
Wells for which drilling is not completed	91	13	39	10	141	15
Wells with completed drilling						
• Less than 1 year	126	12	223	23	96	17
• Between 1 and 4 years	198	29	139	26	262	26
• Between 4 years and 8 years	15	2	21	3	80	10
• More than 8 years	-	-	-	-	-	-
Total	430	56	422	62	579	68

Transition to International Financial Reporting Standards (IFRS)

INTRODUCTION

During the year 2004, the Group has progressed towards the implementation of IFRS (International Financial Reporting Standards). With effect from January 1, 2005, the Group has adopted International Financial Reporting Standards (IFRS) applicable at year-end closing (December 31, 2005) and approved by the European Commission. The Group will publish its first accounts under IFRS when it releases its first quarter 2005 interim financial statements. TOTAL'S annual report for 2005 will be prepared in accordance with IFRS and, for comparative purposes, will also provide financial information for fiscal year 2004. In that respect, the transition date to IFRS has been set at January 1, 2004.

Financial information presented in this document has been prepared on the basis of IFRS adopted thus far as well as those subject to approval by the European Commission. The figures have been audited by external auditors, reviewed by the Audit Committee and subsequently communicated to the Board of Directors.

IAS 32 and IAS 39 related to financial instruments have been applied from January 1, 2004. The Group anticipated in 2004 the application of IFRS 6, related to the accounting of Exploration–Production expenses and currently under approval by the European Commission.

Given the potential evolution of accounting principles, it is possible that the summarized financial information presented below will be different from that which is ultimately approved by the Board of Directors when they present the 2005 consolidated financial statements. However, based on the information currently available, the Group does not anticipate any significant changes to the summarized financial information presented below.

The summarized financial information prepared by the Group for the IFRS transition indicates that, other than issues related to the valuation of oil inventories and the cancellation of treasury shares, the transition to IFRS will not have a material impact on its financial position or earnings (before adjustments related to the Sanofi-Aventis merger).

Aside from inventory valuation and IFRS adjustments related to the Sanofi-Aventis merger, the effect on the 2004 consolidated net income under IFRS is primarily explained by the cancellation of goodwill amortization and the recording of an expense related to employee share subscription and share purchase plans. These restatements are presented within note 6 of the document hereunder.

The summarized reconciliation of shareholders' equity and net income from French GAAP to IFRS as of January 1, 2004 and for the year ended December 31, 2004, respectively, is as follows:

(in billions of euros)	Shareholders' Equity January 1, 2004	Net income 2004
French Gaap	**30.4**	**9.6**
Inventories/replacement cost (note 1)	1.0	0.5
Treasury shares (note 2)	(1.4)	
Employee benefits (note 3)	(0.5)	
Fixed assets		
- Component based-approach (note 4.1)	0.2	
- Impairment of assets (note 4.2)	(0.3)	(0.1)
- Goodwill amortization (note 6.1)		0.2
Financial instruments IAS 39 (note 4.3)	0.1	
Share based payments (note 6.2)		(0.1)
Equity-method associates' IFRS restatement (note 6.3)	(0.1)	0.8
Other adjustments (note 4)	(0.2)	
IFRS	**29.2**	**10.9 (*)**

(*) Adjusted net income (net income Group share adjusted for special items, inventory valuation effect and, excluding TOTAL's equity share of amortization of intangible assets related to the Sanofi-Aventis merger) amounts to 9.1 billion euros (9 billion euros under French GAAP).

The consolidated balance sheet and income statement showing the reconciliation from French GAAP to IFRS is provided, respectively, in Exhibits 1 and 2 (pages 170 and 171).

INFORMATION CONCERNING THE FIRST-TIME APPLICATION OF IFRS

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

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

MODIFICATION OF THE GROUP'S ACCOUNTING PRINCIPLES

The principal modifications of the Group's accounting principles concern the following subjects:

Note 1: Inventories

In accordance with IAS 2, the Group values inventories of petroleum products in the financial statements according to the FIFO (First-In, First-Out) method and other inventories using the weighted-average cost method.

However, in the note setting forth information by business segment, the Group will continue to present the results of its Downstream segment according to the replacement cost method and those of its Chemicals segment according to the LIFO (Last-In, First-Out) method in order to ensure the comparability of the Group's results with those of its leading competitors, mainly North-American.

Inventory valuation using the FIFO method, which implies the cancellation of the reserve for crude oil price changes, is reflected by an increase in the value of inventories and an increase in shareholders' equity as of January 1, 2004.

The effect on 2004 net income amounts to 0.5 billion euros.

Note 2: Treasury shares

In application of IAS 32 relating to financial instruments, treasury shares recorded under marketable securities in the financial statements prepared according to French GAAP, have been deducted from shareholders' equity.

Note 3: Employee benefits

The Group has decided to record unrecognized net actuarial losses and gains as of December 31, 2003 through retained earnings in accordance with IFRS 1.

As of the transition date, the negative impact on shareholders' equity results from a decrease in other non-current assets (pension assets) and an increase of provisions for employee benefit obligations.

The effect on net income under IFRS results from the cancellation of the amortization of actuarial gains and losses as well as from immediate recognition of prior service costs vested (plan amendments) which were previously spread out under French GAAP.

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

Note 4: Other IFRS restatements

The other restatements at the transition date are as follows:

Note 4.1: Component-based approach
Pursuant to IAS 16 concerning tangible assets, the Group applies the component-based approach. The cost of major turnarounds of refineries and large petrochemical units are capitalized and depreciated over the period of time between two major turnarounds.

The effect on shareholders' equity as of January 1, 2004 results from the capitalization of turnaround and major inspection components (valued on the basis of the costs of the last major turnaround) net of the corresponding depreciation and the reversal of provisions for turnaround costs. This restatement concerns primarily the major refineries within the Downstream segment and, to a lesser extent, the petrochemical units within the Chemicals sector.

Note 4.2: Impairment of assets
IAS 36 provides for the testing of assets for impairment purposes by comparison of the assets' carrying values with the associated discounted future cash flows. The US standard previously applied by the Group (FAS No.144) provides that the calculation be based on undiscounted cash flows.

As of the transition date, this difference in methodology results in the impairment of certain fixed assets mainly within the Upstream segment.

Note 4.3: Financial instruments (excluding treasury shares)

The Group's application of IAS 32 and IAS 39 in 2004 leads to the following restatements:

• Publicly-traded equity securities
Publicly-traded equity securities are classified as "available for sale" and are therefore valued at fair value. Changes in fair value of these securities are recorded through shareholders' equity.

• Derivatives
Derivatives are now recorded in the balance sheet whereas they were treated as off-balance sheet commitments under French GAAP.

Derivatives (combined interest rate and exchange swap contracts) associated with debenture loans are recognized as hedging instruments. These debenture loans and the hedging derivatives are valued at fair value. Fair value changes offset each other and have no material impact on earnings.

Other derivative instruments (interest rate and exchange swaps, futures, options) are classified under the category of instruments held for transaction purposes. These instruments are valued at fair value, and fair value changes are recognized as income or loss.

These restatements have no material impact on 2004 IFRS financial statements.

Note 4.4: Deferred taxes

In application of IAS 12 "Income taxes", the Group records deferred income taxes on temporary differences resulting from the difference between the carrying value of its equity-method investments and the taxable basis of these investments. The deferred tax calculation is based on the expected future tax effect (dividend distribution rate or tax rate on the gain or loss upon sale of these investments).

Note 5: Reporting Performance

The Group has chosen to follow the recommendation of CNC (French accounting standard setter) # 2004-R02, dated October 27th, 2004, for the presentation of its consolidated financial statements. This presentation will allow the reconciliation of the income statement items with performance indicators as presented in the note on information by business segment.

Sales of products or goods:

The indicator "**sales**" from now on includes excise taxes collected by the Group within the course of its oil distribution operations. Sales net of excise taxes are shown as "Revenues from sales" according to IAS 18 "Revenue".

Pursuant to IAS 1 "Presentation of Financial Statements", certain transactions within the Trading sector previously reported under sales and purchases must now be shown at their net value in sales. This restatement leads to a reduction of 22.2 billion euros in sales as well as cost of goods sold.

Operating expenses

The breakdown of operating expenses, formerly provided solely in the Notes to the Consolidated financial statements, will now appear directly on the face of the income statement and includes the following headings:

- Cost of goods sold & inventory variation
- Other operating expenses
- Exploration expenses

Operating income

This indicator remains unchanged as compared to the operating income under French GAAP.

Financial income

Financial income is henceforth broken down as follows:

- cost of net debt, distinguishing financial expenses related to indebtedness (financial interest on debt) and financial income from marketable securities & cash equivalents;
- income and expenses unrelated to debt : those items are comprised mainly of:

Expenses: financial charges resulting from the discounting of certain long-term liabilities (except employee benefits) and, the depreciation of shares in non-Group companies.

Income: dividends, gains on sale of shares in non-Group companies, financial income from long-term loans granted to non-group companies, and capitalized financial costs.

Reconciliation to business segment information
The primary performance indicator "**Net Operating Income**" is computed as follows based on the items shown on the face of the income statement:

	Operating income
+	Other income
-	Other expense
+	Other financial income
-	Other financial expense
-	Income taxes
+	Equity in income (loss) of affiliates
-	Restatement of the tax expense related to the cost of net debt
=	**Net operating income**

Henceforth, the whole set of items constituting the net operating income now appears on the face of the income statement, except for the split of income taxes between net operating income and the cost of net debt.

Note 6: IFRS restatements with an impact on the net income

Note 6.1: Amortization of goodwill
Pursuant to IFRS 3 "Business combinations", goodwill is no longer amortized. Instead, it is tested for impairment annually. The impact on 2004 net income is 0.2 B€, due to the cancellation of goodwill amortization.

Note 6.2: Share-based payments
The Group applies IFRS 2 "Share-based payments" as published by the International Accounting Standards Board (IASB). This standard applies to employee share subscription and share purchase plans and to capital increases reserved for employees retrospectively and not solely to the share transactions that were granted after November 7, 2002.

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

The cost of options is valued according to the Black-Scholes model and allocated on a straight line basis between the grant date and vesting date. For employee-reserved capital increases, the cost is immediately recognized as an expense.

The 2004 net income is adjusted due to an expense relating to employee share option and purchase plans and to the employee-reserved capital increase in 2003.
The corresponding charge is estimated at approximately 0.1 billion euros.

Note 6.3: Equity-method affiliates' IFRS restatement
This restatement primarily relates to the implementation of IFRS in the equity-method affiliates' financial statements, Sanofi-Aventis and Cepsa.
Within the financial statements prepared in compliance with IFRS by Sanofi-Aventis, in-progress R&D costs of Aventis have been capitalized as at the date of the merger. According to French GAAP, the R&D costs were directly charged to expense. The impact of this restatement amounts to 0.7 billion euro.

The effect on net income of IFRS restatements related to inventories and share-based payments, as indicated previously, may change in the future depending on the volatility in prices of raw materials and specific provisions included within employee share purchase or option plans, respectively.

ONGOING CHANGES IN IFRS AND IFRIC INTERPRETATIONS

The IFRIC 3 interpretation related to the processing of greenhouse gas emission quotas is currently being assessed from a technical viewpoint by the European Commission. This issue is still under discussion within the Group, and no definite position has yet been taken.

Similarly, standards and interpretations applicable as of January 1, 2006 such as the IFRIC 4 interpretation "Determining whether an arrangement contains a lease" are also being analyzed.

A suitable financial communication relating to these items will be released as soon as quantified and reliable information become available.

EXHIBIT 1: CONSOLIDATED BALANCE SHEET AS OF JANUARY 1ST AND DECEMBER 31ST, 2004 UNDER IFRS

	January 1st, 2004												December 31st, 2004
					Fixed assets								
(in millions of euros)	French GAAP	Inventories	Treasury shares	Employee benefits	Tangible assets	Impairment of assets	Financial instruments	Affiliates' IFRS restatement	Currency translation adjustments	Other	Total IFRS restatements	IFRS	IFRS
Fixed assets, net	38,303	(97)		(21)	197	(359)				(12)	(292)	38,011	38,082
Equity affiliates: investments and loans	7,833				2			(53)			(51)	7,782	10,680
Other investments	1,162						100				100	1,262	1,198
Other non-current assets	3,152	(304)		(479)	(72)	51				24	(780)	2,372	2,351
Total non-current assets	**50,450**	**(401)**	**-**	**(500)**	**127**	**(308)**	**100**	**(53)**	**-**	**12**	**(1,023)**	**49,427**	**52,311**
Inventories, net	6,137	1,649			(133)						1,516	7,653	9,264
Other current assets	17,136	(8)		(3)	6					(10)	(15)	17,121	19,339
Short-term investments	1,404		(1,388)				8				(1,380)	24	23
Cash and cash equivalents	4,836											4,836	3,837
Total current assets	**29,513**	**1,641**	**(1,388)**	**(3)**	**(127)**	**-**	**8**	**-**	**-**	**(10)**	**121**	**29,634**	**32,463**
TOTAL ASSETS	**79,963**	**1,240**	**(1,388)**	**(503)**	**-**	**(308)**	**108**	**(53)**	**-**	**2**	**(902)**	**79,061**	**84,774**
Common shares	6,491											6,491	6,350
Paid in surplus, retained earnings and net result	27,183	1,028	(1,388)	(508)	210	(293)	78	(53)	(3,268)	(242)	(4,436)	22,747	26,687
Cumulative translation adjustment	(3,268)								3,268		3,268	-	(1,429)
Total shareholders' equity - Group share	**30,406**	**1,028**	**(1,388)**	**(508)**	**210**	**(293)**	**78**	**(53)**	**-**	**(242)**	**(1,168)**	**29,238**	**31,608**
Minority interests and subsidiaries' redeemable preferred shares	1,060	12		(4)	17	(1)				(5)	19	1,079	810
Total shareholders' equity	**31,466**	**1,040**	**(1,388)**	**(512)**	**227**	**(294)**	**78**	**(53)**	**-**	**(247)**	**(1,149)**	**30,317**	**32,418**
Long-term liabilities	**15,605**	**186**		**9**	**(229)**	**(10)**	**16**			**248**	**220**	**15,825**	**16,283**
Long term debt	**9,783**						**31**				**31**	**9,814**	**9,773**
Short-term liabilities	19,274	14			2	(4)				1	13	19,287	22,820
Short-term borrowings and bank overdrafts	3,835						(17)				(17)	3,818	3,480
Total current liabilities	**23,109**	**14**	**-**	**-**	**2**	**(4)**	**(17)**	**-**	**-**	**1**	**(4)**	**23,105**	**26,300**
TOTAL LIABILITIES	**79,963**	**1,240**	**(1,388)**	**(503)**	**-**	**(308)**	**108**	**(53)**	**-**	**2**	**(902)**	**79,061**	**84,774**

EXHIBIT 2: CONSOLIDATED INCOME STATEMENT FOR YEAR 2004 UNDER IFRS

(in millions of euros)	French GAAP	Sales trading	Inventories	Employee benefits	Fixed assets: Component approach	Fixed assets: Impairment of assets	Financial instruments	Share based payment	Goodwill amortization	Affiliates' IFRS restatement	Other	Total IFRS restatements	IFRS
Sales	144,217	(22,219)										(22,219)	121,998
Excise taxes	(21,517)											-	(21,517)
Revenues from sales	122,700	(22,219)										(22,219)	100,481
Cost of goods sold and inventory variation	(81,496)	22,219	722								(1)	22,940	(58,556)
Other operating expenses	(19,231)			68	199			(138)			(1)	128	(19,103)
Exploration expenses	(414)											-	(414)
Depreciation, depletion and amortization of tangible assets	(5,498)				(198)	(26)						(224)	(5,722)
Total operating income	**16,061**	**-**	**722**	**68**	**1**	**(26)**	**-**	**(138)**	**-**	**-**	**(2)**	**625**	**16,686**
Other income	3,078										61	61	3,139
Other expense	(904)					(44)			(218)		(31)	(293)	(1,197)
Financial income from marketable securities & cash equivalents,	588										(16)	(16)	572
Financial interest on debt	(756)						18				1	19	(737)
Cost of net debt,	(168)						18				(15)	3	(165)
Other financial income	333											-	333
Other financial expense	(235)											-	(235)
Income taxes	(8,316)		(238)	(25)	4	12	(6)				(1)	(254)	(8,570)
Equity in income (loss) of associates	337								71	750		821	1,158
Goodwill amortization	(308)								308			308	-
Consolidated net income	**9,878**	**-**	**484**	**43**	**5**	**(58)**	**12**	**(138)**	**161**	**750**	**12**	**1,271**	**11,149**
Group share	9,612	-	478	43	5	(58)	12	(138)	161	746	7	1,256	10,868
Minority interests and dividends on subsidiaries' redeemable preferred shares	266	-	6	-	-	-	-	-	-	4	5	15	281
Earnings per share (euro)	**15.61**												**17.91**
Adjusted net income [1]	**9,039**												**9,131**
Adjusted earnings per share (euro)	**14.68**												**15.05**

(1) Adjusted net income (Group share) adjusted for special items, inventory valuation effect, excluding TOTAL's equity share of amortization of intangible assets related to the Sanofi-Aventis merger

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 and gas prices, generally expressed in U.S. dollars, and exchange rates, in particular that of the U.S. 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 revenues. For the year 2005, the Company estimates that an increase or decrease of $1 per barrel in the price of Brent crude would respectively improve or reduce annual net income by approximately 0.2 B€ [(1)]. 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 or decrease in TRCV refining margins of $1 per ton would improve or reduce annual net income by approximately 0.06 B€.

All of the Company's activities are in various degrees sensitive to fluctuations in the euro/dollar exchange rate. For the year 2005, the Company estimates that a strengthening or weakening of the U.S. dollar by 0.10 against the euro would respectively improve or reduce annual net income, expressed in euro, by approximately 0.6 B€ [(1)].

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 and gas trading as part of its normal operations in order to attempt to optimize revenues from its crude oil and gas production and obtain favorable pricing for supplies for its refineries.

In 2004, international oil trading activities represented approximately 5.4 Mboe/d, 4.4 Mboe/d 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 financial instruments such as futures, forwards, swaps and options in both organized and over-the-counter markets. The Group also uses freight rate derivatives in its Shipping activities to adjust its exposure to freight-rate fluctuations.
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, 2004 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 6.4 M€ per day, based on positions as of December 31, 2004. Over the year 2004, the average value at risk was 7.8 M€, the low value at risk was 3.9 M€, the high value at risk was 11.8 M€.

In 2004, Group-wide natural gas and electricity trading activity accounted for a total physical volumes of 6.4 Bcf/d (1.2 Mboe/d). 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 transactions are settled at maturity date through physical delivery. 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 4.4 M€ per day, based on positions as of December 31, 2004. Over the year 2004, the average value at risk was 2.5 M€, the low value at risk was 1.0 M€, the high value at risk was 5.7 M€.

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.

(1) Calculated with a base case exchange rate of $1.25 dollars per euro

FINANCIAL MARKETS RELATED RISKS

Risks relative to cash management activities and to 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 department for operations on financial markets. In addition, 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 entity by reference to its functional currency (primarily the euro, U.S. dollars, pounds sterling, and Norwegian krone).

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 an effort to reduce the associated currency exposure by financing in the same currency. Long-term currency debt then compensates the economic exposure generated.

Short-term net currency exposure is periodically monitored with limits set by the Company's Management. The Group's treasury department manages this currency exposure and centralizes borrowing activities on the financial markets (the proceeds of which are then loaned to the borrowing subsidiaries) and also manages cash centralization for Group companies and investments of these funds on the monetary markets.

Management of short-term interest rate exposure and cash

Cash balances, which are primarily composed of euro and U.S. 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 at a floating rate in order to deal with significant changes in cash flows due to external factors (oil prices and the euro/dollar 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, 2004, of an increase or decrease of 10% in the interest rate yield curves in each of the currencies.

As of December 31, 2004 (in millions of euros)	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 (*)	8,208	9,481	(110)	112
Issue swaps (*)		(1,297)	107	(109)
Fixed-rate bank loans	288	274	(8)	9
Current portion of long-term debt (excluding capital lease obligations)	1,762	1,803	(1)	1
Off-balance sheet				
Bank guarantees		(2)	-	-
Interest rate and currency swaps		32	(1)	1
Long-term interest rate swaps		1	(1)	1
Short-term interest rate swaps		1	2	(2)
Currency swaps		(313)	-	-
Forward exchange contracts		(4)	-	-
Currency options		-	-	-

(*) 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 believes that its 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 U.S. dollar and, to a lesser extent, the pound sterling and the Norwegian krone. This sensitivity is reflected by the historical evolution of the currency translation adjustment imputed in the statement of changes in shareholders' equity which, in the course of the last three fiscal years, was essentially related to the evolution of the U.S. dollar and is set forth in the table below:

	Euro / US$ exchange rates	Currency translation adjustments (in millions of euros)
December 31, 2002	1.05	(830)
December 31, 2003	1.26	(3,268)
December 31, 2004	1.36	(4,653)

The long-term debt in U.S. dollars described in Note 16 of the Notes to the Consolidated Financial Statements is generally raised by the central treasury entities either in U.S. dollars or in other currencies which are then systematically exchanged for U.S. dollars though issue swaps.
The proceeds from these debt issuances are principally loaned to affiliates whose accounts are kept in U.S. dollars and any remaining balance is held in dollar-denominated investments. 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 of the Notes to the Consolidated Financial Statements are used with the aim of optimization of centralized management 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 net income, as illustrated in Note 20 of the Notes of the Consolidated Financial Statements, has not been significant despite the considerable fluctuation of the U.S. dollar (negative 72 M€ in 2004, negative 59 M€ in 2003 and negative 50 M€ in 2002).

Management of counterparty risk

The Company has established standards according to which bank counterparties must be approved in advance, based on an assessment of the counter party'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.

Stock Market risk

The Group holds interests in a number of publicly-traded companies (see Note 8 of the Notes 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.

Liquidity risk

TOTAL S.A. has confirmed lines of credit granted by international banks, which would allow it to manage its short-term liquidity needs as required. The total amount of these lines of credit as of December 31, 2004, was $7,001 million, of which $6,956 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 impact on its financial situation.

The total amount, as of December 31, 2004, of confirmed lines of credit granted by international banks to Group companies, including TOTAL S.A., was $7,841 million of which $7,233 million was unused. Lines of credit given to Group companies other than TOTAL S.A. are not used for general Group purposes. They are used to finance general activities of that company or for specific projects.
The following table shows the maturity of the financial assets and debts of the Group as of December 31, 2004 (see Note 16 of the Notes to the Consolidated Financial Statements).

As of December 31, 2004 (in millions of euros)	Less than 1 year	Between 1 year and 5 years	More than 5 years	**Total**
Financial debt after swaps	3,523	6,612	3,122	13,257
Cash and cash equivalents	(3,837)	-	-	(3,837)
Net amount	**(314)**	**6,612**	**3,122**	**9,420**

Legal risks

LEGAL ASPECTS OF 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 oil and gas 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 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", 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.

In some instances, concession agreements and PSCs coexist, sometimes in the same country. Even though other contractual structures still exist, TOTAL's license portfolio is comprised mainly of concession agreements.
In all countries, the authorities of the host state, often assisted by international accounting firms, continually perform joint venture and PSC cost audit and ensured 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 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 area 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 former subsidiary of Atofina which became a subsidiary of Elf Aquitaine Fertilisants on December 31, 2004 pursuant to the reorganization of the Chemicals segment, 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 the site is being restored. Individual assistance packages have been offered to employees.

Ongoing investigations have not 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 11 Grande Paroisse employees charged during the criminal investigation conducted by the Toulouse Regional Court (Tribunal de Grande Instance) were dismissed in 2003 and this dismissal was confirmed by the Appeals Court of Toulouse in 2004. The 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 estimate for the compensation of all claims has been increased to 1.95 billion euros.

This figure exceeds by 1.15 billion euros Grande Paroisse’s insurance cover for legal liability (capped at 0.8 billion euros). This potential liability is accounted for by a provision for 110 million euros as of December 31, 2004, a decrease from the provision for 276 million euros as of December 31, 2003 due to 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, Arkema and certain other chemical subsidiaries are involved in several civil lawsuits in the United States for violations of antitrust laws. The litigation reserves for these lawsuits amount to 14 million euros as of December 31, 2004.

The investigations, commenced by the European Commission in 2000, 2003 and 2004, into alleged anti-competitive practices involving certain products sold by Arkema or its subsidiaries have resulted in a decision regarding one product line by the Commission, delivered on January 19, 2005, which ordered Arkema to pay a 13.5 million euro fine and also ordered Elf Aquitaine and Arkema to jointly pay a 45 million euro fine.
Elf Aquitaine and Arkema have decided to appeal this decision. On January 28, 2005, the European Commission addressed a statement of objections to Arkema, TOTAL S.A. and Elf Aquitaine regarding alleged anti-competitive practices concerning a new product line. No facts have been alleged that would implicate TOTAL S.A. or Elf Aquitaine in these practices. The Group believes that the provisions recorded in the accounts of certain of its chemicals subsidiaries for an aggregate amount of 176 million euros as of December 31, 2004 should be adequate in light of the anticipated consequences of the investigations commenced by the Commission.

Moreover, as a result of investigations commenced in October 2002 by the European Commission concerning certain Refining & Marketing subsidiaries of the Group, Total Nederland N.V. received a statement of objections in October 2004. A statement of objections regarding these practices has also been addressed to TOTAL S.A., although no facts have been alleged that would implicate TOTAL S.A. in these practices.

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 a significant adverse effect on the Company’s financial position, cash flows or earnings.

SINKING OF THE ERIKA

The three major commitments that the Company undertook in December 1999 following the sinking of the Erika, a tanker that was transporting products belonging to one of the Group companies, have now been satisfied. The clean up of parts of the coastline and the pumping of the remaining cargo out of the wreck were completed in 2000 and the processing of more than 200,000 tons of waste was completed in 2003.

In the criminal investigation initiated by the Regional Court of Paris (Tribunal de Grande Instance), TOTAL S.A., as a legal entity, and five employees of the Group have been investigated.

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 that changed the conditions under which legal actions are admissible. The constitutionality of one of these conditions is being examined by the Belgian Cour d’Arbitrage at the request of the Belgian Cour de Cassation (the highest court of appeal).

The complaint in France, filed with the Regional Court of Nanterre (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 labor on the oil pipeline built by a TOTAL subsidiary in Myanmar. The prosecutor’s request to have this case dismissed for failure to state a claim was refused by the Versailles Court of Appeals on procedural grounds.

TOTAL believes 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 claims against the companies named in the class action, which has not yet been officially brought against TOTAL, were dismissed by a federal judge in New York. The plaintiffs have appealed this dismissal.

Industrial and environmental risks

TYPES 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 sites that meet the criteria of the European Union Seveso II 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.

TOTAL's 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 for new developments, updated in case of planned significant modifications of existing equipment, and periodically re-evaluated. To harmonize and reinforce risk management, TOTAL has developed a group-wide methodology which is being implemented progressively throughout the sites it operates. In France, three pilot sites are developing Risk Prevention plans in anticipation of the effectiveness of the French law of July 30, 2003. 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 MANAGEMENT

Risk evaluations lead to the establishment of management measures that are designed to minimize the risks of accidents and their consequences. 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, for the period from 2003 to 2006 the Downstream and Chemicals segments have planned investments in projects for the protection of units, reinforcement of control rooms and security of logistics (stored volumes, transportation chains).

More detailed information on TOTAL's actions regarding safety and environmental concerns is given in the report entitled "Sharing Our Energies" 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 in 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 the Company's 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. As of December 31, 2004, the Group estimates that the ultimate 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.

At 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 2004, the amount of risk kept by OIRC after reinsurance was $27.5 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; and
- 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 tort and property insurance coverage for all its subsidiaries, and, for the Downstream and Chemicals segments, for loss of operations.

These programs are contracted with first-class insurers (or reinsurers and mutual insurance companies of the oil industry through OIRC).

The amounts insured 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 2004 for general tort and product liability was $840 million.
- 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: coverage is provided for the Refining and Chemicals sectors for a compensation period 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 (the Alwyn field in the UK), the insurance cap was $1.1 billion in 2004.

Moreover, deductibles for material damages fluctuate between $0.1 and $5 million depending on the level of risk, and are carried by the 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 justify 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 RELATED TO 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 and gas 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 or resulting changes in business customs and practices,
- payment delays,
- currency exchange restrictions,
- depreciation of assets due to the devaluation of local currencies or other measures taken by governments that might have a significant impact on the value of activities, and
- 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 2001, the U.S. legislation implementing sanctions against Iran and Libya, referred to as ILSA, was extended until August 2006. In April 2004, the President of the United States terminated the application of ILSA with respect to Libya. ILSA authorizes the President of the United States to impose sanctions (from a list that includes denial of financing by the U.S. export-import bank and limitations on the amount of loans or credits available from U.S. financial institutions) against persons found by the President to have knowingly made investments in Iran of $20 million or more in any twelve-month period. In May 1998 the U.S. government waived the application of sanctions for TOTAL's 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, although TOTAL has not been notified of any related sanctions.

At the end of 1996, the Council of the European Union adopted Council 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. It also 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 Iran (excluding South Pars) in excess of $20 million. In 2004, TOTAL's average daily production in Libya and Iran amounted to 26 kboe/d, approximately 1.0% of its average daily worldwide production. TOTAL expects to continue to invest amounts significantly in excess of $20 million per year in Iran in the foreseeable future. TOTAL cannot predict interpretations of or the implementation policy of the U.S. government under ILSA with respect to its current or future activities in Iran. TOTAL does not believe that enforcement of ILSA, including the imposition of the maximum sanctions under the current law and regulations, would have a material negative effect on its results of operations or financial condition.

SEC INVESTIGATION

The SEC has issued a non-public formal order directing a private investigation in the matter of certain oil companies (including, among others, TOTAL) in connection with the pursuit of business in Iran.

THE ARGENTINE FINANCIAL CRISIS

The Group has recorded asset impairment charges related to the effects of the Argentine financial crisis which had a negative impact on net income (Group share) of 310 M€ in 2002 and of 114 M€ in 2004. 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.

THE GEOPOLITICAL SITUATION IN THE MIDDLE EAST

In 2004, the entire Middle East represented 16% of the Group's production of oil and gas and 7% of the net income from operations of the operating segments, adjusted for special items. The Group produces in the United Arab Emirates, Iran, Oman, Qatar, Syria and Yemen. TOTAL cannot predict developments of the geopolitical situation in the Middle East and its potential consequences on the Group's activities in this area.

RISKS RELATED TO 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 2004, TOTAL ranked fourth among international oil companies in terms of market capitalization and daily production of oil and gas, and fifth in terms of oil and gas reserves (*).

(*) Source: Company data

Dividends

Dividend payment

Dividend payment, which is entrusted centrally to BNP Paribas Securities Services, is made to account custody using the EUROCLEAR France direct payment system.

BANK OF NEW YORK (101 Barclay Street, New York, NY 10286, USA) arranges for the payment of dividends to holders of American Depositary Shares (ADS).

Dividend payment on Stock Certificates (CRs)

TOTAL has issued Stock Certificates (Certificats Représentatifs d'Actions, hereinafter "CRs") within the framework of the public exchange offering for PetroFina shares. The CR is a share certificate provided for by French Law, issued by EUROCLEAR France, intended to circulate exclusively outside France, and which may not be held by residents of France. The CR has the characteristics of a bearer security, wether registered in a custody account issued as a physical certificate. The CR is freely convertible from a physical certificate to be registered in a custody account and vice versa. ING Belgique is the centralizing bank for payment on any coupons detached from outstanding physical CRs.

Payment of detached coupons of the CRs does not involve fees and is made at teller windows of the following institutions:

in Belgium:

ING Belgique	Avenue Marnix 24, 1000 Brussels
FORTIS BANQUE S.A.	Montagne du Parc 3, 1000 Brussels
KBC BANK N.V.	Avenue du Port 2, 1080 Brussels

in Luxembourg:

BANQUE GÉNÉRALE DU LUXEMBOURG S.A.	Avenue J.F.-Kennedy 50, 2951 Luxembourg
ING LUXEMBOURG	Route d'Esch 52, 2965 Luxembourg
KREDIETBANK Luxembourg	Boulevard Royal 43, 2955 Luxembourg

in The Netherlands:

ABN-AMRO BANK N.V.	Gustav Mahlerlaan 10, 1082 PP, Amsterdam

in Germany:

COMMERZBANK AG	Kaiserplatz, 60261 Frankfurt
DRESDNER BANK AG	Jürgen - Ponto - Platz 1, 60329 Frankfurt

in Switzerland:

CRÉDIT SUISSE	Paradeplatz 8, 8001 Zürich
UBS	Bahnhofstrasse 45, 8098 Zürich

STRIPS-VVPR TOTAL

Strips-VVPR are securities that allow a shareholder with tax domicile in Belgium to receive a reduction of the Belgian withholding tax on securities income from 25 to 15% on the dividend paid by TOTAL. These Strips-VVPR are traded separately from TOTAL shares and are listed on the semi-official market (*marché semi-continu*) of the Brussels stock exchange with a maximum value of one euro cent in 2004. Strips-VVPR grant rights only if accompanied by TOTAL shares. As of December 31, 2004, 56,933,514 strips-VVPR TOTAL were outstanding.

COUPONS

Coupon no.	Due date	Expiry date	Type of coupon	Net amount (in euros)
1999	6/14/00	6/14/05	Dividend	2.35
2000	5/29/01	5/29/06	Dividend	3.30
2001	5/17/02	5/17/07	Dividend	3.80
2002	5/16/03	5/16/08	Dividend	4.10
2003	5/24/04	5/24/09	Dividend	4.70
2004 (1)	**11/24/04**	**11/24/09**	**Interim dividend**	**2.40**
2004 (1)	**5/24/05**	**5/24/10**	**Dividend**	**3.00**

(1) A resolution will be submitted at the Shareholders Meeting of May 17, 2005 to pay a dividend of 5.40 euros per share for fiscal 2004, in cash only. As an interim payment of 2.40 euros per share was paid out on November 24, 2004, the balance due is 3.00 euros per share, which would be paid on May 24, 2005.

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 Shareholders' Meeting of March 22, 2000 took notice of the expiration of these agreements and decided to amend all articles of the Company's *statuts* containing provisions related to the specific rights of the French State.

Moreover, the share capital of Elf Aquitaine 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 Minister of the Economy if a party or parties increased their direct or indirect 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 an in-kind 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 Petrofina warrants were tendered, resulting in 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 234,171 TOTAL warrants.

TotalFina reopened the exchange offer once again between June 30 and July 28, 1999 to acquire the PetroFina shares issued upon the exercise of PetroFina employee warrants. Under this offer, 80,356 PetroFina shares were tendered in exchange for 361,602 new shares of TotalFina stock.

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 with the same parity as the public offer of 1999 (nine TotalFinaElf [(1)] shares for two PetroFina shares).

Of the 30,302 employee warrants outstanding 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 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 open 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 representing the 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 name "TOTAL FINA S.A." was changed to "TOTAL FINA ELF S.A." by the Combined Shareholders' Meeting of March 22, 2000, then it was changed 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 the PetroFina shares from the regular trading, effective as of December 28, 2000. Since January 2, 2001, PetroFina shares were traded at public sales organized each Friday by the Brussels stock exchange. Similarly, in a notice dated December 22, 2000, Euronext Paris S.A. announced its decision to delist PetroFina from the *Premier Marché* of Euronext Paris S.A. and from EUROCLEAR France as of December 28, 2000. Moreover, PetroFina shares were deregistered with the US Securities and Exchange Commission on June 30, 2001.

On April 27, 2001, the Extraordinary Shareholders' Meeting of Total Chimie approved the Company's contribution to Total Chimie of the entire stake held by the Company in PetroFina, which was 23,480,610 shares representing 99.62% of the PetroFina capital. The purpose of Total Chimie, a 99.99% subsidiary of TOTAL S.A., is to hold certain investments of the TOTAL group.
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 through to February 12, 2002), 45,894 PetroFina shares had been tendered and the remaining Petrofina shares were transferred by law to the offeror. As a result, Total Chimie now holds all the shares of PetroFina.

On February 12, 2002, minority shareholders of PetroFina holding 4,938 shares filed a motion for a summary hearing in the Commercial Court of Brussels against Total Chimie, TOTAL S.A. and PetroFina. The decision rendered on April 15, 2002 questioned the conformity of Belgian regulations governing squeeze-outs with Articles 10 and 11 of the Belgian Constitution and, consequently, the President of the Commercial Court of Brussels referred 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 on May 14, 2003 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. The court ruled that the Belgian squeeze-out regulation was in compliance with the Belgian Constitution.

Also, on May 30, 2003, the same group of former minority PetroFina shareholders brought a complaint against Total Chimie 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 PetroFina's sale of the assets of Fina Exploration Norway (FEN S.A.) to Total Norge AS in December 2000.

In addition, 3,491,776 TOTAL warrants (out of the 3,589,419 warrants issued in 1999 and 2000 during the merger with PetroFina) were exercised until August 5, 2003, when the 97,643 TOTAL warrants not exercised have expired.

Merger of TotalFina with Elf Aquitaine in 1999 and 2000

On September 13, 1999, the Boards of Directors of TotalFina and Elf Aquitaine recommended a combination of the two companies to their shareholders through a Public Exchange Offer under which 13 shares tendered of Elf Aquitaine 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 Squeeze-out Offer for the remaining Elf Aquitaine shares not yet held by the Company, in the form of an exchange of four TotalFinaElf shares for every three shares tendered of Elf Aquitaine. At the end of this offer, which was approved by the French *Conseil des Marchés Financiers* on May 31, 2000, and which ran from June 15, 2000, to September 1, 2000, 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 squeeze-out offer, PARISBOURSE SBF S.A. (now Euronext Paris S.A.) announced its decision to delist Elf Aquitaine from the *Premier Marché* 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 ("compartiment des valeurs radiées des marchés réglementés") and are negotiable on the basis of a price 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 effective 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 in which it confirmed that it would not claim American securities regulations in the event of deregistration of Elf Aquitaine shares and ADS. On March 23, 2001, Elf Aquitaine filed a Form 15 with the SEC, requesting termination of the registration of its common shares and ADS.

As of December 31, 2004, TOTAL S.A. held, directly and indirectly, 278,934,696 shares of Elf Aquitaine, taking into account the 10,635,767 treasury shares held by Elf Aquitaine. This represented 99.47% of Elf Aquitaine's share capital (280,423,017 shares) and 533,866,789 voting rights, or 99.71% of the 535,393,564 total voting rights.

Changes in the holdings of principal shareholders

The principal shareholders of TOTAL as of December 31, 2004, 2003, 2002 and 2001 are set forth in the table below. Their holdings were established on the base of 635,015,108 shares corresponding to 636,067,350 voting rights at December 31, 2004, 649,118,236 shares corresponding to 661,238,566 voting rights at December 31, 2003, and 687,190,510 shares corresponding to 703,289,859 voting rights at December 31, 2002.

December 31	2004		2003		2002	
	% of capital	% of voting rights	% of capital	% of voting rights	% of capital	% of voting rights
1. Principal shareholders represented on the Board of Directors at December 31, 2004	**9.3**	**14.7**	**9.0**	**13.0**	**9.5**	**15.2**
Groupe Bruxelles Lambert	3.7	6.9	3.6	6.6	3.4	6.2
Compagnie Nationale à Portefeuille	1.3	1.3	1.3	1.2	1.2	1.2
BNP Paribas	0.2	0.4	0.3	0.4	0.2	0.4
Areva	0.3	0.6	0.3	0.7	0.8	0.8
Société Générale	0.1	0.1	0.1	0.2	0.7	0.8
Groupe employees [(1)]	3.7	5.4	3.4	3.9	3.2	5.8
2. Other registered shareholders (non-Group)	**1.1**	**2.0**	**3.4**	**6.6**	**4.3**	**7.1**
Total stable shareholders (1+2)	**10.4**	**16.7**	**12.4**	**19.6**	**13.8**	**22.3**
3. Intra-Group holding	**6.2**	**-**	**5.7**	**-**	**6.7**	**-**
TOTAL S.A.	2.2	-	1.9	-	3.0	-
Total Nucléaire	0.1	-	0.1	-	0.1	-
Elf Aquitaine subsidiaries	3.9	-	3.7	-	3.6	-
4. Other bearer shareholders	**83.4**	**83.3**	**81.9**	**80.4**	**79.5**	**77.7**
inc. ADS holders [(2)]	5.9	5.9	5.7	5.6	5.1	5.0

(1) On the basis of employee shareholders as defined by Article L. 225-102 of the Commercial Code
(2) American Depositary Shares listed for trading on the New York Stock Exchange
Additional information on shareholding appears on page 42.

In accordance with Article 9 of its *statuts*, TOTAL is authorized, 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 and the French *Autorité des marchés financiers* within five business days when thresholds representing 5%, 10%, 20%, 1/3, 50% or 2/3 of total shares or voting rights are crossed (French law 2003-706 on Financial Security of August 1, 2003, Ordinance 2004-604 of June 24, 2004, and Decree 2005-112 of February 10, 2005), any individual or entity who directly or indirectly acquires a percentage of shares, voting rights or rights giving future access to the capital of the Company which is equal to or greater than 1%, or a multiple of this percentage, is required to notify the Company within fifteen days by registered mail with return receipt requested, and declare 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 more shareholders holding collectively at least 3% of the Company's 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 aforementioned thresholds.

In accordance with Article L. 233-13 of the French Commercial Code, it is specified that the only shareholder known to hold 5% or more of the voting rights of TOTAL at the end of 2004 was Groupe Bruxelles Lambert (6.93% of the voting rights and 3.72% of the capital at December 31, 2004), a company controlled jointly by the Desmarais family and Frère-Bourgeois S.A. mainly through, for the latest, its direct and indirect stake in Compagnie Nationale à Portefeuille. Compagnie Nationale à Portefeuille also owned, through its wholly owned subsidiary Kermadec S.A., 1.31% of the voting rights and 1.31% of the capital of TOTAL S.A. at December 31, 2004, hence leading it to declare on February 1st, 2005, an indirect participation of 5.02% of the Company's shares or 31.87 millions shares through its holding in Kermadec S.A. and Groupe Bruxelles Lambert and 7.94% voting rights (*).
In addition, the company was advised that, on January 22, 2005, the *Fonds Commun de Placement* "TOTAL ACTIONNARIAT FRANCE" crossed the threshold of 5% of the voting rights (**).
TOTAL has no knowledge of a shareholders' agreement among its shareholders.

Shares held by the Group

TRADING IN COMPANY SHARES

The Extraordinary Shareholders' Meeting of May 6, 2003 authorized the Board of Directors to buy and sell the Company's shares on the market for a period of 18 months in compliance with the objectives and procedures of the stock buyback program approved by the COB under No. 03-193 of March 26, 2003 (pursuant to COB Regulation 98-02 amended by COB Regulation 2000-06).
The maximum purchase price was set at 250 euros per share and the minimum sale price was 100 euros per share. The number of shares held or acquired may not exceed 10% of the authorized share capital.

The Extraordinary Shareholders' Meeting of May 14, 2004 authorized the Board of Directors to buy and sell the Company's shares for a period of 18 months within the framework of the stock buy-back program approved by the AMF under No. 04-235 on April 1, 2004. The maximum purchase price was set at 250 euros and the minimum sale price at 100 euros. The number of shares acquired may not exceed 10% of the authorized share capital. This authority cancelled and replaced the previous authority granted by the Extraordinary Shareholder's Meeting of May 6, 2003.

A resolution will be submitted to the Extraordinary Shareholders' Meeting to be held May 17, 2005 to authorize trading in the TOTAL stock through a stock buy-back program performed in accordance with the provisions of Article L. 225-209 of the French Commercial Code and of Council Regulation 2273/2003 dated December 22, 2003, concerning the application of Council Directive 2003/6/EC dated January 28, 2003. The maximum purchase price proposed is 250 euros per share. The maximum number of shares that may be purchased under this authority is limited to 10% of the total number of shares outstanding, as this number may be adjusted from time to time as a result of transactions after the date of the present Meeting. Under no circumstances may the number of shares held by the Company directly or indirectly through indirect subsidiaries exceed 10% of its share capital. The resolution proposes that the program be authorized for an 18-month. This resolution would replace and, as regard any unused portion of the previous authorization, cancel the authority granted by the Extraordinary Shareholders' Meeting held on May 14, 2004.

In 2004, 7,320,000 shares of TOTAL stock were purchased under the authorization granted on May 6, 2003 and 15,230,000 TOTAL shares were purchased under the authorization granted on May 14, 2004.
Thus, 22,550,000 shares of TOTAL stock were purchased in 2004 at an average price of 157.57 euros per share under these programs to manage equity capital.

In addition, 715,686 TOTAL shares were sold in 2004 at an average price of 104.17 euros per share through the exercise of stock options granted under stock option allocation plans approved by the Board of Directors on March 17, 1998, June 15, 1999, July 11, 2000 and July 9, 2002.

CANCELLATION OF COMPANY SHARES

Using the authority granted by the Extraordinary Shareholders' Meeting of May 7, 2002 to reduce the share capital by up to 10% by canceling shares held by the Company during a 24-month period, the Board of Directors on July 16, 2003, and on November 6, 2003, decided to cancel 9,900,000 and 30,100,000 shares, respectively, accounted as long-term securities in the parent company financial statements.

Under this same authority, the Board of Directors on November 9, 2004 decided to cancel 19,873,932 shares accounted as long-term securities in the parent company financial statements, effective as of November 20, 2004.
The authority granted by the Extraordinary 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.

The Company held directly 13,989,670 shares of TOTAL stock on December 31, 2004.

(*) AMF notice n° 205C0198 dated February 7, 2005
(**) AMF notice n° 205C0240 dated February 14, 2005

TOTAL SHARES HELD BY COMPANIES OF THE GROUP

At December 31, 2004, Total Nucléaire, a Group company indirectly controlled by TOTAL, held 505,918 TOTAL shares.

Under the terms of the memorandum of understanding signed on September 12, 1999 by TotalFina and Elf Aquitaine, Elf Aquitaine undertook, in the name and on behalf of its subsidiaries Financière Valorgest, Sogapar, Fingestval and Elf Atochem North America to tender in the Exchange Offer initiated by TotalFina the 3,798,000, 702,000, 12,315,760 and 72,000 shares of Elf Aquitaine that they held respectively on that date. As a result, these companies respectively received 5,550,926, 1,026,000, 17,999,973 and 105,230 TOTAL shares.

In 2001, Elf Atochem North America, renamed Arkema Inc. on October 4, 2004, 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 2004, and still totals 24,576,899 shares.

Thus, at December 31, 2004, the Company held 39,072,487 TOTAL shares, either directly or through its indirect subsidiaries.

Company Savings Plans (Plans d'épargne d'entreprise)

The various Company savings plans (PEGT, PEC, PPESV) and the Group Savings plan ("*Plan d'Épargne Groupe Actionnariat*"- (PEG-A) attached to the capital increase operations reserved for employees, give the employees of French companies of the Group belonging to these saving plans access to several collective investment plans (*Fonds Communs de Placement*), including a Fund invested in shares of the Company ("TOTAL ACTIONNARIAT FRANCE"). For the employees of foreign companies, the capital increases reserved for employees were conducted through the "TOTAL ACTIONNARIAT INTERNATIONAL" Fund and the *Caisse Autonome* of the PetroFina Group.

The total number of shares of TOTAL stock held by the employees at December 31, 2004 break down as follows:

TOTAL ACTIONNARIAT FRANCE	18,540,272
TOTAL ACTIONNARIAT INTERNATIONAL	3,795,005
PRIVATIZATION N°1	554,399
Funds of American employees	428,622
Caisse Autonome of the PetroFina Group	97,714
Book-entry registered Total shares from the exercise of options (PEE)	236,633
Total number of shares held by the employees	**23,652,645**

Thus, as of December 31, 2004, the employees of the Group held, on the basis of the definition of employee shareholding stipulated in Article L. 225-102 of the Commercial Code, 23,652,645 TOTAL shares, representing 3.72% of the Company's share capital on that date.

CAPITAL INCREASE RESERVED FOR EMPLOYEES

The Extraordinary 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. Subscription to those shares was exclusively reserved for employees participating in a company savings plan. This authority canceled and replaced the one granted by the Extraordinary Shareholder's Meeting of May 13, 1998.

Under this authority, the Board of Directors decided on November 6, 2003 to proceed with a capital increase of a maximum of six million Company shares reserved for employees, bearing dividends as of January 1, 2003, at a price of 107.90 euros per share.

The prospectus for this operation was approved by the AMF under No. 04-0047 on January 23, 2004. The supplement to the prospectus, which included the audited financial statements of TOTAL S.A. for the year ended December 31, 2003 and published on February 19, 2004, the notes to the statements and updates to the prospectus, were approved by the AMF under No. 04-170 on March 19, 2004. The offering was open to the employees of TOTAL S.A. and to the employees of its French and foreign subsidiaries in which TOTAL S.A. holds directly or indirectly more than 50% of the capital, who are participants in the TOTAL Group Savings Plan (PEG-A) and for whom local regulatory approval was obtained in time.

The operation was also open to retired employees and employees under early retirement plans, provided that they had made, before ending their employment, at least one payment, and that they still had sums invested in the *Plan d'Épargne Groupe-Actionnariat* (PEG-A) or in a *Plan d'Épargne entreprise* with their company. Subscription was open from March 22 through April 9, 2004, and resulted in the creation of 3,434,830 shares in 2004.

The Extraordinary Shareholders' Meeting of May 14, 2004 cancelled and replaced, with respect to any unused amount, this authority granted by the Extraordinary Shareholders' Meeting of May 7, 2002, authorizing the Board of Directors for a new five-year period to increase the capital by a maximum amount equal to 3% of the existing share capital existing at the time of the issue. Subscription to the shares to be issued under this authority is exclusively reserved for employees participating in a company savings plan (*Plan d'épargne entreprise*).

EARLY RELEASES

Under French Law 2004-804 of August 9, 2004 to support consumption and investment, 15,548 early releases for employees of the French companies of the Group were registered within the *Fonds Communs de Placement* between October 1 and December 31, 2004, for the amount of 100.6 million euros, 87.6% of which in the TOTAL ACTIONNARIAT FRANCE fund.

Share subscription and purchase options

DISTRIBUTION POLICY

TOTAL share subscription and purchase options

The breakdown of options granted by category of beneficiaries (top executives, officers and other employees) is provided on page 23 for each option plans in force.

Elf Aquitaine share subscription options confirmed to employees of the Group, entitled to be exchanged, in the event of exercise, for TOTAL shares

Employees of the Group who were part of the Elf Aquitaine group in 1998 also received confirmation in 2000, 2001, 2002 and 2003 of the Elf Aquitaine subscription options granted on April 1, 1998 under a Medium-Term Incentive Plan (MIT) (1), based on the results achieved by Elf Aquitaine in 1999, 2000, 2001 and 2002. In accordance with the commitments made by the Group at the time of the 1999 Exchange Offer (information notice approved by the COB under No. 99-1179), these Elf Aquitaine options, if exercised, were eligible for exchange for TOTAL shares on the basis of 19 TOTAL shares for 13 Elf Aquitaine shares (see Note 25 of the Consolidated financial statements). The beneficiaries of these Elf Aquitaine options were as follows (2) (3):

MIT Plan (granted by the Elf Aquitaine Board Directors on April 1, 1998; exercise price: 105.95 euros)		Number of beneficiaries	Number of Elf Aquitaine options granted	Breakdown	Average number of options per beneficiary	Number of corresponding TOTAL shares (4)	Average number of corresponding TOTAL shares per beneficiary (4)
2000 confirmation tied to 1999 targets							
(decision of the Elf Aquitaine Board of Directors of 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 tied to 2000 targets							
(decision of the Elf Aquitaine Board of Directors of 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 tied to 2001 targets							
(decision of the Elf Aquitaine Board of Directors of 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 tied to 2002 targets							
(decision of the Elf Aquitaine Board of Directors of 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 granted by the Board of Directors of Elf Aquitaine on April 1, 1998 subject to the achievement of results targeted by the Elf Aquitaine group for the years 1998, 1999, 2000, 2001 and 2002. The options could be exercised as of April 1, 2000 and expire on March 31, 2005.
(2) These tables show only the employees of the Group on the respective dates of the meetings of the Board of Directors of TOTAL S.A. that approved the TOTAL 2000, 2001, 2002 and 2003 option plans (July 11, 2000, July 10, 2001, July 9, 2002 and July 16, 2003). They do not include the beneficiaries who left the Group prior to the dates of these Board meetings.
(3) In the position held in the Group on the respective dates of the meetings of the Board of Directors of TOTAL S.A. that approved the TOTAL 2000, 2001, 2002 and 2003 option plans
(4) Assumption of maximum implementation of the exchange ratio (19 TOTAL shares for 13 Elf Aquitaine shares)

Share subscription and purchase options granted to Executive Officers of the Group (Management Committee and Treasurer as of December 31, 2004)

TOTAL SHARE SUBSCRIPTION AND PURCHASE OPTIONS

This information is provided on page 22.

ELF AQUITAINE SHARE SUBSCRIPTION OPTIONS (1)

	1997 Plan	1998 Plan	1999 Plan n°1	1998 Plan MTI	Total
Exercise price per Elf Aquitaine share (in euros)	80.65	105.95	115.60	105.95	
Expiration date	**25/03/2004**	**31/03/2005**	**30/03/2009**	**31/03/2005**	
Options granted	26,750	29,050	18,190	83,505	157,495
Options existing as of January 1, 2004	2,250	17,240	18,190	75,351	113,031
Options exercised in 2004	2,250	15,850	7,800	54,273	80,173
Options existing as of December 31, 2004	0	1,390	10,390	21,078	32,858
Number of corresponding TOTAL shares (2)	**0**	**2,032**	**15,185**	**30,806**	**48,023**

(1) Some of the members of the Executive Committee of TOTAL at December 31, 2004, coming from the Elf Aquitaine group, held Elf Aquitaine options that carried, if exercised, an option of exchange for TOTAL shares on the basis of the exchange parity in the Exchange Offer in 1999, i.e. 19 TOTAL shares for 13 Elf Aquitaine shares (see note 25 of the Consolidated financial statements).

(2) Assumption of maximum implementation of the exchange ratio (19 TOTAL shares for 13 Elf Aquitaine shares)

SHARES HELD BY DIRECTORS AND EXECUTIVE OFFICERS

At December 31, 2004, on the basis of the declarations of the members of the Board and the register of registered shares, all members (individuals) of the Board of Directors and the principal executives of the Group (Management Committee and Treasurer) held less than 0.5% of the share capital. The number of shares they held on this date is as follows:

- Members of the Board of Directors (including the Chairman): 94,930 shares
- Management Committee and Treasurer (including the Chairman): 274,826 shares
- Chairman of the Board of Directors: 58,300 shares

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 15, 2004, TOTAL paid a net dividend for 2003 (after 15% withholding tax) of $2.3881 per ADR to its record holders of ADRs as of May 21, 2004.

On December 6, 2004, TOTAL paid a net interim dividend for 2004 (after 15% withholding tax) of $1.3374 per ADR to its record holders of ADRs as of November 23, 2004.

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 dated 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 (an "Eligible United States Holder") provided certain requirements are satisfied.

In respect of dividend distributions in 2005, the administrative guidelines issued by the French tax authorities on February 25, 2005 set forth the conditions under which the reduced withholding tax at the rate of 15% may be available. The immediate application of the reduced 15% rate is available only to the United States Holders that may benefit from the so-called "simplified procedure" within the meaning of the February 25, 2005 Administrative Guidelines.

Under the "simplified procedure", US Holders may claim the immediate application of withholding tax at the rate of 15% on the French dividends to be received by them, provided that:

(i) They furnish to the financial institution managing their securities account a certificate of residence conforming with the model attached to the February 25, 2005 Administrative Guidelines. The immediate application of the 15% withholding tax will be available only if the certificate of residence is sent to the financial institution managing their securities account before the dividend payment date. Furthermore, each financial institution managing Holders' securities account must also send to the French paying agent the figure of the total amount of dividends to be received which are eligible to the reduced withholding tax rate before the dividend payment date.

(ii) The US financial institution managing the US Holder's securities account provides to the French paying agent a list of the Eligible United States Holders and others information set forth in the February 25, 2005 Administrative Guidelines. Furthermore, the financial institution managing their securities account must certify that each Holder is, to the best of its knowledge, a United States resident within the meaning of the Treaty. These documents must be sent as soon as possible, in all cases before the end of the third month computed as from the end of the month of the dividend payment date.

Where the US Holder's identity and tax residence are known by the French paying agent, the latter may release such US Holder from furnishing to (i) the financial institution managing its securities account, or (ii) as the case may be, the Internal Revenue Service the abovementioned certificate of residence, and apply the 15% withholding tax rate to dividends it pays to such US Holder.

US Pension Funds and Other Tax-Exempt Entities created and operating in accordance with the provisions of Sections 401 (a), 403 (b), 457 or 501 (c) (3) of the US Internal Revenue Code (IRC) are subject to the same general filing requirements except that, in addition, they have to supply a certificate issued by the U.S, Internal Revenue Service ("IRS") or any other document stating that they have been created and are operating in accordance with the provisions of the abovementioned Code Sections. This certificate must be produced together with the first request of application of the reduced rate, once and for all or upon French authorities' specific request.

In the same way, regulated companies such as RIC, REIT, REMIC will have to send to the financial institution managing their securities account a certificate from the IRS indicating that they are classified as Regulated Companies (RIC, REIT or REMIC) within the provisions of the relevant sections of the IRC. In principle, this certification must be produced each year and before the dividend payment.

In other case, the full domestic rate of 25% is withheld at the time the dividends are paid. Such US Holder may, however, be entitled to a refund of the withholding tax in excess of the 15% rate under the "standard" procedure, as opposed to the "simplified" procedure, provided that the US Holder furnishes to the French paying agent an application for refund on Form RF 1A EU-N° 5052 (or any other relevant form to be issued by the French tax authorities), certified by US financial institution managing the US Holder's securities account, before December 31 of the second year following the date of payment of the withholding tax at the 25% rate. Any French withholding tax refund is generally expected to be paid within twelve months from the filing of the abovementioned form. However, it will not be paid before January 15 of the year following the year in which the dividend was paid.

Copies of the Form RF 1A EU-N° 5052 (or any other relevant form to be issued by the French tax authorities) are (or will be as soon as issued) available from the US Internal Revenue Service and the French *Centre des Impôts des Non-Résidents* at 9, rue d'Uzès, 75094 Paris Cedex 2, France.

According to the tax treaty signed between France and the United States (the "Treaty"), certain eligible United States Holders were entitled to receive a French tax credit (the so-called *avoir fiscal*). However, from January 1, 2005, the *avoir fiscal* is abolished. Consequently, the transfer of the *avoir fiscal* is no longer granted.

The *avoir fiscal* is replaced, for French resident shareholders who are individuals, by a tax credit (*crédit d'impôt*) equal to 50% of the amount distributed, but with an overall annual cap of 115 euros (double for married couples filing jointly).

Non-residents individuals taxpayers entitled to the previous *avoir fiscal* under the French-US tax treaty should also be entitled to this tax credit limited to 115 euros for each individual (double for married couple filing jointly), possibly reduced by the French withholding tax. However, it is not possible to confirm that the *crédit d'impôt* will be available to qualifying United States Holders to the same extent that the *avoir fiscal* was available, if at all.

Nevertheless, United States Eligible Holders who are individuals remain entitled to a refund of the *avoir fiscal* in respect of dividends paid to them in 2004, even if in practice, the *avoir fiscal* is refunded only in 2005.

For United States federal income tax purposes, the gross amount of dividend a US Holder must include in gross income equals the amount paid by TOTAL plus, if any, the refund up to 115 euros or 230 euros transferred to the US Holder. The dividend will be income from foreign sources.

On May 28, 2003, the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the Act) was passed in the United States. Under the Act, dividends paid to a non-corporate United States Holder in taxable years before January 1, 2009 that constitute qualified dividend income will be taxable to the holder at a maximum tax rate of 15%, provided that the shares or ADSs are held for more than 60 days during the 121 period beginning 60 days before the ex-dividend date and the holder meets other holding requirements. TOTAL believes that dividends paid by TOTAL with respect to its shares or ADSs will be qualified dividend income.

The dividend will not be eligible for the dividends-received deduction allowed to a United States corporation under Section 243 of the IRC.

Subject to certain conditions and limitations, French taxes withheld in accordance with the Treaty will be eligible for credit against the US Holder's United States federal income tax liability.

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 (instead of on form 10-K which is used by 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 North America, 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 dated 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, provided certain requirements are satisfied.

In respect of dividend distributions in 2005, the administrative guidelines issued by the French Tax Authorities on February 25, 2005 set forth the conditions under which the reduced French withholding tax at the rate of 15% may be available. The immediate application of the reduced 15% rate is available only to the United Kingdom Holders that may benefit from the so-called "simplified procedure".

Under the "simplified procedure", United Kingdom Holders may claim the immediate application of withholding tax at the rate of 15% on the dividends to be received by them, provided that:

(i) They furnish to the financial institution managing their securities account a certificate of residence conforming with the model attached to the February 25, 2005 Administrative Guidelines. The immediate application of the 15% withholding tax will be available only if the certificate of residence is sent to the financial institution managing their securities account before the dividend payment date. Furthermore, each financial institution managing Holders' securities account must also send to the French paying agent the figure of the total amount of dividends eligible to the reduced withholding tax rate before the dividend payment date.

(ii) The UK financial institution managing the UK Holder's securities account provides to the French paying agent a list of the Eligible UK Holders and others information set forth in the February 25, 2005 Administrative Guidelines. These documents must be sent as soon as possible, in all cases before the end of the third month computed as from the end of the month of the dividend payment date.

However, the immediate application of the reduced 15% rate is available, to a certain extent, also to Holders whose identity and tax residence are known by the French paying agent of the dividends.

For a UK Holder that is not entitled to the "simplified procedure", the 25% French withholding tax will be levied at the time the dividends are paid.

Such Holder may, however, be entitled to a refund of the withholding tax in excess of the 15% rate under the standard procedure, as opposed to the “simplified procedure”, provided that the UK Holder furnishes to the French paying agent an application for refund on Form (5087 RF 4-GB (or any other relevant form to be issued by the French tax authorities) before December 31 of the second year following the date of payment of the withholding tax at the 25% rate. Any French withholding tax refund is generally expected to be paid within twelve months from the filing of the abovementioned form. However, it will not be paid before January 15 of the year following the year in which the dividend was paid.

Copies of the above-mentioned French Form are (or will be as soon as issued) available from the French *Centre des Impôts des Non-Résidents,* 9, rue d’Uzès, 75094 Paris Cedex 02, France.

According to the Tax Treaty, certain eligible United Kingdom Holders were entitled to receive a French tax credit (the so-called *avoir fiscal*). However, from January 1, 2005, the *avoir fiscal* is abolished. Consequently, the transfer of the *avoir fiscal* is no longer granted.

The *avoir fiscal* is replaced, for French resident shareholders who are individuals, by a tax credit equal to 50% of the amount distributed, but with an overall annual cap of 115 euros (double for married couples filing jointly).

Non-residents individuals taxpayers entitled to the previous *avoir fiscal* under the French-UK tax treaty should also be entitled to this tax credit limited to 115 euros for each individual (double for married couples filing jointly), possibly reduced by the French withholding tax. However, it is not possible to confirm that the *crédit d’impôt* will be available to qualifying United Kingdom Holders.

However, United Kingdom Eligible Holders who are individuals remain entitled to a refund of the *avoir fiscal* in respect of dividends paid to them in 2004, even if in practice, the *avoir fiscal* is refunded only in 2005.

For UK tax purposes, the gross amount of dividend plus, if any, the refund up to 115 euros or 230 euros is generally included in the recipient’s taxable UK tax basis. Subject to certain conditions and limitations, French withholding taxes on dividends will be eligible against the UK Holder’s income tax liability.

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 Information concerning the Company

NAME

TOTAL S.A.

HEAD OFFICE

2, place de la Coupole
La Défense
92400 COURBEVOIE, France

SHARE CAPITAL

6,350,151,080 euros consisting of 635,015,108 shares as of December 31, 2004

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 purpose of the Company is to search for and extract mining deposits in all countries, particularly hydrocarbons in all forms, and to perform industrial refining, processing and trading in the said materials as well as their derivatives and by-products, as well as all activities relating to 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 deduction of the overhead and other social charges, as well as of any amortisation of the business assets and of any provisions for commercial and industrial contingencies.

From the said profit, reduced by the prior losses if any, the following items are deducted in the indicated order:

1) 5% to constitute the legal reserve fund, until the said fund reaches one-tenth of the share capital;

2) the amounts set by the shareholders at a Shareholders' Meeting with a view to constitution of reserves of which it determines the allocation or the use;

3) the amounts that the shareholders decide at a Shareholders' Meeting to carry forward;

The remainder is paid to the shareholders as dividends.

The Board of Directors may pay out interim dividends.

The 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 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 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, 2004

A table summarizing the currently valid authorizations to increase capital which have been granted by the general shareholders' meeting to the Board of Directors, and the uses made of them during the 2004 fiscal year, is shown on page 199.

- Authorizations to increase share capital by issuing new shares or other securities granting immediate or future access to the Company's share capital with or without preferential subscription rights, by incorporating reserves, profits or share premiums in the form of shares without consideration and/or by raising the nominal value of existing shares, for a maximum nominal amount of 4 billion euros, providing, however, that any increases of capital without a preferential subscription right may not exceed a nominal amount of 2 billion euros and that any debt securities giving access to the share capital of the company may not exceed a total nominal amount of 10 billion euros (Extraordinary Shareholders' Meeting of May 14, 2004 – resolutions 20 and 21 – authorizations valid for 26 months).

  Since these authorizations were not used, the authorized share capital not issued as new shares under these authorizations was 4 billion euros, representing 400 million shares, as of December 31, 2004.

  The Extraordinary Shareholders' Meeting of May 17, 2005 will have to vote on two resolutions aimed at replacing aforementioned authorizations. The resolution that would authorize capital increases by issuing new shares while retaining preferential subscription rights would introduce a total limit of 4 billion euros in nominal capital, from which would be counted against:

  (i) share capital increases by issuing new shares without preferential subscription rights, these issues being limited to a aggregate nominal amount of 1.8 billion euros (previously 2 billion euros);
  and
  (ii) increases in share capital reserved for employees, these issues being limited to a maximum amount of 1.5% of the outstanding share capital on the date of the Board of Directors meeting that decides to proceed with the issuance.

- 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 (Extraordinary Shareholders' Meeting of May 14, 2004 - authorization effective for five years). As this authorization was not used, the authorized share capital not issued as new shares as part of a share capital increase reserved for employees subscribing to a Company Savings Plan under this authorization was 190,504,530 euros, or 19,050,453 shares, as of December 31, 2004.

  The Extraordinary Shareholders' Meeting of May 17, 2005 will have to vote on a resolution to replace it, authorizing for a period of twenty-six months implementation of capital increases reserved to employees belonging to a company savings plan, within a limit of a maximum amount of 1.5 % of the outstanding share capital as of the date of the Board of Directors meeting that decides on the issue, it being understood that the amount of capital increase will be deducted from the total limit of 4 billion euros that would be authorized by the same Meeting for issuing new shares with preferential subscription rights.

- Authorization to allocate share purchase and subscription options reserved for TOTAL employees up to a maximum of 3% of the share capital at the moment of allocation (Extraordinary Shareholders' Meeting of May 14, 2004) – authorization valid for thirty-eight months). Pursuant to this authorisation, the Board of Directors allocated 3,400,000 TOTAL share subscription options at its meeting of July 20, 2004. Therefore, as of December 31, 2004, 15,650,453 shares could be issued pursuant to this authorization.

- 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 Extraordinary Shareholders' Meeting of May 7, 2002, is effective until the 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, and 19,873,932 shares by decision of the Board of Directors, on November 9, 2004, taking effect on November 20, 2004. Thus, as of December 31, 2004, taking into account the shares previously cancelled, 3,627,578 shares might yet be cancelled pursuant to this authorization until July 17, 2005 before reaching the limit of 10% of the share capital that may be cancelled during a 24-month period.

- Also, the Extraordinary Shareholders' Meeting of May 17, 2005 will be asked to approve a resolution authorizing the Board of Directors, for a 38-month period, to carry out grants, for no consideration, of TOTAL shares, whether previously issued or to be newly created, to Group employees and to executives officers, limited to 1% of Company share capital as of the date of the Board of Directors meeting that decides to grant shares.

  The grants will not become final until the expiration of a minimum vesting period of two years, the minimum required term for shares to be held by beneficiaries being set at two years, subject to observing the share grant conditions set down by the Board of Directors that decides to implement such grants. The increase in share capital resulting from the shares issue, if necessary, will be implemented by incorporating premiums, reserves or profits.

SUMMARY TABLE OF DELEGATIONS TO THE BOARD OF DIRECTORS VALID AS OF DECEMBER 31, 2004 TO INCREASE THE SHARE CAPITAL

Report of the Board of Directors to the Shareholders' Meeting of May 17, 2005
Article L. 255-100 of the French Commercial Code

Type		Limit Nominal value or number of shares or expressed in % of share capital	Use in 2004 Nominal value or number of shares	Available balance as of December 31, 2004 Nominal value or number of shares	Date of authorization	Term of authorization given to the Board of Directors
Total issue quota of securities providing access to share capital	Securities representing rights giving access to a capital share	10 billion euros	-	10 billion euros	ESM (*) of May 14, 2004 (20th and 21st resolutions)	26 months
	Nominal share capital	4 billion euros or 400 million shares	-	4 billion euros or 400 million shares	ESM (*) of May 14, 2004 (20th resolution)	26 months
		of which a specific sub-quota of 2 billion euros or 200 million shares for issues without preferential subscription rights	-	2 billion euros or 200 million shares	ESM (*) of May 14, 2004 (21st resolution)	26 months
Increase in share capital reserved to employees belonging to company savings plan		3% of share capital as of issue date (1)	-	19.05 million shares	ESM (*) of May 14, 2004 (22nd resolution)	5 years
Granting of share subscription or purchase options		3% of share capital on the date of Board decision to grant options (1)	3.4 million shares (2)	15.7 million shares (2)	ESM (*) of May 14, 2004 (19th resolution)	38 months

(*) ESM = Extraordinary Shareholders' Meeting
(1) Share capital as of 12/31/04: 635,015,108 shares
(2) The number of share subscription or purchase options allowed under the 19th Resolution of the ESM of 5/14/04 may not exceed 3% of the capital on the date on which the options are granted by the Board of Directors. 3,400,00 TOTAL share subscription options having been granted by the Board of Directors meeting of 7/20/04, the number of options that can be granted as of 12/31/04 is 3% x 635,015,108 (share capital) – 3,400,000 = 15,650,453, representing the same number of shares.

POTENTIAL CAPITAL AS OF DECEMBER 31, 2004

The securities that are convertible into TOTAL shares, through the exercise of options or redemption, are:

- TOTAL share subscription options for 6,372,806 shares as of December 31, 2004, divided into 2,972,806 options for the plan allotted by the Board of Directors meeting of July 16, 2003 and 3,400,000 options for the plan allotted by the Board of Directors meeting of July 20, 2004;

- 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 initiated 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, 2004, 987,066 existing or future shares of Elf Aquitaine were eligible for this exchange guarantee, with rights to subscribe to a maximum of 1,442,634 TOTAL shares.

COMPANY SAVINGS PLAN, EMPLOYEE PROFIT SHARING AND INVESTMENT

The Company Savings Plans give employees of the Group's French companies belonging to these plans the option of making voluntary payments – to which the Company contributes under certain conditions – and to invest their equity share.
Under the agreements signed on March 15, 2002, a "A TOTAL Group Savings Plan" (PEGT), a "Voluntary Partnership Wage Savings Plan" (PPESV) and a "Supplemental Company Savings Plan" (PEC) were set up for the Group's French employees, providing access to a number of Mutual Funds including one invested in Company shares ("TOTAL ACTIONNARIAT FRANCE"). In addition, a "Shareholder Group Savings Plan" (PEG-A) has been in place since November 19, 1999 to serve as a framework for capital increase operations reserved to employees (see page 188).
By application of French law No. 2003-775 of August 21, 2003 reforming pensions, an agreement was signed with the unions on September 29, 2004 to set up, beginning January 1, 2005, a Collective Retirement Savings Plan (PERCO) to replace the PPESV created in the agreement of March 15, 2002.

On June 30, 2003, a profit-sharing agreement and a participation agreement were signed for 2003, 2004, 2005, concerning TOTAL S.A., CDF Énergie, Elf Exploration Production, Total E&P France, Total France, Total Infrastructures Gaz France, Total Lubrifiants, Total Services Maritimes, Total Fluides and Totalgaz.

The supplemented contributions for the Group in 2004 for the various Savings Plans were 41.4 million euros.

The amount of the special profit sharing and incentives reserve to be distributed by all of the companies signing the Group agreements for fiscal year 2004 totaled 77 million euros.

SHAREHOLDERS' AGREEMENT CONCERNING SANOFI-AVENTIS (PREVIOUSLY SANOFI-SYNTHÉLABO)

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 ended on December 2, 2004, is described in the prospectus approved by the *Commission des Opérations de Bourse* (COB) on April 15, 1999 under visa no. 99-399. 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. would henceforth be party to the agreement, that the agreement would terminate on December 2, 2004 and that the parties would not act together in relation to Sanofi-Synthélabo after that date. The agreement did in fact end on December 2, 2004.

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 would vote in favour of the capital increase that would 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 that had been communicated to them.

On September 16, 2004, Sanofi-Aventis (known as Sanofi-Synthélabo until August 20, 2004) announced the final results of its offer for Aventis, following the reopening of that offer, and announced that it held 98.03% of Aventis' capital.

On December 13, 2004 and December 23, 2004, the General Shareholders' Meetings of Aventis and Sanofi-Aventis approved the planned merger of Aventis with and into Sanofi-Aventis.

641,602,385 new shares of Sanofi-Synthélabo were thus created with the close of Sanofi-Synthélabo mixed offer for Aventis.

Then, when this offer was successfully reopened, 17,830,975 new shares of Sanofi-Aventis (the new company name) were created. Finally, 19,122,885 new shares of Sanofi-Aventis were issued following the merger with Aventis. Therefore, Sanofi-Aventis capital increased from 732,848,072 shares (prior to the tender offer) to 1,411,404,317 shares after the merger with Aventis (+92.6%).

During fiscal year 2004, the TOTAL group's stake, held indirectly through its 99.47% subsidiary Elf Aquitaine, was changed from 24.35% of the stock and 34.80% of the voting rights of Sanofi-Aventis as of December 31, 2003 to 12.65% of the stock and 21.49% of the voting rights as of December 31, 2004. This decrease in equity is due to the increase in Sanofi-Synthélabo capital following its purchase and exchange offer for Aventis and the resulting merger of Aventis with and into Sanofi-Aventis.

For a description of Sanofi-Aventis, please consult the reference document prepared by that company.

TOTAL HOLDINGS IN CEPSA

TOTAL has been a shareholder 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, 2004 TOTAL held 36.97% of Cepsa's share capital through its 99.47% 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, SCH, which at the time had an indirect holding of 19.92% in the share capital of Cepsa, launched a public tender offer on September 26, 2003 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, TOTAL announced that, pursuant to the provisions for arbitration in the relevant agreements between SCH and TOTAL, it had on October 13, 2003 introduced arbitral proceedings before the Netherlands Arbitration Institute at the Hague.

At the close of its tender offer on November 24, 2003, SCH had acquired 12.13% of Cepsa's share capital.

On November 25, 2003, the Netherlands Arbitration Institute at the Hague rendered a decision imposing provisional measures pending final judgement on the merits of the case. The proceedings on the merits of the case are 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, ttp://www.total.com. Major events are independently notified in press releases. This Internet site also contains 6-monthly Group presentations on its results and outlook.

Moreover, TOTAL files its annual report as a reference document with the AMF (French Markets Authority). The Group also organizes regular information meetings, in France and abroad, for shareholders, journalists and financial analysts.

Cautionary Note to US Investors - The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms and estimations in this report, such as proved and probable reserves, that the SEC's guidelines strictly prohibit us from including in filings with the SEC. US Investors are urged to consider closely the disclosure in our Form20-F, File N°1-10888, available from us at:
2, place de la Coupole – La Défense 6
92078 Paris La Défense cedex – France
You can also obtain this form from the SEC by calling 1-800-SEC-0330.

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 2004, the main differences are analyzed below:

(in millions of euros)	Shareholders' equity as of 12/31/2004	2004 income
Group consolidated financial statements:	**31,260**	**9,612**
Elf and PetroFina combinations	34,695	(3,143)
Valuation of inventories	2,289	714
Other items	(448)	5
Tax impact of above differences	(2,688)	33
Amounts under US standards:	**65,108**	**7,221**

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, within 90 days prior to the filing of the annual report on Form 20-F. For the year 2004, the Chairman and Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective in all material respects.

FINANCIAL INFORMATION CONTACTS

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USA

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E-mail: ir.nyc@total.com

Administration - Management - Control

Membership of the Board of Directors during 2004

(Article L. 225-102-1 of the French Commercial Code)

Thierry Desmarest
Chairman and Chief Executive Officer
Aged 59 [1]
Director of TOTAL S.A. since 1995 and until 2007.
Holds 58,300 shares.
Other duties exercised during the 2004 fiscal year:
Chairman and Chief Executive Officer of:
• Elf Aquitaine - France
Member of the Supervisory Board of:
• Air Liquide - France
• Areva - France
Director of:
• Sanofi-Aventis - France
Total compensation and benefits of any nature received
during 2004: 2,787,239 euros
during 2003: 2,528,076 euros
during 2002: 2,409,952 euros

Daniel Boeuf
Director representing employee shareholders
Aged 56 [1]
Director of TOTAL S.A. since May, 14, 2004 and until 2007.
Holds 1,218.3644 stakes of the Total Actionnariat France employee investment fund.
Other duties exercised during the 2004 fiscal year: None
Total compensation and benefits of any nature received
during 2004: 128,259.98 euros

Daniel Bouton
Independent Director [2]
Aged 54 [1]
Director of TOTAL S.A. since 1997 and until 2006.
Holds 800 shares.
Other duties exercised during the 2004 fiscal year:
Chairman and Chief Executive Officer of:
• Société Générale - France
Director of:
• Arcelor - France
• Schneider Electric S.A. - France
• Veolia Environnement - France
Total compensation and benefits of any nature received
during 2004: 37,500.00 euros
during 2003: 37,500.00 euros
during 2002: 41,255.64 euros

Bertrand Collomb
Independent Director [2]
Aged 62 [1]
Director of TOTAL S.A. since 2000 and until 2006.
Holds 1,178 shares.
Other duties exercised during the 2004 fiscal year:
Chairman of:
• Lafarge - France
Director of:
• Vivendi Universal - France
• ATCO - Calgary - Canada
• Unilever - The Netherlands
Total compensation and benefits of any nature received
during 2004: 42,000.00 euros
during 2003: 37,500.00 euros
during 2002: 32,127.82 euros

Paul Desmarais Jr.
Independent Director [2]
Aged 50 [1]
Director of TOTAL S.A. since May,7, 2002 and until 2005.
Holds 500 shares.
Other duties exercised during the 2004 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 - USA
• 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
Deputy Chairman of:
• Gesca Ltée - Canada
• La Presse Ltée - Canada
• Les Journaux Trans-Canada (1996) Inc. - Canada
Member of the Board of Directors of:
• Suez - France
• The Canada Life Assurance Company - Canada
• Canada Life Financial Corporation - Canada
• Canada Life Capital Corporation - Canada
• IGM Financial Inc. - Canada

Total compensation and benefits of any nature received
during 2004: 37,500.00 euros
during 2003: 37,500.00 euros
during 2002: 18,572.39 euros

Jacques Friedmann
Independent Director [2]
Aged 72 [1]
Director of TOTAL S.A. since 2000 and until 2006.
Holds 1,519 shares.
Other duties exercised during the 2004 fiscal year:
Director of:
- BNP Paribas - France
- L.V.M.H. - France

Total compensation and benefits of any nature received
during 2004: 82,500.00 euros
during 2003: 69,000.00 euros
during 2002: 65,255.64 euros

Bertrand Jacquillat
Independent Director [2]
Aged 60 [1]
Director of TOTAL S.A. since 1996 and until 2005.
Holds 900 shares.
Other duties exercised during the 2004 fiscal year:
Chairman and Chief Executive Officer:
- Associés en Finance - France

Member of the Supervisory Board of:
- Klepierre - France

Total compensation and benefits of any nature received
during 2004: 78,000.00 euros
during 2003: 64,500.00 euros
during 2002: 61,255.64 euros

Antoine Jeancourt-Galignani
Independent Director [2]
Aged 67 [1]
Director of TOTAL S.A. since 1994 and until 2006.
Holds 1,085 shares.
Other duties exercised during the 2004 fiscal year:
Chairman of the Board of Directors of:
- GECINA - France
- Société des Immeubles de France - France (Chairman until February, 25, 2004; then Director)
- 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)
- Jetix Europe NV - The Nederlands
- Hypo Real Estate Holding - Germany

Total compensation and benefits of any nature received
during 2004: 46,500.00 euros
during 2003: 37,500.00 euros
during 2002: 36,879.70 euros

Anne Lauvergeon
Independent Director [2]
Aged 45 [1]
Director of TOTAL S.A. since 2000 and until 2006.
Holds 500 shares.
Other duties exercised during the 2004 fiscal year:
Chairman of the Managing Board:
- Areva - France

Chairman and Chief Executive Officer of:
- Cogema - France

Director of:
- Areva T&D Holding SA - France
- FCI - France
- Suez - France

Vice-Chairman of the Supervisory Board
- Sagem - France

Total compensation and benefits of any nature received
during 2004: 42,000.00 euros
during 2003: 33,000.00 euros
during 2002: 23,751.88 euros

Maurice Lippens
Independent Director [2]
Aged 61 [1]
Director of TOTAL S.A. since February, 19, 2003 and until 2005.
Holds 800 shares.
Other duties exercised during the 2004 fiscal year:
Chairman of:
- Fortis Brussels - Belgium
- Fortis SA/NV
- Fortis N.V.
- Fortis Utrecht - The Nederlands
- Compagnie Her Zout - Belgium

Director of:
- Belgacom - Belgium
- Suez-Tractebel - Belgium
- Bruxelles Lambert Group - Belgium
- Finasucre - Belgium
- Groupe Sucrier S.A. - Belgium

Total compensation and benefits of any nature received
during 2004: 37,500.00 euros
during 2003: 30,943.35 euros

Michel Pébereau
Independent Director [2]
Aged 62 [1]
Director of TOTAL S.A. since 2000 and until 2006.
Holds 589 shares.
Other duties exercised during the 2004 fiscal year:
Chairman of:
- BNP Paribas - France
- Fédération bancaire européenne - France

Director of:
- Lafarge - France
- Saint Gobain - France
- BNP Paribas UK Holdings Limited - United Kingdom

Non-voting board member of:
- Galeries Lafayette - France

Member of the Supervisory Board of:
- Axa - France

Total compensation and benefits of any nature received
during 2004: 51,000.00 euros
during 2003: 42,000.00 euros
during 2002: 36,503.76 euros

Thierry de Rudder
Independent Director [2]
Aged 55 [1]
Director of TOTAL S.A. since 1999 and until 2007.
Holds 989 shares.
Other duties exercised during the 2004 fiscal year:
Managing Director of:
- Groupe Bruxelles Lambert - Belgium

Director of:
- Compagnie Nationale à Portefeuille - Belgium
- Suez - France
- Suez-Tractebel - Belgium

Member of the Supervisory Board of:
- Imerys - France

Total compensation and benefits of any nature received
during 2004: 82,500.00 euros
during 2003: 69,000.00 euros
during 2002: 60,879.70 euros

Jürgen Sarrazin
Independent Director [2]
Aged 68 [1]
Director of TOTAL S.A. since 2000 and until 2006.
Holds 1,477 shares.
Other duties exercised during the 2004 fiscal year: None
Total compensation and benefits of all kinds received
during 2004: 46,500.00 euros
during 2003: 37,500.00 euros
during 2002: 41,255.64 euros

Serge Tchuruk
Independent Director [2]
Aged 67 [1]
Director of TOTAL S.A. since 1989 and until 2007.
Holds 24,574 shares.
Other duties exercised during the 2004 fiscal year:
Chairman and Chief Executive Officer:
- Alcatel - France

Director of:
- 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 2004: 46,500.00 euros
during 2003: 46,500.00 euros
during 2002: 44,879.70 euros

Pierre Vaillaud
Independent Director [2]
Aged 69 [1]
Director of TOTAL S.A. since 2000 and until 2006.
Holds 500 shares.
Other duties exercised during the 2004 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 2004: 46,500.00 euros
during 2003: 37,500.00 euros
during 2002: 36,879.70 euros

RELATED PARTY TRANSACTIONS

The list of the related party transactions mentioned in Articles L. 225-39 and L. 225-115 of the French Commercial Code, which is made available to shareholders at the registered offices, does not include any agreement that might have a significant impact on the Company's financial situation. In particular, there is no agreement between the Company and any shareholder who holds more than 10% of the voting rights in the Company.

Note: During the last three fiscal years, the directors in office did not received any compensation or benefit of any kind from companies controlled by TOTAL S.A. except for Mr Daniel Boeuf, employee by TOTAL France. The aforementioned compensations (except for the Chairman's and Mr Boeuf's compensations) corresponds only to the directors' attendance fees (gross amount) paid for fiscal year.

(1) Information as of December 31, 2004

(2) The independence of the members of the Board of Directors is reviewed every year by the Board itself, with the most recent review having occurred on February 16, 2005. Upon the proposal of the Nomination and Remuneration Committee, and pursuant to the 2002 AFEP-MEDEF Report, the criteria that the Board has adopted for evaluating the independence of its members is the absence of any material relationship with the Company, the Group or its management which could compromise the independent judgment of a director. In its evaluation, the Board reviewed the specific criteria listed in the aforesaid report. The Board has determined that the current or past relationships existing between the Company and certain of its directors were not of the nature that they would affect the independent judgment of those Directors.

Independent Company Audit - Statutory Auditors

ACTING STATUTORY AUDITORS

KPMG Audit
Département de KPMG S.A.
1, cours Valmy, 92923 Paris-La Défense, France
Date of appointment: 5/13/1998 for 6 fiscal years
Reappointed on 5/14/2004 for 6 fiscal years
R. Amirkhanian

TOTAL COMPENSATION RECEIVED (*)

(in millions of euros)

	in 2004	in 2003
(a) Audit of the Company's statutory and consolidated financial statements	12.4	9.7
(b) Related audit services	9.2	5.7
(c) Subtotal (a)+(b)	**21.6**	**15.4**
(d) Other services	1.8	0.3
Total (c)+(d)	**23.4**	**15.7**

(*) Including member firms of their network

Ernst & Young Audit
41, rue Ybry, 92576 Neuilly-sur-Seine Cedex, France
Date of appointment: 5/14/2004 for 6 fiscal years
G. Galet
P. Diu

TOTAL COMPENSATION RECEIVED (*)

(in millions of euros)

	in 2004	in 2003 (**)
(a) Audit of the Company's statutory and consolidated financial statements	12.1	10.6
(b) Related audit services	2.2	2.9
(c) Subtotal (a)+(b)	**14.3**	**13.5**
(d) Other services	1.0	1.5
Total (c)+(d)	**15.3**	**15.0**

(*) Including member firms of their network
(**) Information disclosed in respect of 2003 pertains to Barbier Frinault et Autres (member of the Ernst & Young' network), whose term of office expired at the end of the general shareholders' meeting of May 14, 2004.

ALTERNATE STATUTORY AUDITORS

Jean-Luc Decornoy
2 bis rue de Villiers, 92300 Levallois-Perret, France
Date of appointment: 5/14/2004 for 6 fiscal years

Pierre Jouanne
41, rue Ybry, 92576 Neuilly-sur-Seine Cedex, France
Date of appointment: 5/14/2004 for 6 fiscal years

The terms of office of the acting and alternate statutory auditors will expire at the end of the Shareholders' Meeting called to approve on the financial statements of the 2009 fiscal year.

Employment and environmental information

provided pursuant to article 225-102-1 of the Commercial Code

Pursuant to the provisions of article 225-102-1 of the French Commercial Code enacted under the law of May 15, 2001 concerning new economic regulations (known as the NRE Law), the Company must provide information on the manner in which it addresses the employment and environmental 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 Energy” 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.

Employment

1. Employment trend

TOTAL S.A. EMPLOYEES

As of December 31	2004	2003	2002
Men	3,902	3,764	3,656
Women	1,453	1,333	1,216
Total	**5,355**	**5,097**	**4,872**

Women represented 27% of TOTAL S.A. employees as of December 31, 2004. A special department was created in 2003 within the Human Resources Division to oversee the development of diversity and, specifically, gender parity, within the company.

AVERAGE AGE AND SENIORITY OF TOTAL S.A. EMPLOYEES

		2004	2003	2002
Average age	Men	44.6	43.7	43.7
	Women	41.9	40.0	39.7
Average seniority	Men	16.9	16.1	15.9
	Women	16.0	14.2	13.9

Average seniority increased by 6% for men and by 15% for women between 2002 and 2004, due to the addition of a large number of employees having significant seniority from other Group companies.

TRANSFERS TO TOTAL S.A.

		2004	2003	2002
External transfers	Open-ended employment contracts	150	175	235
	Fixed-term employment contracts	129	132	120
Internal transfers		145	243	2,096
Total		**424**	**550**	**2,451**

This table shows the number of hires broken down by open-ended employment contract and fixed-term contract, and the number of arrivals from within the Group.

DEPARTURES FROM TOTAL S.A.

	2004	2003	2002
Resignations	21	21	24
Layoffs	0	0	0
Terminations for other reasons	14	6	4
End of fixed-term employment contracts	108	91	104
Retirement	16	16	28
End of trial period	1	2	2
Death	5	5	3
Transfers	49	34	79
Other departures (*)	3	101	103
Total	**217**	**276**	**347**

(*) PRC / PRI (voluntary early retirement, internal early retirement)

The early retirement plans ended in 2003, resulting in a considerable drop in staff departures in 2004.

OUTSIDE WORKERS

	2004	2003	2002
Number of service providers as of 12/31	2,048	2,094	1,056
Average number of temporary workers, per month	97	115	138

Service providers primarily consist of general services or advisory activities.
The use of temporary workers is decreasing: down 30% between 2002 and 2004. During the same period, TOTAL S.A employees grew about approximately 10%.

2. Management of the 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 program, or voluntary departures with assistance from the company.

3. Work time and organization

ORGANIZATION OF WORK TIME

	2004	2003	2002
Full time	5,079	4,825	4,629
Part time	242	224	203
Teamwork (*)	34	48	40

(*) 3x8 C

French law No. 2004-626 of June 30, 2004 concerning support of the independence of the elderly and the disabled increased work time by 7 hours or one day per year. As a result, annual work time for TOTAL S.A. was increased to 208 days for management and 1,580 hours over 208 days for other employees.
In 2004, only 4.5% of TOTAL S.A. employees worked part-time.
Employees who work in teams are employees on temporary assignment at other entities within the Group.

ABSENTEEISM - NUMBER OF DAYS OF ABSENCE

	2004	2003	2002
Illness and treatment	15,137	11,968	7,042
Accident at work or in transit	255	260	206
Maternity	5,398	4,595	3,545
Total	**20,790**	**16,823**	**10,793**

The number of days of absence has increased since 2002 due to the increase in permanent employees at TOTAL S.A.

4. Compensation

TREND IN COMPENSATION - TOTAL S.A.

	2004	2003	2002
Average, per year (in euros)	74,415	67,239	66,702

These figures represent the annual payroll divided by the monthly average number of employees. The figures include compensation for upper management and executive officers. They cannot be compared to the 2003 and 2002 figures, since the method of calculation now includes compensation in kind.

AVERAGE COMPENSATION PER MONTH - TOTAL S.A.

(in euros)	Men	Women
Individualized Engineers and Managers	9,848	8,271
Engineers and Managers	5,150	4,697
Supervisors and similar staff	3,441	3,072
Clerical, Technicians	2,356	2,082

TOTAL SALARY EXPENSES - TOTAL S.A.

	2004	2003	2002
Personnel expenses (in billions of euros)	0.68	0.67	0.45
Value added (in billions of euros)	1.957	1.630	1.258
Ratio	0.35	0.41	0.36

AVERAGE PROFIT SHARING AND INCENTIVES PER BENEFICIARY - TOTAL S.A.

(in euros)	2003	2002	2001
Profit sharing	392	502	1,784
Incentives	4,099	3,955	2,452
Total	**4,491**	**4,457**	**4,236**

The 2004 figures will not be available for the Shareholders' Meeting on May 17, 2005.

TOTAL S.A.'s collective agreements concerning incentives and profit sharing were renewed in June 2003. The amounts paid out for profit sharing and incentives have increased by over 5% since 2001.

5. Health and safety conditions

WORK ACCIDENTS INVOLVING TOTAL S.A. EMPLOYEES

	2004	2003	2002
Number of accidents	8	2	7
Frequency rate	0.949	0.254	1.318

BUDGET FOR SAFETY-RELATED EXPENDITURES - TOTAL S.A.

(in euros)	2004	2003	2002
	2,206,919	3,447,000	2,675,000

This item contains the budget of expenses earmarked for TOTAL S.A only. The increase in expenditures in 2003 compared to 2002 is specifically due to TOTAL S.A.'s assumption of expenses previously borne by other Group companies.

6. Training

NUMBER OF TOTAL S.A. EMPLOYEES HAVING RECEIVED TRAINING

	2004	2003	2002
	2,676	2,323	1,885

The number of employees who received continuing training has continued to grow since 2002 (+ 42%). This increase is due in part to the growth in the number of employees in 2003 and 2004 following the merger of the TOTAL, PetroFina and Elf groups, as well as more efficient organization of training within the Group.

7. Employment of disabled workers

NUMBER OF DISABLED WORKERS - TOTAL S.A.

	2004	2003	2002
	111	93	93

In January 2003, TOTAL S.A. and several other companies of the TOTAL Group signed a new three-year agreement for the inclusion of disabled workers. Under that agreement, 6% of new employees hired must be disabled. The company is also required to train disabled workers and develop more work-based assistance centers.

8. Social projects

BUDGET OF COMMITTEES

(in euros)	2004	2003	2002
	9,183,909	7,776,467	2,442,589

Since 2003, TOTAL S.A. has belonged to an Economic and Social Union with Elf Exploration Production. The 2004 budget for committees corresponds to the Works Committee budget for this Social and Economic Union. The scope of this arrangement is different from the one that governed representation of staff until 2002.

9. Employee organizations

	2004	2003	2002
Number of meetings for negotiations with Central Union Delegates	67	50	58
Number of collective agreements signed	16	6	18

The collective agreements signed in 2004 concern salaries, company communications, savings, social and cultural activities, additional provisions for retirement, supplementary health care coverage, and the organization of professional elections. (the next elections will take place in 2005).

Environment

Pursuant to French law No. 2001-420 of May 15, 2001, TOTAL S.A. must provide information regarding the social and environmental consequences of its activities. Under the application decree of February 20, 2002, this information 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 nature of the 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 special report entitled "Sharing Our Energy" provides detailed information on how the various entities of the Group conduct their environmental policies in its section devoted to the environment. 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 in the chapter entitled "Social and Environmental Responsibility".

The Charter on Safety, Environment and Quality 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 is based on ten fundamental principles which are spelled out in an accompanying guidebook, to give operational personnel a better understanding of these principles so that they can be applied in daily activities.

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 its safety, health and environmental risks, which is to be carried out by the operational branch in question. Adherence to the minimum 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.

This 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 is based on scientific analyses of substances and their effects, environmental impact studies and risk studies, conducted in accordance with current regulations and industry standards. In recent years, it has given increased weight to regulatory developments, and analyses of health impacts, and is progressively incorporating 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.

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 water and 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 Energy".

Special attention is also paid to soil and water table contamination, with special programs to evaluate risks and cleanup.

Each branch of the Group sets its own objectives for reduction and prevention based on its own characteristics, and implements these objectives at its sites. Measures to coordinate methodologies and studies on risks and environmental and health impacts are currently underway.

In addition to this prevention policy, each operational entity of the Group must establish its own 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.

These policies of prevention and struggle against the effects of potential accidents do not apply only to industrial sites; the transport of hazardous products is subject to similar measures and methodologies.

The principles set forth for the employees are based on two 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. Job evaluations are based on these criteria, among others.

To give substance to these principles, the parent company's Environmental and Safety Departments organize training sessions both for management and for personnel responsible for environmental health functions and safety. Training in crisis management and recovery is also under consideration. The operational branches also offer many training sessions adapted to the various groups of employees responsible for these activities.

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 social partners, customers, shareholders, and contractual partners in relationships affecting the environment must be addressed with a constructive attitude of dialogue and transparency.

Special attention is given to community relations, and experimental close partnerships, involving dialogue and cooperation, reflecting the goals of the "Sharing Our Energy" report, are being conducted around several sites. These partnerships will become more widespread based on practical experience.

The organization of the Group entities is proof of the Group's constant and effective consideration of the environment in all its activities. A centralized Sustainable Development and Environmental Department coordinates an environmental information network, facilitating exchanges of information and synergies among the branches. The activities 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 being coordinated and improved within the entities, and between the entities and the central managements; the medium-term goal is to have them 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 have been implemented.

Based on the individual features of their locations and operations, all branches of the Group have implemented internal management systems, some in the area of the environment, others relating to safety or quality. This is a voluntary and very participative process, which relies upon information, cooperation, sensitivity and the training of all employees. Objectives are clearly defined and strategies are established; results are measured using methodologies and measures which are being progressively developed and refined; audits are performed using controls to assess the outcome of the efforts. These management systems are evaluated periodically by internal auditors, in order to continually improve them.

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 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' report on regulated agreements

For the year ended December 31, 2004

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you 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 main characteristics and terms and conditions of the agreements brought to our attention, without having to express an opinion on their usefulness or appropriateness. Pursuant to Article 92 of the March 23, 1967 Decree, it is your responsibility to assess the interest of the company to have concluded 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 BNP Paribas and Société Générale have entered into guarantee agreements relating to the financing of the Sincor project which Total Venezuela is taking part in.
  The total amount of the 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, of which USD 20.2 million related to Total Venezuela.
- Guarantee of a USD 243 million financial agreement granted to Oleoducto Central S.A. (Ocensa).
  As repayments occurred during the year, the loan amounts to USD 65 million as of December 31, 2004.
- First demand guarantee for 16.7% of the amounts due by TMR Energy Limited related to a USD 34.2 million loan.
  As repayments occurred, your share of the guarantee amounts to USD 0.9 million as of December 31, 2004.

We have carried out our work in accordance with audited 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, February 17, 2005
The statutory auditors

KPMG Audit
Département de KPMG S.A.

René Amirkhanian

ERNST & YOUNG AUDIT

Gabriel Galet

Philippe Diu

Statutory auditors' report on financial statements

For the year ended December 31, 2004

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 in all audit reports, whether qualified of not, and this is presented below the opinion on the financial statements. This information includes (an) explanatory paragraph(s) discussing the auditors' assessment(s) of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the 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, and is construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your general meeting, we hereby report to you, for the year ended December 31, 2004, on:
- the audit of the accompanying financial statements of TOTAL S.A.,
- the justification of our assessments,
- 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.

I. 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 the 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 present fairly, in all material respects, the financial position of the Company at December 31, 2004 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 225-235 of the French company Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:
We carried out the assessment of the approaches of your company to the valuation of investments in subsidiaries and affiliates as described in Note 1 to the financial statements, based on information available up to date and performed tests to verify the application of these methods. Within the framework of the justification of our assessments, we ensured of the reasonableness of these estimates.
The assessments were thus made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the formation of our unqualified audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by law in accordance with professional standards applicable in France. We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the Directors' Report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders and holders of the voting rights has been properly disclosed in the Directors' Report.

Paris La Défense, February 17, 2005
The statutory auditors

KPMG Audit Département de KPMG S.A.	ERNST & YOUNG AUDIT	
René Amirkhanian	Gabriel Galet	Philippe Diu

SUMMARIZED STATEMENT OF INCOME

(in millions of euros)	2004	2003	2002
Operating income	1,203	925	785
Financial result [1]	3,212	3,154	2,774
Exceptional items, taxes and profit-sharing/incentives expenses	(972)	(807)	(1,149)
Net profit	**3,443**	**3,272**	**2,410**
(1) Including income from subsidiaries and affiliated companies	3,816	3,552	3,387

CHANGES IN SHAREHOLDERS' EQUITY

	Issued shares		Paid-in	Retained	Revaluation	
(in millions of euros)	Number	Amount	surplus	earnings	reserve	Total
As of December 31, 2003	**649,118,236**	**6,492**	**40,213**	**8,272**	**38**	**55,015**
Cash dividend [1]				(2,973)		(2,973)
2004 net income				3,443		3,443
Cash 2004 interim dividends paid [2]				(1,498)		(1,498)
Issuance of shares reserved for employees	3,434,830	34	336			370
Capital reduction	(19,873,932)	(199)	(2,876)			(3,075)
Issuance of common shares - Elf	2,335,024	23	343			366
Issuance of common shares - TOTAL	950					-
As of December 31, 2004	**635,015,108**	**6,350**	**38,016**	**7,244**	**38**	**51,648**

(1) Global distributed dividend in 2004: 2,973 million euros (4.70 euros per share)
(2) Global distributed interim dividend in 2004: 1,498 million euros (2.40 euros per share)

SUMMARIZED BALANCE SHEET

(in millions of euros)	2004	2003	2002
Assets			
Non-current assets	**77,069**	**76,771**	**78,751**
Intangible assets	50	37	41
Property, plant and equipment	184	218	202
Investments	76,835	76,516	78,508
• Investments in subsidiaries and affiliated companies	71,727	70,868	71,517
• Loans to subsidiaries and affiliated companies	5,108	5,648	6,991
Current assets	**2,741**	**2,504**	**2,728**
Inventories	2	2	1
Accounts and notes receivable	1,254	1,128	1,267
Marketable securities	1,282	1,344	1,364
Cash, cash equivalents and short-term deposits	203	30	96
Adjustment accounts	**433**	**328**	**91**
Total	**80,243**	**79,603**	**81,570**

Liabilities and shareholders' equity			
Shareholders' equity	**51,648**	**55,014**	**59,379**
Common shares	6,350	6,491	6,872
Reserves, retained earnings	43,353	45,251	50,097
Income for the year	3,443	3,272	2,410
Interim dividends	(1,498)	-	-
Other equity	**-**	**-**	**-**
Contingency reserves	**1,305**	**1,210**	**1,209**
Debts	**27,290**	**23,376**	**20,976**
Loans	26,149	22,328	19,843
• Debentures other than convertible [1]	2,867	3,610	4,742
• Other loans and bank overdrafts	23,282	18,718	15,101
Liabilities	1,141	1,048	1,133
Adjustment accounts	**-**	**3**	**6**
Total	**80,243**	**79,603**	**81,570**

(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

Decembre 31, 2004 (in millions of euros)	% of capital owned by company	Capital	Other share-holders' equity	Book value of investments gross	Book value of investments net	Loans & advances	Sales for the year	Net Income	Dividend received	Commit-ments contin-gencies
Subsidiaries										
Total France	59.6	624	559	2,632	2,632	-	19,567	528	-	-
Total Chimie	100.0	930	11,808	13,117	13,117	-	-	352	353	-
Omnium Insurance Reinsur. Cy.	100.0	29	242	114	114	-	279	138	89	-
Elf Aquitaine	95.7	2,243	12,852	45,360	45,360	-	-	1,649	1,897	-
Total Portugal Petroleos S.A.	100.0	98	(46)	101	72	34	113	(6)	-	-
Cray Valley S.A.	100.0	70	6	69	69	-	317	(1)	-	-
Total China Investment Ltd.	100.0	60	(13)	75	41	-	54	(5)	-	-
Total Gestion U.S.A.	100.0	3,969	-	3,969	3,969	-	-	-	-	-
Total Holdings Europe	53.2	65	3,669	4,446	4,446	-	-	1,869	422	-
Total Tractebel Emirates Power	50.0	144	14	72	72	-	-	9	-	-
Total E&P Holdings	65.8	4	(468)	391	391	-	-	1,012	645	-
Others [a]	-	-	-	1,698	1,444	5,096	-	-	410	28,794
Total				**72,044**	**71,727**	**5,130**			**3,816**	**28,794** [b]

(a) Gross and net book values: including on shares for 709 million euros
(b) Mainly commitments on short term financing plan and loans incurred by TOTAL CAPITAL

FIVE-YEAR FINANCIAL DATA

	2004	2003	2002	2001	2000
I - Capital at year-end					
(in thousand of euros, except for the number of shares)					
Common stock	6,350,151	6,491,182	6,871,905	7,059,350	7,404,658
Number of shares of common stock outstanding	635,015,108	649,118,236	687,190,510	705,934,959	740,465,798
Potential number of shares for issue					
• by exercise of share subscription options	6,285,886	2,935,306	-	449,881	962,680
• TOTAL US warrants	-	-	884,465	1,786,395	1,789,691
• Elf	1,442,634	3,793,652	5,178,906	5,951,375	6,296,965
II - Operations and income for the year					
(in thousand of euros)					
Net commercial sales	4,775,056	4,246,682	4,111,252	3,949,347	16,488,288
Employee profit sharing	26,000	22,000	14,000	10,200	10,214
Net income	3,443,252	3,272,173	2 ,410,412	3,828,722	3,012,113
Retained earnings brought forward	1,355,571	1,056,491	1,316,910	651,989	19,134
Income available for appropriation	**4,798,823**	**4,328,664**	**3,727,322**	**4,480,711**	**3,031,247**
Legal reserve	-	-	-	-	18,262
Provident funds	-	-	-	-	-
Reserves	-	-	-	-	-
Dividends	3,429,082	3,079,116	2,821,221	2,712,141	2,449,443
Retained earnings	1,369,741	1,249,548	906,101	1,768,570	563,542
III - Earnings per share					
(in euros)					
Income after tax, before depreciation, amortization and provisions (1)	5.74	5.28	4.42	5.51	4.56
Net income (1)	5.59	5.15	3.62	5.52	4.26
Net dividend per share	5.40	4.70	4.10	3.80	3.30
IV - Personnel					
(in thousand of euros except for the number of employees)					
Average number of employees during the year (2)	5,240	5,013	3,376	2,636	2,488
Total payroll for year	472,189	458,518	311,741	219,987	203,501
Social security and other staff benefits	222,903	221,653	147,133	106,315	85,738

(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

Year (in thousand of euros, except for number of shares)	Increase in capital	Cash contributions: Par value	Cash contributions: Issue / conversion premium	Successive amount of nominal capital	Cumulated number of shares
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 Elf	10,921	135,523	6,891,182	689,118,236
	• Capital reduction	(400,000)	(4,779,523)	6,491,182	649,118,236
2004	**Capital increase:**				
	• Capital increase reserved for employees	34,348	335,560	6,525,530	652,553,066
	• Employees' share subscription plans Elf	23,350	343,142	6,548,880	654,888,090
	• Employees' share subscription plans	10	117	6,548,890	654,889,040
	• Capital reduction	(198,739)	(2,876,408)	6,350,151	635,015,108

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